

Investor Update

9 July 2021

Update on NorthWest/GIC Proposal

- The Board of Australian Unity Funds Management Limited (AUFM), as responsible entity (RE) of the Australian Unity Healthcare Property Trust (AUHPT) continues to recommend that AUHPT unitholders **VOTE AGAINST** the proposal from entities associated with Canadian healthcare real estate trust, NorthWest Healthcare Properties Real Estate Investment Trust (NorthWest), and Singaporean sovereign wealth fund, GIC Private Limited (GIC) (together, NorthWest/GIC) to acquire all of the units in AUHPT at \$2.70 per wholesale unit, \$2.76 per retail unit and \$1.69 per Class A unit (the NorthWest/GIC Proposal)
- Given NorthWest's intention to vote the NorthWest (and Hume Partners Pty Ltd (and certain associates) (Hume)) interests in favour of its own proposal, it remains important that AUHPT unitholders vote on the resolution proposed by NorthWest
- Unitholders are encouraged to complete the AUFM Proxy Form which must be received by **5:00pm (Melbourne time) on Friday 16 July 2021**
- The current rights issue offer and Australian Unity premium cash offer are proceeding. The Supreme Court of New South Wales (Court) dismissed (with costs) NorthWest's application for an injunction to restrain these transactions. The judicial advice application made by AUFM in relation to the NorthWest/GIC Proposal is still expected to be heard by the Court on 22 July 2021 (being after the date of the NorthWest convened unitholder meeting on 19 July 2021)
- AUFM confirms that the statements made in AUFM's information booklet dated 27 June 2021 (Information Booklet) regarding AUHPT unitholder returns were not, and were not intended to be, financial forecasts
- AUFM is concerned that additional potentially misleading and deceptive information is being provided to unitholders by, or on behalf of, NorthWest/GIC, including regarding:
 - the arrangements entered into by the Australian Unity Group and Dexu announced on 9 June 2021;
 - the independence of the AUFM Board in considering the proposals from NorthWest/GIC; and
 - AUHPT's distribution calculation practices.

1. **AUFM Board continues to recommend that unitholders VOTE AGAINST the NorthWest/GIC Proposal**

The AUFM Board continues to recommend that AUHPT UNITHOLDERS **VOTE AGAINST THE NORTHWEST/GIC PROPOSAL**.

As previously advised, the AUFM Board has carefully considered the NorthWest/GIC Proposal and formed the view that it is **NOT IN THE BEST INTERESTS OF AUHPT UNITHOLDERS**, on the basis that it continues to undervalue AUHPT, having regard to the current and expected future value of the portfolio and the benefits AUHPT could deliver to a potential acquirer.

The reasons for the AUFM Board's recommendation are set out in detail in the Information Booklet.

2. **Voting on the NorthWest/GIC Proposal and AUFM Proxy Form**

Based on the unprecedented structure of the NorthWest/GIC Proposal, including NorthWest's intention to vote the NorthWest (and Hume) interests in favour of its own proposal, **it remains important that AUHPT unitholders vote on the resolution proposed by NorthWest in order to avoid having their units acquired against their wishes**. Please refer to the Information Booklet for further information.

The AUFM Board encourages unitholders to carefully read the Information Booklet in full before making any decision as to how to vote in relation to the NorthWest/GIC Proposal.

Unitholders are encouraged to complete the AUFM Proxy Form included with the Information Booklet rather than the NorthWest proxy form. **If you have already voted with NorthWest's posted proxy form, please vote again using the AUFM Proxy Form enclosed with the Information Booklet.**

Details of how to **VOTE AGAINST** the NorthWest/GIC Proposal are contained in Section 2 of the Information Booklet.

The latest time that AUFM Proxy Forms can be received is 5:00pm (Melbourne time) on Friday 16 July 2021.

3. **Court dismisses NorthWest's injunction application to restrain the current Rights Issue Offer and Australian Unity Premium Cash Offers**

As noted in the Information Booklet, in connection with the legal proceedings commenced by NorthWest against AUFM in relation to the proposed transaction, NorthWest sought an injunction to restrain:

- AUFM from proceeding with the current rights issue offer to existing unitholders (**Rights Issue Offer**); and
- AUFM and Australian Unity Strategic Holdings Pty Limited (**AUSH**) from proceeding with the up to \$80 million premium cash offers announced on 9 June 2021 and 22 June 2021 (**Australian Unity Premium Cash Offers**).

Following a Court hearing on 2 July 2021, the Court dismissed (with costs) NorthWest's injunction application.

As at the time of this announcement, AUFM notes that it appears that NorthWest has not yet informed unitholders of the outcome of its injunction application. As previously advised, NorthWest also continues to fail to explain to unitholders the impact of the ongoing Court proceeding commenced by AUFM on the outcome of the NorthWest/GIC Proposal (see also below), despite AUFM bringing this matter to the attention of NorthWest on a number of occasions.

Unitholders should note that applications for the Rights Issue Offer continue to be open to eligible AUHPT unitholders.

4. Judicial advice proceedings commenced by AUFM

As previously advised, AUFM has sought judicial advice from the Court regarding a number of matters of concern to AUFM relating to the NorthWest/GIC Proposal.

The matters in relation to which AUFM is seeking judicial advice include:

- the validity of the resolution to be voted on by AUHPT unitholders at the unitholder meeting scheduled for 19 July 2021; and
- the proposed voting arrangements for the meeting, including the intention of NorthWest and Hume to vote on the proposed unitholder resolution.

As also previously advised, NorthWest has filed a cross-claim in respect of AUFM's proceeding relating to the eligibility of AUFM, Australian Unity Limited (AUL), AUSH and Dexus to vote at the proposed unitholder meeting.

The hearing in relation to the judicial advice application made by AUFM (as well as NorthWest's cross-claim) remains scheduled for 22 July 2021 (being after the date of the unitholder meeting on 19 July 2021). As a result and as previously advised, even if the NorthWest/GIC Proposal is approved by AUHPT unitholders by the requisite majority at the unitholder meeting convened by NorthWest on 19 July 2021, the Court may subsequently advise AUFM that the proposed unitholder resolution is an invalid exercise of power. If this occurs, the NorthWest/GIC Proposal may not proceed.

To avoid leaving it to a potentially uncertain legal process to determine the outcome of the NorthWest/GIC Proposal, the AUFM Board continues to recommend that AUHPT unitholders **VOTE AGAINST** the NorthWest/GIC Proposal.

5. AUHPT returns

The Information Booklet noted that based on AUHPT's wholesale units' total returns (after fees) for the last twelve months¹, AUHPT

¹ 12 months to 30 April 2021. Returns are calculated after fees and expenses and assume the reinvestment of distributions. Past performance is not a reliable indicator of future performance.

unitholders would achieve a similar economic outcome to the NorthWest/GIC Proposal by continuing to hold their AUHPT units for only the next 10 months². However, as opposed to a scenario where the NorthWest/GIC Proposal proceeds, unitholders would continue to own AUHPT units, not have to pay any potential capital gains tax on their investment, and would benefit from any future income, revaluations and potential returns from the pipeline of developments and redevelopments being undertaken by AUHPT over the medium to longer term.

AUFM confirms that the information referred to above was not, and was not intended to be, a forecast of the future financial performance of AUHPT. This information is based on historic returns only, noting past performance is not a reliable indicator of future performance. The assumptions to which the information is subject to are set out in full in the Information Booklet and no other assumptions apply.

6. Potentially misleading and deceptive statements by NorthWest/GIC

The AUFM Board continues to hold concerns that potentially misleading and deceptive information is being disseminated by or on behalf of NorthWest/GIC to unitholders.

(a) Arrangements with Dexus announced on 9 June 2021

AUFM notes the document entitled 'Dexus side deals disclosed' dated 5 July 2021 that has recently been released on NorthWest's website. AUFM has various concerns with this document. In particular, AUFM considers the document to be incomplete and misleading with regards to a number of assertions that have been made regarding the arrangements entered into by the Australian Unity Group with Dexus. The AUFM Board's perspective on these matters is set out below.

AUFM considers that AUHPT unitholders have received a direct financial benefit through the immediate accretion, and increase to net tangible assets and the unit price, as a result of the placement made to Dexus at a price of \$2.60 per wholesale unit. The price paid by Dexus was a 16% premium to the net asset value of AUHPT as at 4 June 2021 of \$2.24 per wholesale unit. It was also at a premium to the offer price under NorthWest/GIC's third proposal of \$2.55 per wholesale unit at that time.

None of the arrangements with Dexus have required a payment from AUHPT to Dexus. As noted above, these arrangements have resulted in immediate financial benefits to AUHPT unitholders. Further, as noted in AUFM's announcement of 9 June 2021, AUFM considers that the inclusion of Dexus on the register provides AUHPT and Dexus with a mutually beneficial relationship via access to Australian Unity's specialist healthcare property platform and Dexus' high quality diversified real estate platform, which together, are expected to

² Expected to be 15.1 months based on the 5 year average AUHPT wholesale unit total return (after fees) per annum and 18.2 months based on the AUHPT wholesale unit total return (after fees) per annum since inception. To 30 April 2021, based on wholesale units. Returns are calculated after fees and expenses and assume the reinvestment of distributions. Past performance is not a reliable indicator of future performance. See page 17 of the Information Booklet for further details.

provide benefits to both AUHPT unitholders and Dexu securityholders.

The AUFM Board wishes to draw unitholders' attention to the following matters:

- Under the arrangements announced on 9 June 2021, Dexu will be paid a quarterly fee rebate of 0.40% per annum based on its units held, relative withdrawal price and the gross asset value. Importantly, the fee rebate is incurred by AUFM in its personal capacity and not in its capacity as responsible entity of AUHPT. The net effect is that the fees received by AUFM are reduced. Such arrangements are common practice for wholesale clients of AUHPT as disclosed in the Product Disclosure Statement (PDS).
- Under arrangements with AUL (as opposed to AUFM), Dexu has agreed to provide a number of services to AUL in relation to AUHPT in respect of which AUL will pay Dexu a fee equal to 10% of the base management fee payable to AUFM. AUFM expects that these services will be valuable to both AUL and AUHPT unitholders. If AUFM (or another AUL related responsible entity of AUHPT) implements a proposal to internalise the management of AUHPT or for the sale of the manager or responsible entity, in certain circumstances the ongoing fee will cease to be payable and AUL must pay a termination fee equal to approximately 6 times this amount to Dexu.
- Dexu has a first right of refusal in relation to the sale of the manager or responsible entity of AUHPT, and in such circumstances Dexu may choose to enter into a transaction on the same terms. The right does not apply where unitholders vote to change the responsible entity or manager (provided neither AUL nor a subsidiary recommends the change). The right also does not apply where there is a change of control proposal in respect of AUHPT where there is no sale of the management rights (as is the case for the NorthWest/GIC Proposal).
- Regardless, AUFM remains committed to its role as responsible entity and manager of AUHPT and does not have any intention to retire from this role.
- As previously announced, Dexu has agreed to provide AUFM (in its capacity as responsible entity of AUHPT) with a first right of refusal for a 25% indirect interest in the Australian Bragg Centre property. Dexu and AUFM are negotiating documents to enter into a development co-operation agreement to partner regarding the investment in, and development of, healthcare real estate in Australia, as previously disclosed.
- As noted in AUFM's announcement of 9 June 2021, Dexu has agreed to an appropriate standstill, which is intended to achieve long term alignment between AUHPT and Dexu. In broad terms, under the standstill, Dexu is restricted from acquiring an interest in AUHPT securities in excess of 15%, acquiring assets of AUHPT or selling securities in, or assets of, AUHPT without the consent of AUL. Further, Dexu is not permitted to vote in favour of a

resolution to replace AUFM as responsible entity or seek to control or influence AUHPT's management or policies (where this is not recommended by AUFM). The voting arrangements are designed to achieve alignment between DexuS and AUHPT and do not commit DexuS to vote to retain AUFM as responsible entity or manager. The standstill also does not, by its terms, preclude DexuS from voting in favour of the NorthWest/GIC Proposal, although a first right of refusal in favour of AUFM (or a nominee) will separately be triggered if DexuS proposes to vote in favour of a resolution to dispose of its units. Importantly, the standstill does not limit the ability of AUFM to recommend a change of control or change of responsible entity proposal it considers to be in the interests of AUHPT unitholders, nor does the standstill restrict the ability of DexuS to pursue a control transaction (including replacing the responsible entity) where AUFM publicly recommends a third party proposal relating to the control of AUHPT or the replacement of AUHPT's responsible entity.

AUFM does not agree with NorthWest's calculations of the combined value to DexuS of the arrangements announced on 9 June 2021, nor does it agree with NorthWest's suggestion that DexuS paid a reduced implied price of between \$1.95 and \$2.10 per unit as a result of the arrangements. In the AUFM Board's view, this information is misleading and deceptive. The AUFM Board considers that the premium paid by DexuS for AUHPT units, together with the benefits the arrangements are expected to provide both immediately and in the long term, has delivered, and will likely deliver, value to AUHPT unitholders. AUFM is disappointed by the attempts of NorthWest/GIC to mischaracterise these arm's length transactions entered into in the best interests of AUHPT's unitholders³.

(b) Concerns raised by NorthWest regarding AUFM's independence

As noted in the Information Booklet, AUFM is aware that concerns have been raised by NorthWest publicly and in the media regarding the governance arrangements of AUFM, and in particular the independence of the Board of AUFM, as RE. In the AUFM Board's view, these statements are potentially misleading and deceptive.

The AUFM Board wishes to highlight that, while AUFM is a subsidiary of AUL (and the AUFM directors are Australian Unity Group executives and the Australian Unity Group receives fees from managing AUHPT), the law requires AUFM, as the RE of AUHPT, and its directors to act in the best interests of unitholders, and prioritise the interests of unitholders above AUFM's interests. No such legal duties are owed by NorthWest or GIC to AUHPT unitholders.

The AUFM Board confirms that it has proceeded on the full understanding of its legal responsibilities in relation to all aspects of its duties, including the consideration of the various proposals received from NorthWest/GIC.

³ The AUFM Board also notes that NorthWest/GIC increased its offer price from \$2.55 to \$2.70 per wholesale unit following the announcement of the DexuS arrangements.

AUHPT's existing governance arrangements have operated effectively for over 20 years, during which time AUHPT has become a premier healthcare property trust in Australia, achieving high ratings from independent research houses. AUHPT's governance arrangements are set out in the PDS and AUHPT Continuous Disclosure Notices (CDN), together with all fees payable to AUFM and the Australian Unity Group. This information is, and has been, available to all unitholders prior to investing in AUHPT.

(c) Potential concerns raised on behalf of NorthWest regarding AUHPT's distribution calculation practices

AUFM has also become aware that potentially misleading information may be provided on behalf of NorthWest to some unitholders regarding the distribution calculation practices for AUHPT. In particular, AUFM is aware that this information may omit relevant adjustments and be inconsistent with information publicly available as set out in AUHPT's audited financial statements.

AUFM confirms that in FY20 there was a marginal (4%) distribution from capital, which was explained in the PDS and CDN at the time.

AUFM calculates and regularly discloses AUHPT's funds from operations (FFO) in accordance with the Property Council of Australia and the Property Funds Association's Voluntary Practice Note which supplements *ASIC Regulatory Guide 46: Unlisted property schemes: Improving disclosure for retail investors*.

As stated in the PDS and CDN, the distribution policy of AUHPT is aligned to its ongoing earning capacity from assets held. AUHPT aims to source all distributions from FFO. However, AUHPT is permitted to fund distribution payments from other sources, such as capital, if AUFM considers it to be in the interests of unitholders (for example, if rental income is reduced unexpectedly) and where payment from that source is expected to be sustainable given the circumstances. AUFM confirms that AUHPT's distribution policy is aligned with current market practice.

7. Recent acquisitions, divestments and development activities

As announced on 5 July 2021, on 29 June 2021, AUHPT exchanged contracts to acquire Part Lot 77, Bunjil Way, Knoxfield, Victoria (which is a 12,700 sqm land parcel and will be the subject of an approved development of a 177-bed residential aged care facility) for \$10.75 million⁴ and provide development and loan funding of up to \$54.25 million⁵. Construction is expected to commence in late 2021 with practical completion in mid-2023, upon which the property will be leased to Infinite Care for an initial 25-year term.

As also announced on 5 July 2021, AUHPT exchanged contracts on 28 June 2021 to sell all four lots of the Mackay Medical Centre and Day Surgery in Queensland for \$16.7 million (a significant premium against

⁴ Excluding acquisition costs.

⁵ Subject to financier approval.

the book value prior to the sale). Settlement is expected to occur by November 2021.

Please refer to AUFM's announcement of 5 July 2021 for further details.

8. Further information

If you have any questions regarding the NorthWest/GIC Proposal, how to vote on the NorthWest/GIC Proposal, the Information Booklet or your investment in AUHPT (including how to take up your Rights Issue Offer entitlement), please call the **AUHPT Unitholder Hotline on 1300 502 987 (Domestic) or +61 2 8022 7953 (International)**, or visit www.australianunity.com.au/wealth/northwest-proposal.

The AUFM Board recommends that unitholders contact the AUHPT Unitholder Hotline rather than the information line that has been established by NorthWest/GIC.

Important information

Units in the Australian Unity Healthcare Property Trust (AUHPT) are issued by Australian Unity Funds Management Limited (AUFM) ABN 60 071 497 115 AFS Licence number 234454. AUFM is a wholly owned subsidiary of Australian Unity Limited ABN 23 087 648 888.

In deciding whether or not to acquire, hold or dispose of the product, investors should obtain a copy of the PDS and consider whether the product is appropriate to their particular circumstances and objectives.

Australian Unity respects your privacy - you can view our privacy policy on our website <https://www.australianunity.com.au/privacy-policy>

The 'Important notices' set out in the Information Booklet apply to this document as if expressly set out in this document.

Appendix A: Key dates for the NorthWest/GIC Proposal, Rights Issue Offer and Australian Unity Premium Cash Offer

An indicative timetable of the key milestones for the NorthWest/GIC Proposal and remaining key milestones for the Rights Issue Offer and Australian Unity premium cash offer announced on 22 June 2021 (**Australian Unity Premium Cash Offer**) are set out below*:

Event	Date
Rights Issue Offer Closing Date	5:00pm, 12 July 2021
Rights Issue Offer Issue Date	12 July 2021
Latest time and date for receipt of AUFM Proxy Forms for the NorthWest convened unitholder meeting	5:00pm, 16 July 2021
Unitholder meeting convened by NorthWest	10:00am, 19 July 2021
Court hearing to determine judicial advice application made by AUFM	22 July 2021
NorthWest/GIC Premium Cash Offer Closing Date Australian Unity Premium Cash Offer Closing Date and Effective Date ⁶	23 July 2021

If the unitholder resolution proposed by NorthWest is approved at the unitholder meeting convened by NorthWest/GIC and is not ruled an invalid exercise of power by the Court, unitholders' AUHPT units are expected to be acquired as follows:

Event	Date
NorthWest/GIC Proposal Effective Date	2 August 2021
NorthWest/GIC Proposal Record Date	7:00pm, 3 August 2021
NorthWest/GIC Proposal Implementation Date	10 August 2021

***All times and dates refer to the time and date in Melbourne, Australia and are subject to change. Please refer to the Information Booklet for further details, including details of how to vote against the NorthWest/GIC Proposal.**

Please refer to the PDS and the Australian Unity Premium Cash Offer Booklet dated 22 June 2021 for further information in relation to the Rights Issue Offer and Australian Unity Premium Cash Offer, respectively.

⁶ AUFM expects to facilitate the payment from AUSH to investors by 13 August 2021.