Arena REIT (ASX code: ARF)

FY14 results and internalisation opportunity

Delivering on our strategy
25 August 2014

Arena

Presenters

Bryce Mitchelson

Joint Managing Director

- Appointed to the Board in April 2010.
- Previously held positions with Centro Properties Group and Heine Management Limited.

Gareth Winter

Chief Financial officer

- Joined Arena in 2012.
- Previously a partner of PricewaterhouseCoopers and is a member of the Institute of Chartered Accountants.

Vin Harink

Senior Portfolio Manager

- Joined Arena in 2009.
- Previously CEO of Austock Property Funds Management.

Agenda

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1 FY14 overview

Bryce Mitchelson

1.1 Key achievements

Acquisitions and active asset management driving growth

Significant growth in earnings	FY14 earnings of 8.85¢ per security, an increase of 7.5% over FY13.
Delivered on our strategy	Diversified into healthcare through addition of 7 medical centres. Acquired 15 operating childcare centres and 6 childcare development sites.
Well progressed with our construction of centres	Construction began on 4 sites, with all leases anticipated to commence in 2014.
Successfully remixed the childcare portfolio	Sold 12 childcare centres for $15.7 million, a net gain of $3.8 million (32%).
Material improvement in valuations	Approx $25 million increase in property valuations. NTA per security is $1.13, an increase of 10.8% over FY13.
Extended debt facility	Improved the pricing and extended the maturity of our existing debt facility until June 2017 and 2019.

Positive ASX total return of 26% in the first full year year since IPO

1.2 Strategy

Delivered on strategy to drive earnings growth

Objective	Sectors	Preferred characteristics	Progress
To generate an attractive and predictable distribution to investors with earnings growth prospects over the medium to long term.	Childcare **80.9%***	Relatively long remaining lease terms.	WALE improved to 8.5 years.
		Premises that have strategic importance to the operations of the tenant.	Diversified into healthcare.
	Healthcare **19.1%***	High credit quality tenants.	Improved tenant profile with 3 ASX listed entities Primary Health Care, Affinity and G8 Education.
	Education	Tenants responsible for all, or substantially all of the statutory and operating outgoings.	All new leases are on standard terms.
	Govt & other high credit quality tenants	Reversionary capital value risk can be managed.	Active remixing of the childcare portfolio.

* Value of investment property portfolio (excluding developments).

1.3 Delivered on our plans

Solid progress since IPO

What we said[1]

*"The Trust has a targeted gearing ratio in the range of **35% to 45%**, giving it capacity to **acquire additional assets** with the aim of **increasing scale, improving diversification** and **enhancing returns to Unitholders**."*

What we have done

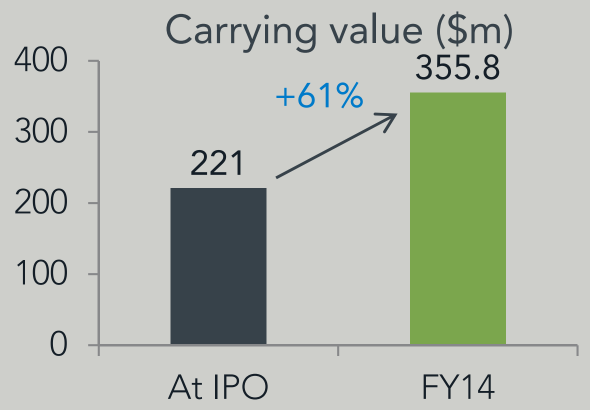
Increased gearing

At IPO: 10% **FY14: 33%**

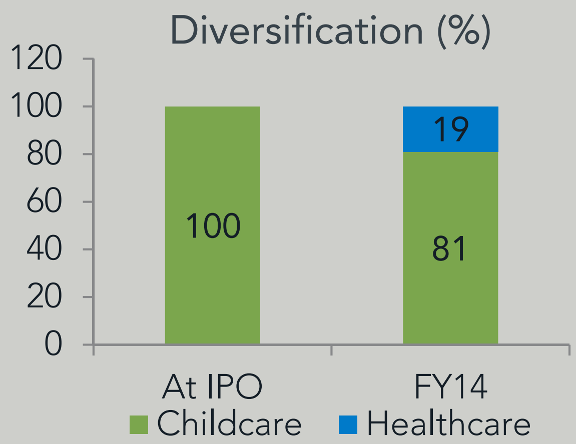
Acquired additional assets

At IPO: 177 properties **FY14: 193 properties**

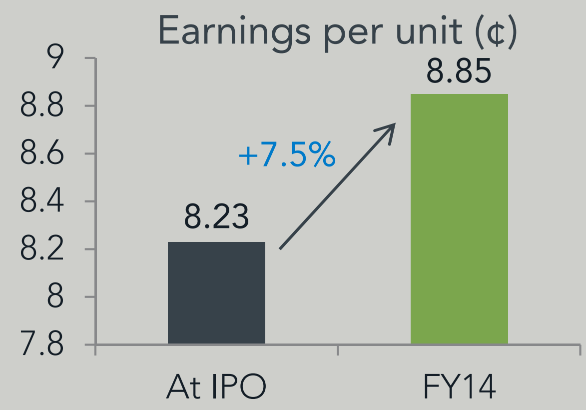
Increased scale



Improved diversification



Enhanced returns to Unitholders



[1] Arena REIT Offer of Units, Product Disclosure Statement.
At IPO = at March 2014.

2 Financial results

Gareth Winter

2.1 Financial highlights

Stapling and acquisitions underpinned earnings growth

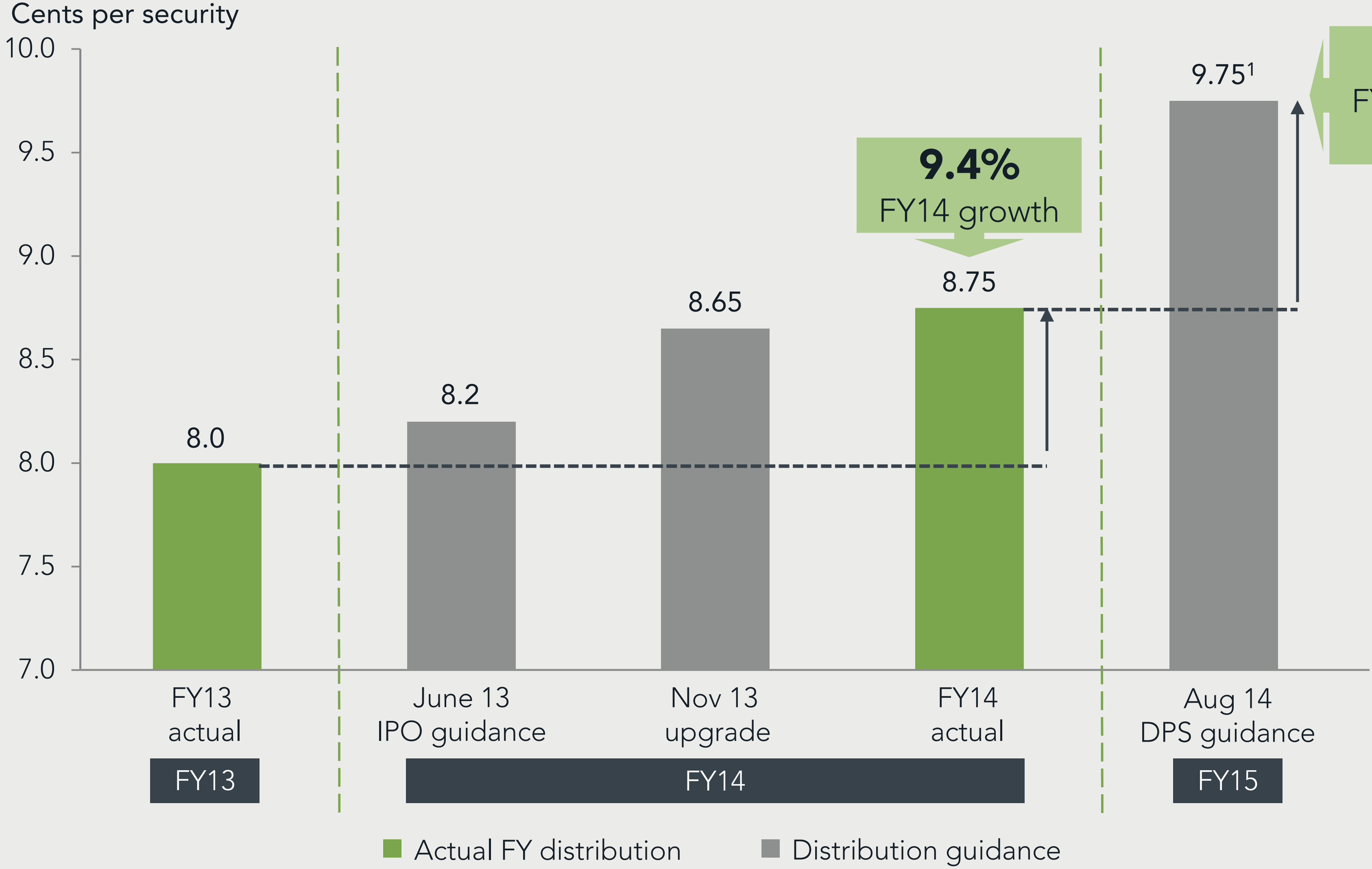
Key metrics	FY14	FY13	Change (%)
Statutory net profit	$44.6m	$17.2m	159%
Distributable income	$18.5m	$11.2m	65%
Distributable income per security	8.85¢	8.23¢	7.5%
Distribution per security	8.75¢	8.00¢	9.4%
Distribution pay-out ratio	98.9%	97.2%	1.7%
Total assets	$375.3m	$241.3m	56%
Balance sheet gearing	33.3%	10.4%	220%
Net asset value	$238.2m	$210.1m	13%
ASX market capitalisation[1]	$253.8m	$218.7m	16%
NTA per security	$1.13	$1.02	11%
Securities on issue	211.5m	206.3m	2.5%

[1] Based on closing price at 30 June 2014.

- Stapling to Sydney Healthcare Trust and childcare investment property acquisitions during the year drove up distributable income leading to a 9.4% increase in distributions per security.
- Balance sheet gearing increased in line with target range (35%-45%)
- NTA growth from strong investment property valuation performance.

2.2 Solid distribution growth

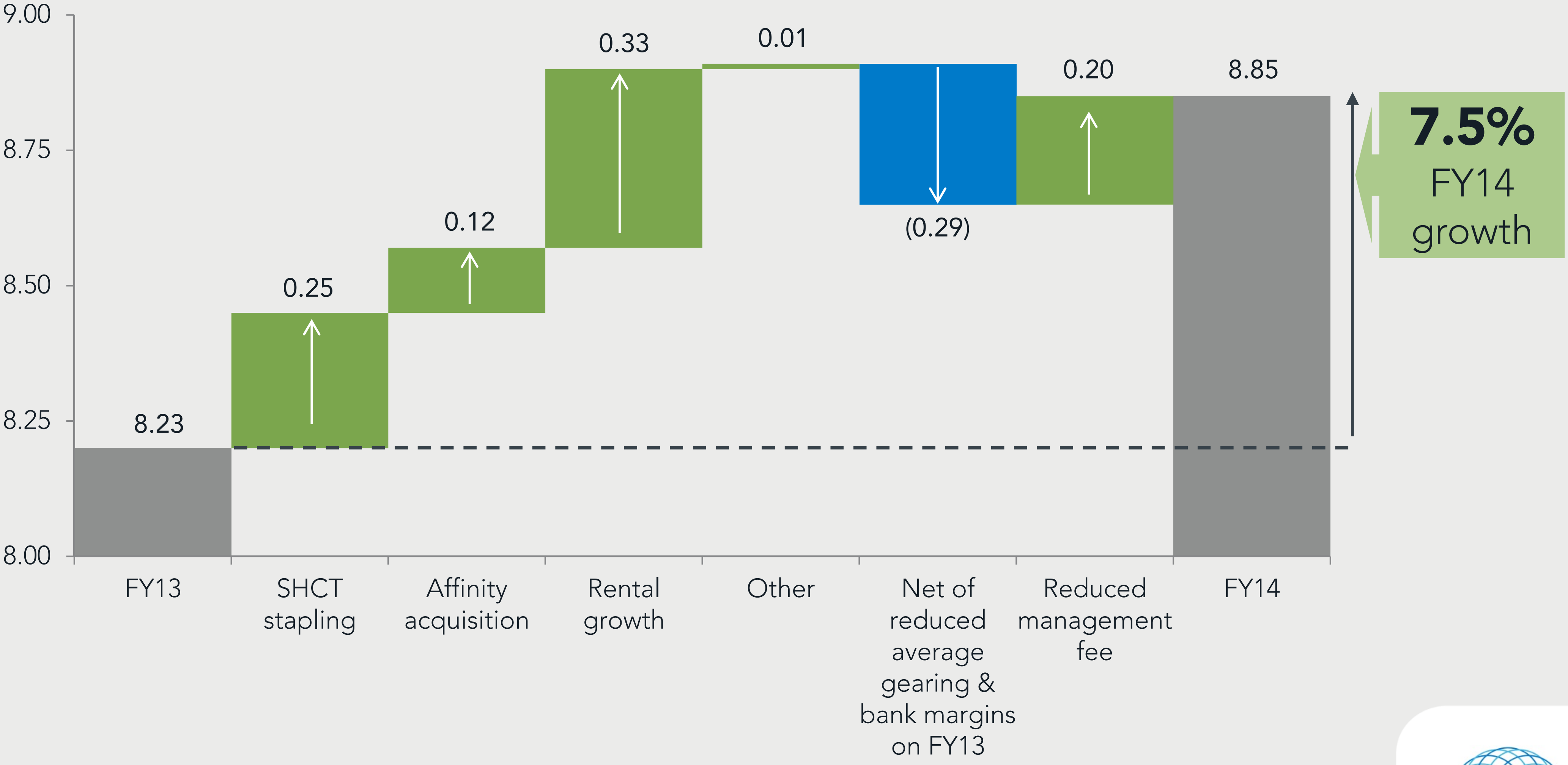
FY14 DPS exceeded expectations with growth expected to continue into FY15



[1] On a status quo basis assuming no new acquisitions and developments in progress are completed in line with budget assumptions and tenants comply with all their lease obligations. .

2.3 Earning growth drivers

7.5% increase in earnings per security

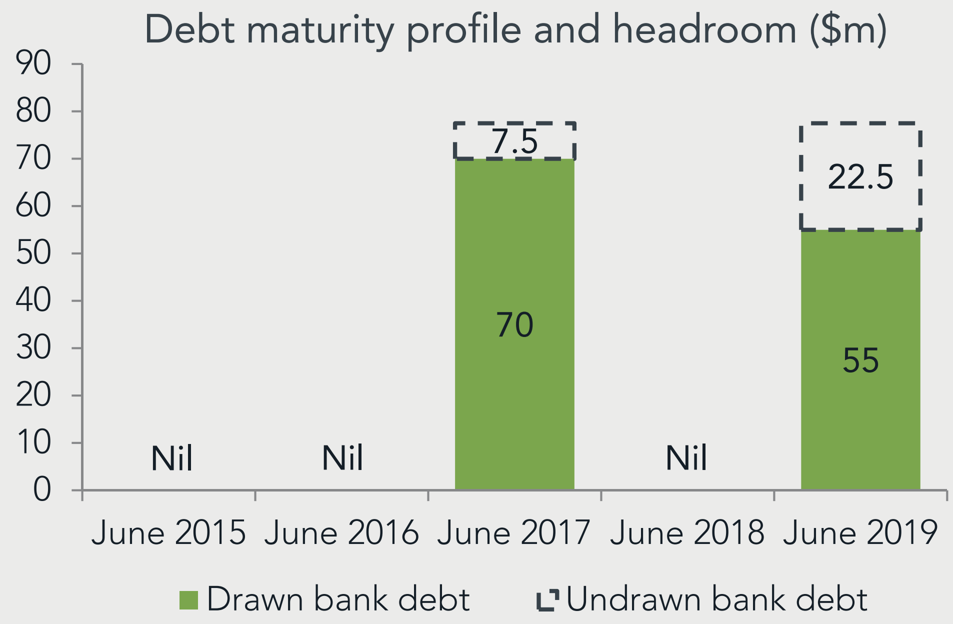


2.4 Debt management

Strong credit profile

Key debt metrics	FY14	FY13
Facility limit	$155m[1]	$110m
Drawn amount	$125m	$25m
Undrawn amount	$30m	$85m
Average remaining facility term	4.0 years	3.0 years
Interest rate hedging cover	68%	100%
Weighted average hedge expiry	3.1 years	3.0 years
Gearing	33.3%	10.4%
Weighted average cost of debt as at 30 June	4.80%	NA[2]

[1] Effective from 1 July 2014.
[2] Not meaningful due to low gearing at prior year close.



- Increased facility limit.
- The ongoing debt facility margin reduced in the second half FY14.
- The average term of the debt facility was extended by 1 year.
- Gearing increased to be closer to the targeted gearing range of 35-45%.

3 Portfolio update

Vin Harink

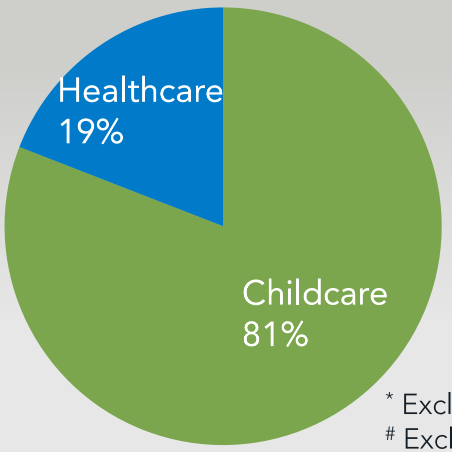
3.1

Key portfolio metrics

Notable improvement over FY13

As at FY14	Medical centres	Leased childcare centres	Vacant childcare centres	Childcare Centre development sites	Total	Total at FY13
No of properties	7 (+7)	174 (+7)	2 (-4)	10 (+6)	193 (+16)	177
Carrying value ($m)	64.2	270.0	1.6	20.0	355.8	233.8
Annual rent ($m)	5.3	23.7	–	–	29.0	21.1
Like-for-like rental growth	2.5	3.1	–	–	2.94	2.5
Average rental yield#	8.31%	8.75%	–	–	8.7%	9.3%
Occupancy (by number)	100.0%	100.0%	–	–	99.5%	96.5%
WALE (by income)*	8.5	8.5	–	–	8.5	8.3
Assets % metropolitan	86.8%	52.7%	0%	–	58.9%	58%

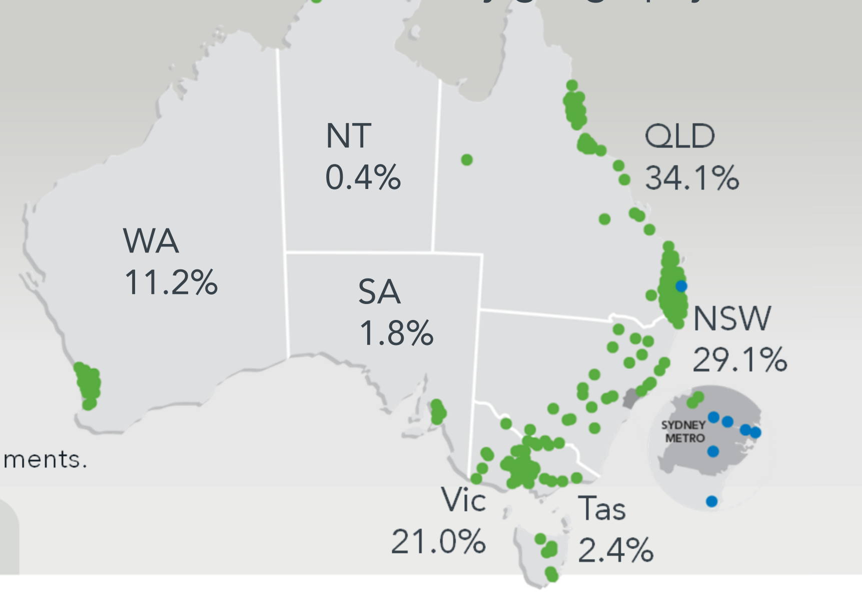
Sector diversification (by value)



Portfolio
100%
freehold title

* Excludes office component.
\# Excludes vacant centres and developments.

Sector diversification (by geography)

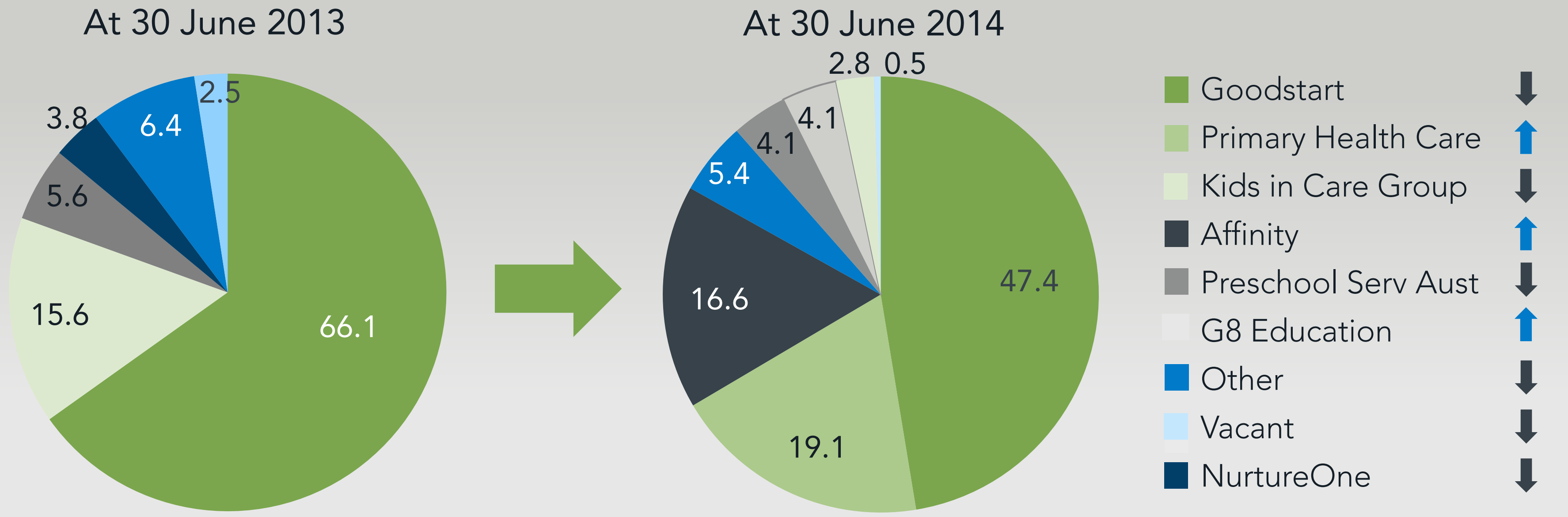


3.2 Increased tenant diversification

Strengthening tenant covenant

- The stapling with Sydney Healthcare Trust and general childcare market consolidation has seen the tenant profile become further diversified with the addition of ASX listed Primary Health Care, Affinity Education and G8 Education.
- Affinity is now a tenant of 33 centres, representing 16.6% of the portfolio as at 30 June 2014 as a result of a series of transactions, involving the leasing of newly acquired centres and assignment of leases of existing centres.

Tenants by value (%)



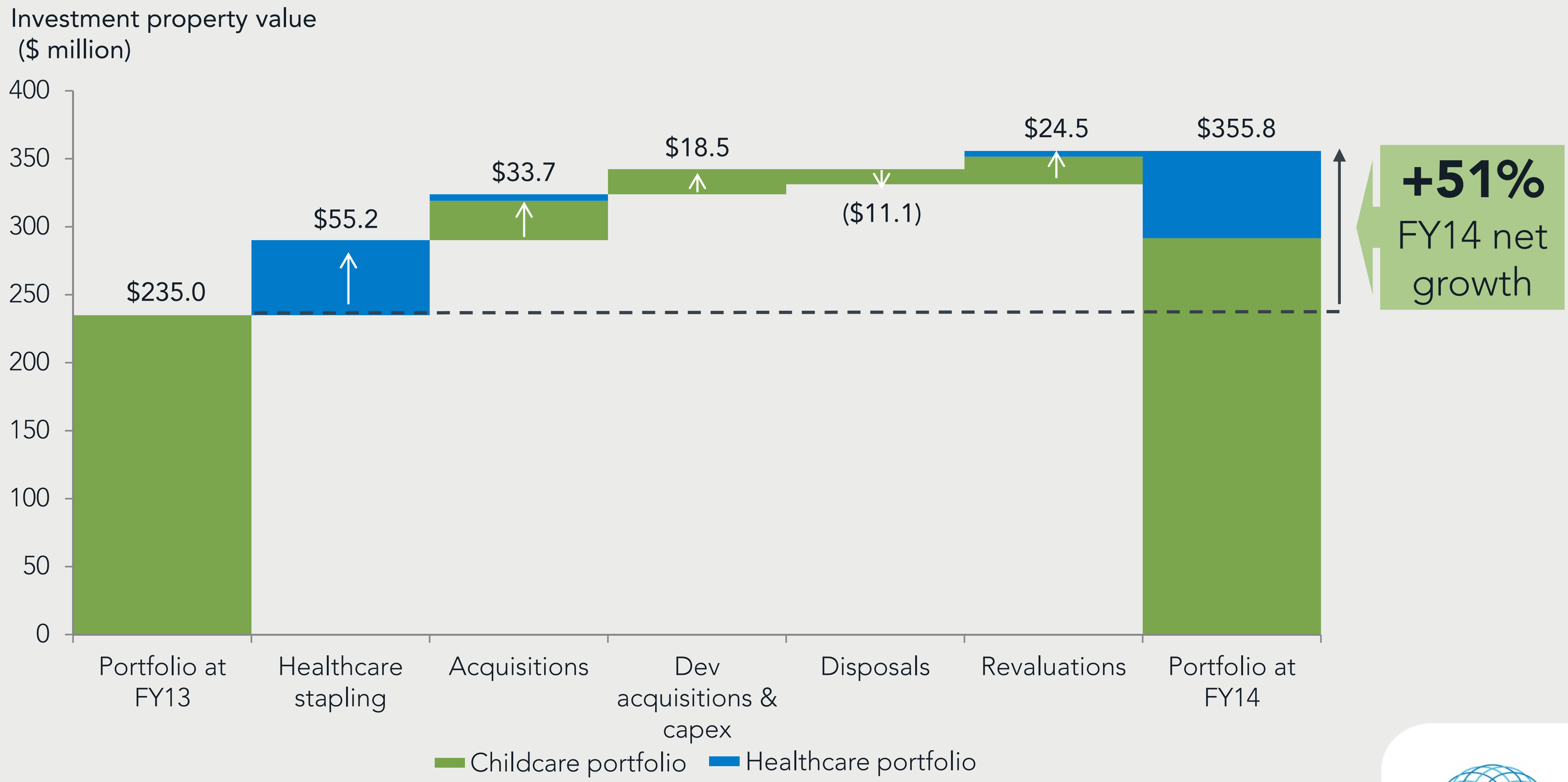
3.3 Lease expiries

Lease maturity profile extended

- WALE improved from acquisitions with long leases to Affinity Education and Primary Health Care.
- In FY14, there were 33 centres leased to Goodstart that had 5 year lease extension options.
- Goodstart exercised its option at 12 centres and did not exercise its option at 21 centres.
- In FY15, there are 26 option renewals due, with four already exercised and none lapsed.
- The non-exercise of these options is an opportunity to potentially unlock value by either:
  - releasing the property to other operators at improved rents; or
  - disposing of the property at or before expiry.
- Arena sold 2 centres where options had not been exercised at the June 2014 auction.

Portfolio value movement

Positive portfolio gains



3.5 Acquisitions

Active portfolio management

Childcare acquisitions

- 15 operating childcare centres were acquired during FY14, including a 14 property portfolio leased to Affinity Education on 15 year leases and our standard terms.
- 6 properties were acquired for $11.9 million for construction/conversion of childcare centres.

Healthcare transactions

- Stapling of ARF with Sydney Healthcare Trust (SHCT) in December 2013, introduced sector diversification and 6 large scale multi-disciplinary medical centres.
- In May 2014, ARF purchased Caboolture Medical and Dental Centre located in Queensland.

Richmond childcare conversion.

One of the Affinity leased childcare centres.

Caboolture Medical and Dental Centre

3.6 Developments

Growing the Trust through construction and conversion

- In the current market, there are a limited number of freehold acquisitions available that would meet our investment criteria.
- In order to grow the Trust, we are buying property to construct new centres or convert existing buildings into new, quality childcare centres that are expected to be earnings accretive and result in valuation uplift on completion.

Development risk management

Centres are only built where there is a need for childcare.

Properties generally have planning approval for the construction of a childcare centre prior to acquisition.

Completed centres are pre-leased to tenants on our standard lease terms.

The rent is determined by applying a property yield against the total project costs, including holding costs.

Lease commencement is approximately 12-15 months after acquisition.

3.6 Developments *continued*

Pipeline of c$40m in place to drive growth beyond FY15

Properties owned and in construction

5

Estimated construction completion	Total project cost	Average initial yield
1HFY15	**c$11m**	**9.3%**

Properties owned or under contract, construction pending

3

Estimated construction completion	Total project cost	Average initial yield
2HFY15	**c$7m**	**9.5%**

Properties owned or under contract and awaiting planning approval

5

Estimated construction completion	Total project cost	Average initial yield
FY16	**c$23m**	**9.0%**

In addition, we are considering the acquisition of a number of other properties for construction or conversion into childcare.

Griffin development.

Augustine Heights development.

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3.7 Portfolio disposals

Successfully remixed the childcare portfolio

	Proceeds ($'000)	Passing yield	Net gain/(loss) ($'000)
Sale of 2 vacant centres in period to 31 Dec 2013	1,528	N/A	(6)
Sale of 10 childcare centres at auction on 25 June[1]	14,207	6.7%	3,790
Total	15,735		3,784

[1] All 10 properties will settle in the period to 31 December 2014.

- The 10 properties sold at auction on 25 June were selected on criteria that included age of centre, size, location, tenant operating performance and WALE.
- The net gain on disposal of these properties of $3.8 million represents a significant value uplift over previous carrying values which were supported by independent valuations.
- The proceeds will be utilised to fund new acquisitions or construction/conversion projects.
- We would expect to sell further properties as part of our strategy to manage and remix the portfolio.

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4 Outlook

Bryce Mitchelson

4.1 Summary of FY14

Well positioned for earnings growth

- ✓ Strong full year operating results and delivered on strategy.
- ✓ A significant growth in earnings.
- ✓ Well progressed with development pipeline.
- ✓ Successfully remixed the childcare portfolio.
- ✓ Strengthened tenant covenant.
- ✓ Renegotiated lower debt pricing, lengthened term and increased limit.

Mt Druitt Medical Centre from the SHCT portfolio.

Interior shot of Griffin childcare development.

4.2

FY15 outlook

Positive outlook for growth

- Continue the development pipeline of new childcare centres with suitable tenancy pre-commitments.
- Continue actively seeking acquisitions in the childcare, healthcare, education and government sectors.
- Continue to remix the childcare portfolio by disposing of assets that are smaller and older.
- Based on recent sales evidence, there appears to be scope for further revaluation gains over FY15.
- Monitor the finalisation of the Productivity Commission Enquiry into Childcare.

FY15 distribution guidance of 9.75 cents per Security[1], an 11.4% increase on FY14.

[1] On a status quo basis assuming no new acquisitions and developments in progress are completed in line with budget assumptions and tenants comply with all their lease obligations.

4.3 Opening of DRP

To assist with the funding of future developments

- ARF is opening its Distribution Reinvestment Plan (DRP) for the September 2014 quarter distribution until further notice.
- The key pricing parameters of the DRP for the September distribution will be as follows[1]:
  - The reinvestment price is to be based on a 1.5% discount to the volume weighted average price (VWAP) during the Pricing Period calculated under the DRP rules.
  - The Pricing Period will be for 15 business days from T + 2 after the close of the relevant quarter.
- Investors can elect to participate in the DRP by completing the relevant form up until one day after the close of the relevant quarter i.e. 1 October for September quarter distribution.
- New securities will be issued at the time of the distribution payment, being approximately T + 30 days.

Indicative timetable[2]

	Ex-date	Record date		← Pricing period →				Distribution payment date
T – 5	T – 2	T	T + 1	T + 2		T + 17	T + 18	T + 30
Distribution announcement	Securities quoted 'ex-distribution'	Record date for distribution	Last day to elect to participate in distribution	Commencement of 15 day pricing period to determine DRP issue price	Determine VWAP	Closing of pricing period to determine DRP issue price	Announcement of DRP Price	Distribution Payment New securities issued under DRP

[1] Subject to change under the DRP Rules.
[2] Business days.

4.4 Internalisation opportunity

Key terms

- Exclusivity period of 6 months agreed with Citrus II Investments (ultimate owner of Arena Investment Management Limited) for ARF to consider an internalisation of its corporate governance and management function and to assume the management rights of two wholesale funds, being PHC Darlinghurst Syndicate and Trust and BSH Joint Venture (which both own healthcare properties).
- Implied purchase price after net asset adjustments would be approximately $10.7 million for the ARF and wholesale funds management (intangible) rights. This equates to approximately 2.65% of total AUM (based on current book values).
- Acquisition expected to be debt funded, slightly accretive to pro-forma EPS and approximately 5 cents dilutive to NTA (including transaction costs).
- A transaction would be subject to several conditions including amongst others:
  - ARF security holders approving the internalisation proposal;
  - An Independent Expert concluding the proposal is in the best interests of security holders;
  - No superior proposals; and
  - All required consents of financiers and other third parties.
- The opportunity will be actively considered by the independent directors of the Arena Board. No decision has yet been made by Arena to proceed with any proposal.
- If Arena decides to proceed with a proposal, it is intended that a Notice of Meeting and Explanatory Memorandum would be issued for an ARF security holder meeting to be held by the end of calendar 2014.

4.4 Internalisation opportunity *continued*

Rationale

- ARF well positioned to significantly grow its asset base while continuing to generate attractive returns for security holders.
- Enhances alignment of interests between management and security holders.
- Improves competitive positioning versus closest peers who are externally managed.
- Total internal operating costs expected to be lower than external fee arrangements going forward.
- Expected to lead to a lower cost of capital, higher ROCE and higher growth (due to the removal of % base fees and transaction fees).
- The implied price for the intangible management rights equates to c2.65% of AUM, which Arena believes is reasonable considering ARF's current small asset base and growth potential, in return for:

Terminating ARF fee obligations

- ARF annual management fees of 80 bps on total assets up to $400 million, 70 bps between $400 million and $950 million, 60 bpts over $950 million.
- ARF acquisition fees of 1% on new assets acquired.
- ARF disposal fee of 1% and additional performance fee of 1% of sale price.

Acquiring BHS & PHC fee entitlements

- AUM of $31.8 million.
- Management fees of 1% per annum.

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5 Questions

6 Appendices

Income statement

Operating earnings exceeded IPO expectations

$ million	FY14	FY13	Change (%)	Commentary
Income				
Lease rental	26.4	21.3	24%	Asset acquisitions, stapling of Arena REIT No. 2, average increase in rent reviews of 2.94%.
Other	0.1	0.7	(86%)	Investment in FET sold in Dec 12.
Total Operating Income	**26.5**	**22.0**	**20%**	
Expenses				
Direct property expenses	(1.1)	(0.8)	(38%)	
Management fees	(2.4)	(2.4)	–	
Administration expenses	(0.8)	(0.9)	(10%)	
Finance costs	(3.7)	(6.6)	(44%)	Debt refinanced with improved margins and reduced gearing
Distributable income	**18.5**	**11.2**	**65%**	
Straight-line rental income	0.4	0.5	(20%)	
Revaluation gain on investment properties	24.5	5.2	371%	Strong market performance lead to higher investment property valuation growth.
Change in fair value of derivatives	(1.2)	(0.1)	1,100%	
Gain on sale of investment properties	3.8	–	100%	Successful property sale of 12 childcare properties during the year.
Revaluation gain on securities investment	–	1.4	(100%)	Investment in FET sold in Dec 12.
Other	(1.4)	(1.0)	40%	
Net statutory profit	44.6	17.2	159%	
Distributable income per security (cents)	8.85	8.23	7.5%	
Distributions per security (cents)	8.75	8.00	9.4%	

6.2 # Balance sheet

Secure financial position

$ million	FY14	FY13	Change (%)	Commentary
Cash	4.0	5.0	(20%)	
Trade and other receivables	15.5	1.3	1,092%	$14.2 million receivable from investment property sales.
Investment properties	355.8	235.0[1]	51%	Healthcare and childcare asset additions $24.5 million portfolio revaluation gains.
Total assets	**375.3**	**241.3**	**56%**	
Trade and other payables	11.0	6.6	67%	Construction property cost accruals.
Borrowings[2]	124.8	24.5	408%	Funding for new asset additions.
Interest rate swaps	1.3	0.1	1,200%	
Total liabilities	137.1	31.2	339%	
Net assets	**238.2**	**210.1**	**13%**	
Number of securities on issue (million)	211.5	206.3	2.5%	SHCT stapling
Net tangible asset value/security ($)	1.13	1.02	11%	
Gearing ratio (%)[3]	33.3%	10.4%	22.9%	Target gearing 35-45%.

[1] Including assets held for sale.
[2] Borrowings net of loan establishment costs of $189,000 (30 June 2013: $500,000).
[3] Gearing calculated as drawn borrowings/total assets.

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6.3 Funds from operations

Funds from operations increased by 65%

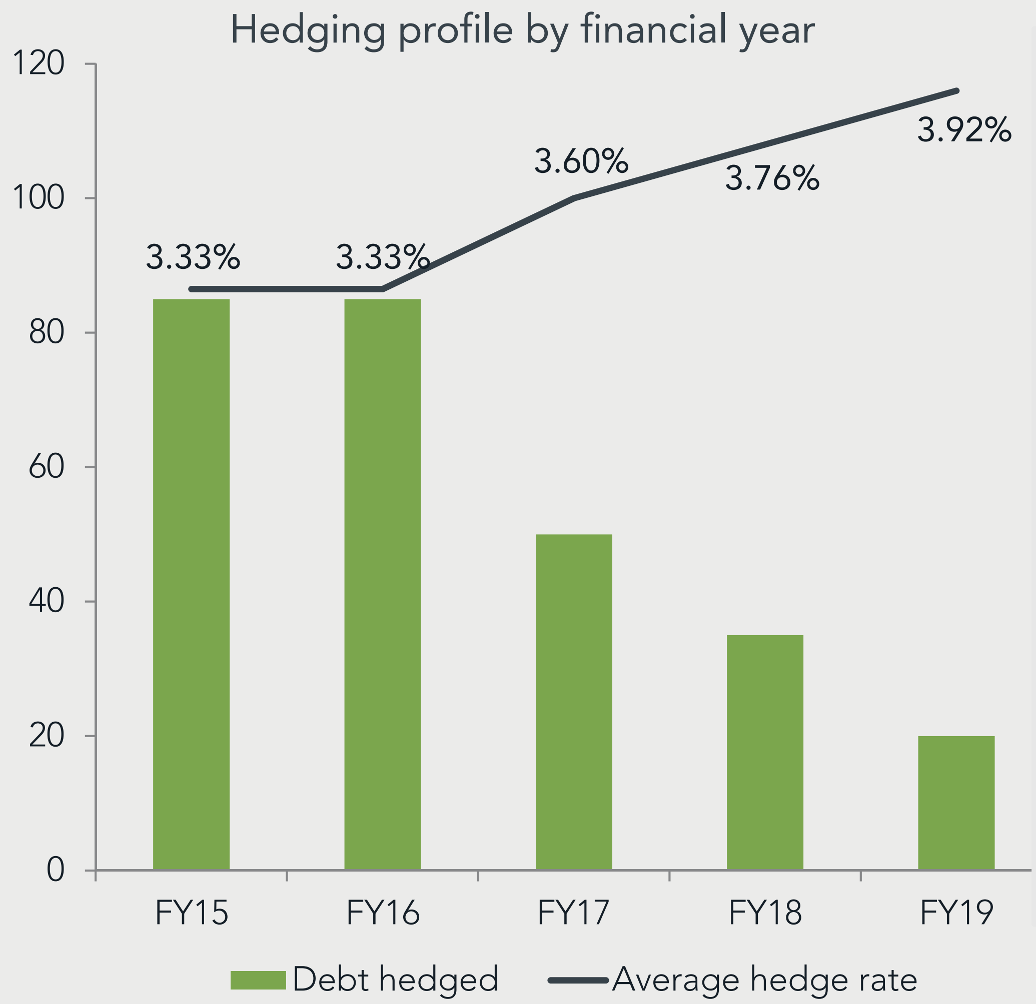
$ million	FY14	FY13	Change (%)
Distributable income	**18.5**	**11.2**	**65%**
Other adjustments	0.0	0.0	0%
Funds from operations	**18.5**	**11.2**	**65%**
Interest rate derivative close out costs	–	(2.1)	0%
Adjusted funds from operations	**18.5**	**9.1**	**103%**
Funds from operations per unit (cents)	**8.85**	**8.2**	**8%**
Adjusted funds from operations per unit (cents)	**8.85**	**6.7**	**32%**

Note: Funds from operations and adjusted funds from operations presented using principles of Property Council of Australia White Paper released in May 2013.

- Funds from operations same as distributable income.
- Adjusted funds from operations reflects the close out of interest rate derivatives.
- FY13 interest rate derivatives close out of $86 million due to repayment of debt from IPO proceeds.

6.4 Interest rate management

Fixed hedging extended during period



Hedging profile	FY14
Amount of debt hedged	$85m
% of drawn debt hedged	68%
Weighted average interest rate of hedges	3.33%
Weighted average maturity of hedges	3.14 years

Debt covenants

	Covenant	Actual
LVR	50%	36.3%1
ICR	2 x (EBITDA: interest)	5.9

6.5 Revaluation movements

Positive during FY14 reflecting market growth

Portfolio overview	Number of assets	Carrying value 30 June 2014 ($'000)	Net revaluation movement ($'000)	Percentage Movement
Properties subject to independent valuation	70	105,460	10,057	10.5%
Properties not subject to independent valuation	89	135,711	11,112	8.9%
Properties subject to valuation adjustment	**159**	**241,171**	**21,168**	9.6%
Properties with no valuation adjustment	15	28,858	–	
Childcare centres (including Murarrie Office)	**174**	**270,029**	**21,168**	
Vacant centres	2	1,610	–	
Development land and WIP	10	20,004	–	
Childcare portfolio	**186**	**291,643**	**21,168**	
Healthcare assets subject to independent valuation (net costs)	6	59,355	4,088	7.4%
Healthcare assets with no valuation adjustment	1	4,833	–	
Total healthcare portfolio	**7**	**64,188**	**4,088**	
Other (straight line rental, amortisation of leasing fees)			(768)	
Total portfolio	**193**	**355,830**	**24,488**	

- The childcare portfolio experienced as average 9.6% increase in value for those properties subject to valuation in FY14.
- The valuation increase was driven by rent increases (40%) and cap rate movement (60%).
- The healthcare portfolio experienced a 7.4% valuation uplift.

6.6 Childcare portfolio metrics

Favourable movements during FY14

Portfolio overview	FY14	FY13	% change
Leased childcare centres	174	167	4.2%
Available for sale / lease	2	6	(66.7%)
Childcare construction sites	10	4	1.5%
Total properties	**186**	**177**	**5.1%**
WALE (years)	8.5	8.3	2.4%
Tenanted occupancy	98.9	96.5%	2.5%
Passing yield[1]	8.75%	9.3%	(5.9%)
Average places / leased centres	84	80.7	4.1%
Property portfolio ($'000)	287,079	233,784	22.8%
Average value per place	18,237	$16,673	9.4%
Average rent / leased place	1,596	$1,546	3.2%
Rental growth (like for like)	3.1%	2.5%	1.2%
Purpose built premises	93.8%	90.8%	3%
Converted premises	6.3%	9.3%	(3%)
Metropolitan	52.7%	58.0%	(5.6%)
Regional	47.6%	42.0%	5.6%

[1] Excludes vacant centres and office suites.

- Leased childcare centres includes acquisitions of 15 centre properties, the disposal of 10 centre properties and leasing of 2 vacant centres.
- Acquired an additional 6 childcare construction/conversion sites to the pipeline.
- Remixing of portfolio has improved portfolio ratios.

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6.7 Childcare state by state passing yields

Strong cap rate compression

Portfolio overview	Number of assets	Carrying value ($'000)	Rent (pa) $'000	Passing Yield
Queensland	68	109,433	9,977	9.12%
New South Wales	25	33,435	2,825	8.45%
Victoria	48	70,485	6,093	8.64%
Tasmania	6	8,095	747	9.23%
South Australia	4	6,170	558	9.04%
Western Australia	22	37,490	2,996	8.64%
Northern Territory	1	1,310	118	8.98%
Operating childcare centres	174	266,418	23,313	8.75%
Vacant centres (for lease or sale)	2	1,610	–	–
Total childcare centres	176	268,028	23,313	–
Murarrie Office Component	–	3,611	340	9.4%
Childcare sites and WIP	10	20,004	–	–
Total other property	10	23,615	340	–
Total property portfolio	186	291,643	23,653	–

- Evidence of strong cap rate compression in NSW, Victoria and WA with Queensland starting to also show signs of tightening.
- Average passing yield has tightened from 9.16% at HY14 to 8.75% at FY14.
- Increasing portfolio of childcare sites with value of property and WIP (including holding and finance costs) increasing to $20 million.

6.8 Caboolture Medical and Dental Centre

A quality asset located in Queensland

- A local community medical centre containing 12 GP consulting rooms, 2 active dental chairs and a 4 bed medical treatment room.
- 100% leased for 15 years to Primary Health Care.
- Strategically located within the Caboolture-Morayfield Principal Activity Centre, adjacent to the Caboolture CBD core.
- Acquisition is accretive to earnings.
- Tenant has recently refurbished the internal areas and external surfaces so it presents very well.

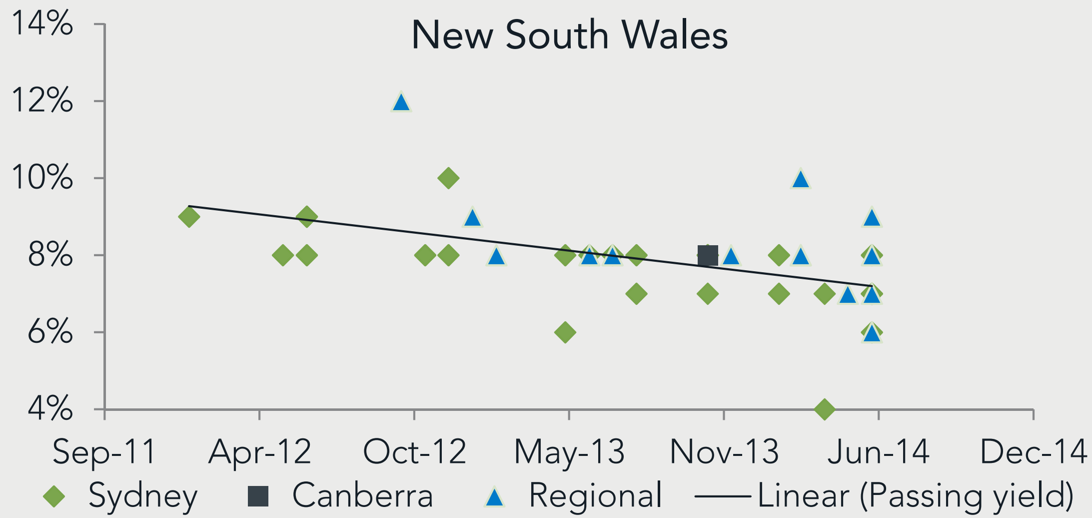
Key metrics	
Acquisition date	16 May 2014
Purchase price	$4.5 million
Year one initial yield	8.0%
Construction date	2007
Net lettable area	822 sqm
Tenant	Primary Health Care – 100% occupied
WALE	15 years (upon acquisition)

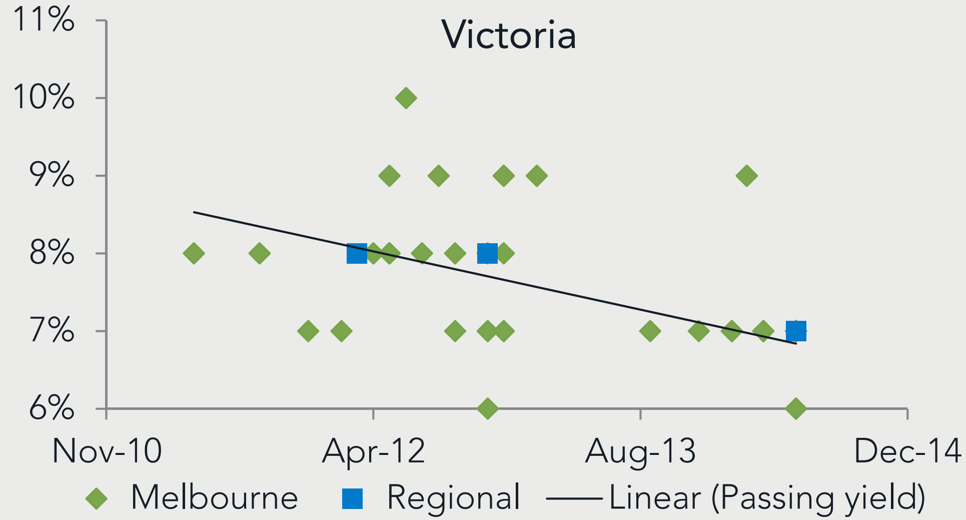
Bertha Street entrance.

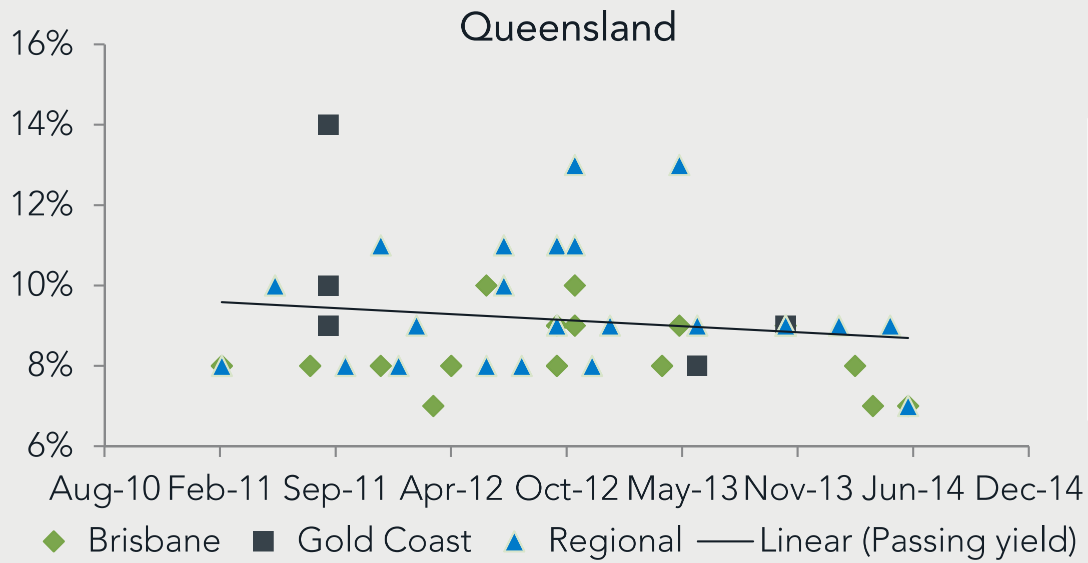
Medical treatment room.

6.9 Underlying demand driven capital growth

Recent sales show childcare yields firming in Victoria and NSW







ARF childcare portfolio passing yields by state

State	Jun 11	Jun 12	Jun 13	Dec-13	Jun 14
QLD	10.21%	9.87%	9.78%	9.33%	9.13%
NSW	9.70%	9.49%	9.52%	9.24%	8.45%
VIC	9.22%	9.14%	9.12%	9.08%	8.64%

Source: Actual sales evidence collated by Arena.

6.10 Healthcare portfolio

A portfolio of seven multi disciplinary medical centres

Bondi Junction Medical and Dental Centre, NSW

NLA: 1,139 sqm
WALE: 8.5 years

Leichhardt Medical and Dental Centre, NSW

NLA: 2,036 sqm
WALE: 8.2 years

Campbelltown Medical and Dental Centre, NSW

NLA: 1,622 sqm
WALE: 6.0 years

Dapto Medical Centre, NSW

NLA: 2,196 sqm
WALE: 8.9 years

Wentworthville Medical Centre, NSW

NLA: 1,652 sqm
WALE: 8.5 years

Mt Druitt Medical Centre, NSW

NLA: 1,490 sqm
WALE: 8.3 years

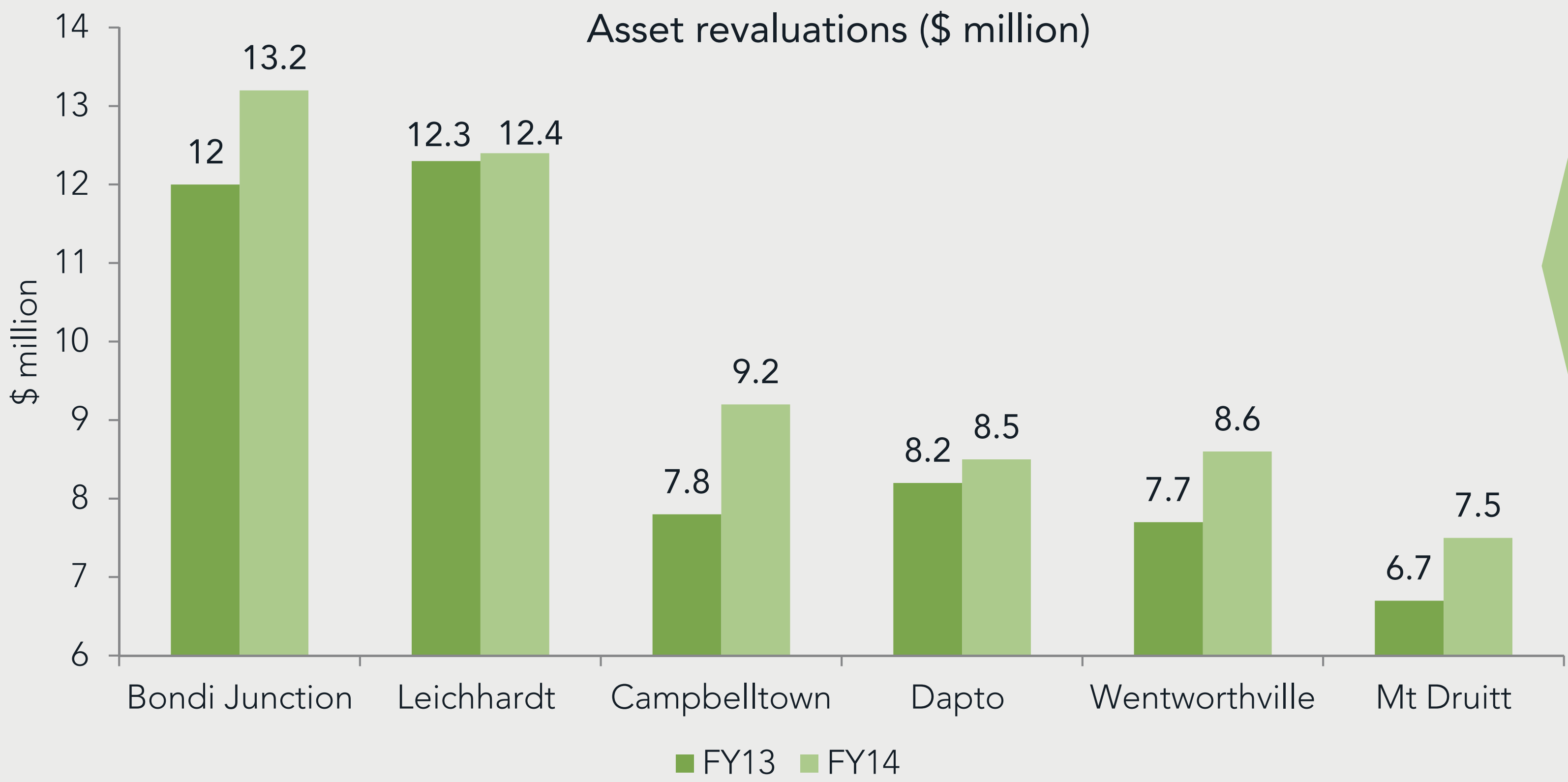
Caboolture Medical and Dental Centre, QLD

NLA: 822 sqm
WALE: 14.9 years

Portfolio occupancy – 100% (all to Primary Health Care)
Portfolio WALE – 8.5 years

6.11 Revaluations

Healthcare stapling portfolio revaluation uplift



+7.4% valuation growth since stapling

Properties added in December 2014 as part of the SHCT stapling were revalued up 7.4%, inclusive of acquisition costs.

6.14 Productivity Commission Inquiry into Childcare

Draft Report released in July 2014 – final report due in October

Recommendations include:

- Government to combine Child Care Benefit and Child Care Rebate into a single child-based subsidy to be known as the Early Care and Learning Subsidy (ECLS).
- The ECLS will be available for all mainstream approved Early Childhood and Education Care (ECEC) services whether they are centre based or home based. Government should allow approved nannies to become an eligible service for which families can receive ECEC assistance.
- Provide a means tested subsidy of between 90% (families with less than $60,000 income) and 30% (families with more than $300,000 income) of the deemed cost of care for hours of care which the provider charges.
- Provide up to 100 hours of care per fortnight for children of families that meet the activity test of at least one parent having 24 hours of work, study or training per fortnight.
- Pay the subsidy directly to the service provider on receipt of the record of care.
- The Government should remove eligibility for all Not for Profit childcare providers to Fringe benefit and payroll tax exemptions and rebates.

6.12 BSH and PHC Funds

Proposed externally managed funds

Banksia Street Heidelberg Joint Venture (BSH)

- Unlisted JV scheme with 19 investors.
- **Property:** 16 – 18 Banksia Street, Heidelberg, Vic. Pathology asset 100% leased to Primary Health Care with a remaining lease term of 7.1 years currently valued at $17.0 million.
- **Management fee:** 1% of gross asset. Next investor meeting to be April 2015 to vote whether to wind up the JV. Disposal fee of 1%.

PHC Darlinghurst Syndicate and Trust

- Unlisted Syndicate and Trust with 24 investors.
- **Property:** 213 Darlinghurst Road, Darlinghurst, NSW. Single medical clinic 100% leased to Primary Health Care with a remaining lease term of 7.7 years currently valued at $14.75 million.
- **Management fee:** 1% of gross asset. Next investor meeting to be December 2015 to vote whether to wind up the Syndicate and Trust. Disposal fee of 2%.

6.13 Investment case

A strong investment case

Relatively long leases providing a predictable income stream

- WALE of 8.5 years.

A geographically diverse portfolio of property assets

- Childcare centres located across all 6 states of Australia and the Northern Territory, 6 healthcare centres located in and around Sydney and 1 in Queensland.

Federal government funding support and favourable macro fundamentals

- The childcare and healthcare sectors are supported by a FY14 budget of $5.05 billion and $79.2 billion respectively. Demand for both childcare and healthcare is increasing with more children in care and an aging population.

Experienced management

- Arena has a strong capability in property funds management, overseen by a majority independent Responsible Entity Board.

Relatively low gearing

- The Trust's gearing ratio is currently 33% with a target gearing ratio in the range between 35% and 45%.

For further information

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