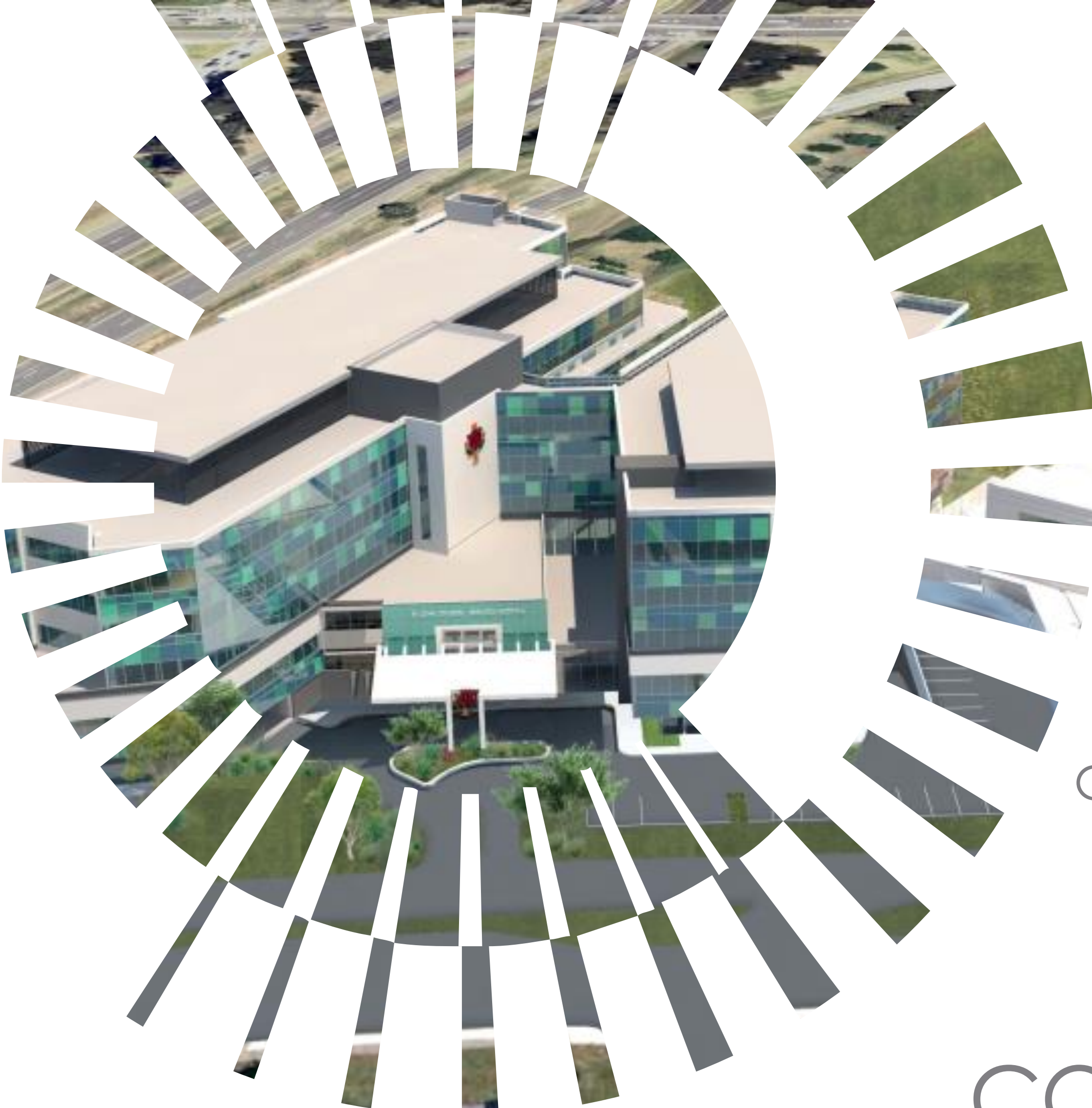


GENERATION **HEALTHCARE** REIT
(ASX CODE: GHC)

MACQUARIE AUSTRALIA CONFERENCE 2016

GENERATION HEALTHCARE REIT

4 MAY 2016

generationreit.com.au

AGENDA

OVERVIEW OF GENERATION HEALTHCARE REIT ➤

WHO WE ARE

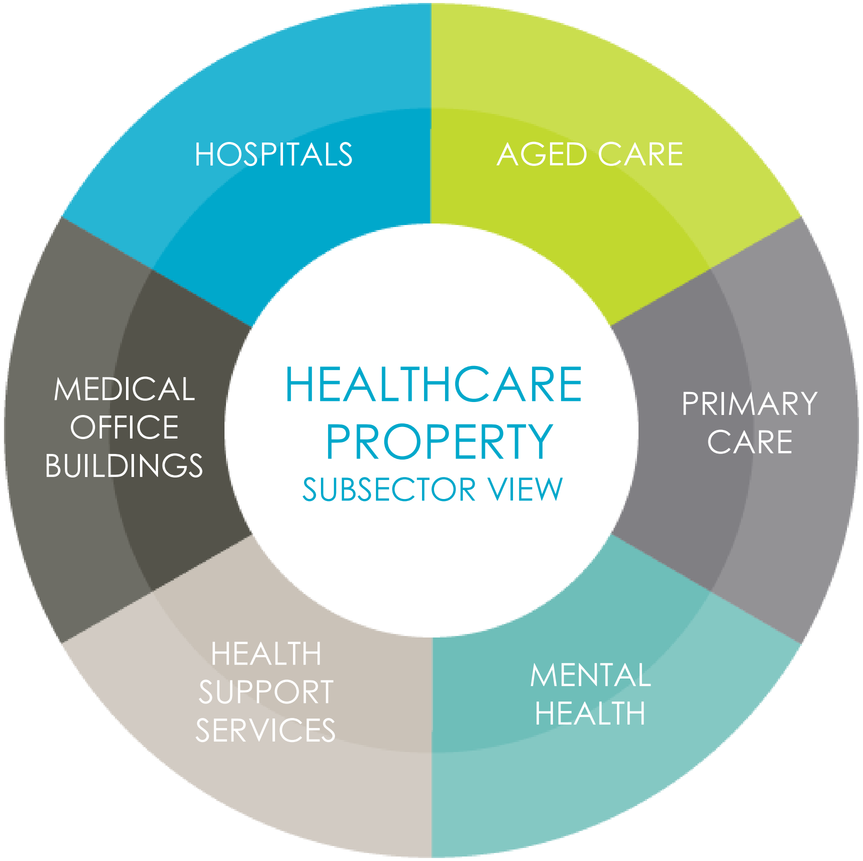
Landlord to the health sector

AND

The only dedicated healthcare property entity listed on the ASX

GHC MANDATE AND INVESTMENT UNIVERSE

To invest into high quality healthcare property to derive attractive risk adjusted returns for our investors



GENERATION HEALTHCARE REIT – INTRODUCTION

- GHC listed on the ASX in May 2006 and has a current market capitalisation of circa $463 million[2]
- High quality portfolio across health property spectrum
- Strong organic growth pipeline with projects in delivery and planning phases
- Long WALTE at 12.3 years and high occupancy at 98.4%
- Exposure to a defensive sector with unique demand profile
- Attractive risk-adjusted income yield and capital growth potential
- Unit Register – circa 4,300 investors, 60% institutional (by value) with strong institutional interest

Key metrics	
Total Assets[1]	$439m
Number of properties	17
Number of tenants	110
Enterprise Value [4]	$596m
Market Capitalisation [2]	$463m
Average daily turnover [3]	219,000
FY16(f) DPU yield (forecast 8.84 cents per unit) [2]	4.2%
WALTE [1]	12.3 years
Occupancy [1]	94.8%
Debt maturity [1]	2.7 years
Gearing (look through)[1]	28.9%

Source: Management information, ASX, IRESS as at 2 May 2016

Notes:
1. As at 31 December 2015
2. Unit price as at 2 May 2016 of $2.12
3. Based on volume of 55.8 million units in 12 months to 2 May 2016
4. Market capitalisation plus net debt at 31 December 2015 of $133 million

AUSTRALIAN HEALTH SECTOR

HEALTH SECTOR IN AUSTRALIA – SNAPSHOT

Scale and Growth of the Health Sector

- Expenditure on healthcare in Australia was estimated to be $154.6 billion in 2013-14[1]:
  - Up from $94.9 billion in 2003-04[1] (a 63% increase)
- Expenditure on healthcare was 9.8% of GDP in 2013-14[1]:
  - Up from 8.5% in 2003-04[1]
- Expenditure growing at 5.0%[1] per annum (real) driven by unique demand drivers:
  - Rapidly ageing and growing population
  - Advances in technology generating more health solutions
  - Increase in non-age related diseases (e.g. obesity and diabetes)
- Largest employer in Australia

1. Australian Institute of Health and Welfare – "Health Expenditure Australia 2013-2014"


We are living longer
We expect more
We expect it sooner

AUSTRALIA'S GROWING AND AGEING POPULATION

Over 65's
require
4X health $

Over 85's
require
9X health $

= Strong growth in demand for services ∴ infrastructure

Source: ABS

WHY HEALTHCARE PROPERTY

WHY HEALTHCARE PROPERTY

- Healthcare industry **stands to benefit from long-term industry demand drivers**
- Healthcare is **largely a mandatory spend** not discretionary
- Healthcare real estate assets are **well placed to capture long term growth** and value creation taking place within the broader healthcare industry
  - ***Low levels of institutional ownership*** of healthcare property provides opportunity
  - ***Sector-leading historical risk-adjusted returns*** over the last 8 years measured by independent research house MSCI
  - ***High barriers to entry***
  - Regulatory environment stable and politically sensitive to material changes
  - Largely purpose built facilities

AUSTRALIAN HEALTHCARE PROPERTY PERFORMANCE

- Independent research house MSCI launched a healthcare property index in March 2012
- 5 participants, circa $1.5 billion of property over an 8 year duration to 30 June 2015
- **Healthcare property sector delivered**:
  - the highest return
  - lowest risk
  - highest risk adjusted return
  - lowest downside risk
- The healthcare property sector has the **lowest correlation with other property sectors** making it a desirable addition to a diversified property portfolio

Property Sector annualised observations to 30 June 2015[1]

Sector	Annual return	Return volatility	Sharpe ratio	Downside risk
Healthcare	**12.0%**	**1.8%**	**4.6**	**0.1%**
Office	7.2%	3.4%	1.1	2.2%
Retail	7.5%	2.5%	1.6	1.4%
Industrial	7.2%	3.6%	1.0	2.3%
Hotel	9.6%	4.4%	1.3	2.6%

1. Source: MSCI for the 8 years ended June 2015

WHY GENERATION HEALTHCARE REIT ➤

WHY GENERATION HEALTHCARE REIT

- Exclusive focus to a scale, growing and defensive sector
- High quality portfolio of strategically located property with strong organic growth
- Strong history of outperformance
- Specialist skill set with long dated track record of greater than 20 years
- Broader based team of highly qualified industry participants
- Strong alignment of interest in structure
- Demonstrated history of creating organic growth and corresponding value

Returns Per Annum to 31 Dec 2015	GHC[1]	Benchmark	Over / (Under) Performance
6 months [2]	26.3%	7.2%	19.1%
1 year	41.0%	14.4%	26.6%
3 years	38.3%	15.9%	22.4%
5 years	26.2%	15.3%	10.9%
7 years	29.2%	12.0%	17.2%
Since Inception (May 2006)	17.2%	1.6%	15.6%

Source: Bloomberg as at 31 December 2015 close

1. Capital appreciation of GHC units during the year, assuming reinvestment of distributions paid
2. Six month return is for the 6 month period, not annualised

ORGANIC GROWTH WITH CASE STUDY ➤

ORGANIC GROWTH = VALUE

	Frankston Private Expansion	Casey-Private Hospital (Stage 2)	Grey Street Centre (GSC) and Albert Street car park
Total Project Cost	$45.4 m	$113.5 [3] m	$62 m
GHC Share	$29.5 m	$44.5 m	$31 m
Income Return	8.50%[2]	8.00%[2]	~8.35%[2]
Status	Under construction (18 months)	Under construction (24 months)	Planning approval lodged

Balance sheet capacity created to fully debt fund the projects

Delivers ~25% growth in high quality assets

1. Subject to town planning approval and finance
2. The income return is the contracted rental applied to the forecast total project cost
3. Includes hard fitout that the tenant will fund

CASE STUDY – CASEY

The location and site

- GHC held long term interest in broader catchment
- Identified strategic site for acquisition in March 2013
- Area under serviced with healthcare services
- State Government support for Public Hospital to grow materially
- Opportunity to create one of Melbourne's most significant integrated health precincts

Land area	12,200 sqm
Stages	3
Planning approval for	~50,000 sqm
Development envelope	Circa $250m+

About Casey

- 45km south east of Melbourne CBD (South Eastern corridor)
- Most populous municipality in Victoria c280,000 people – projected to increase by 65% to 460,000 in next 20 years
- One of the fastest growing LGA's in Australia

CASE STUDY – CASEY STAGE 1

Cancer focused medical centre

Description

- Integrated cancer services including radiotherapy, medical oncology, high end diagnostics and specialist consulting
- NLA: 3,585 sqm (3 floors above ground / 1 below)
- 75 car parks (on grade and basement)
- WALTE 9.1 years

Leasing

- Pre-commitment: 3 anchor tenants = 63% of space plus additional 11% of strong EOI's/offers
- Build: develop and construct on fixed price contract
- 84% leased at practical completion (February 2015)
- 94% leased at 31 December 2015

Key dates

Started construction	November 2013
Completed project	February 2015

Cost / Value / Return Metrics

- Total cost: ~$16.5 m
- Valuation – December 2015: $25.8m
- Valuation yield: 7.0%
- Net income yield on cost: ~11.0%

CASE STUDY – CASEY STAGE 2

Private surgical and medical hospital

A scale co-located private hospital delivering a full range of services in joint venture with St John of God Health Care

Timeline

Detailed business case "worked up" by GHC for SJoG	2014
MoU signed	August 2014
Detailed design Project documentation Joint venture & lease documentation Debt tender & award Construction tender & award	August 2014 – December 2015
Financial close	December 2015
Construction start	January 2016

Description

Private surgical and medical hospital	
NLA	18,000 sqm
Car parks (for Stage 2 and 3)	350
Beds	190
Operating theatres	6
Birthing suites	6
Endoscopy theatres	2
Catheter lab	1
Medical consulting suites	17

St John of God Health Care (SJoG) Lease

Head lease over 100% of building

Initial term	20 years
Income yield	8% return on cost
Reviews	3% p.a. fixed
Car parks	188 spaces

Casey Stage 2 – Artists impression

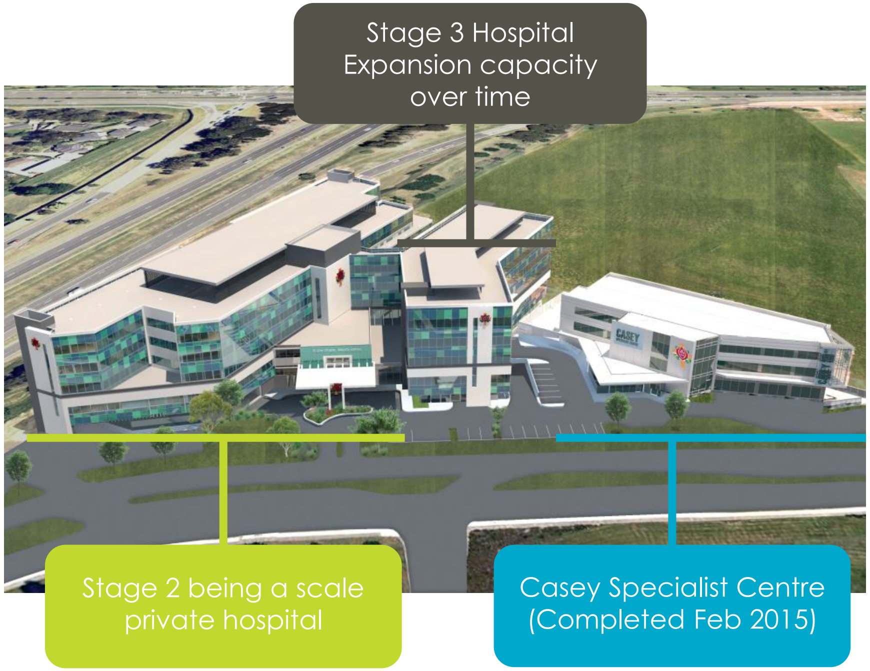
CASE STUDY – CASEY STAGE 3

What

- Material expansion of:
  - Operating theatres
  - Inpatient beds
  - Consulting space

When

- Linked to demand for services in the catchment
- Strong growth profile exists



OUTLOOK ➤

OUTLOOK

Macro

- Defensive sector
- Scale sector that has a strong growth profile
- Sector growth and consolidation = growth opportunities for GHC

Why GHC

- Active and experienced management with proven track record
- Demonstrated ability to create future opportunities
- Quality of existing assets
- Strong organic growth in progress with multiple future stages
- Existing balance sheet capacity to fund project pipeline = material earnings enhancement
- Aligned investment model

CONTACT

Miles Wentworth
Chief Executive Officer
T (03) 8656 1000
E mwentworth@generationreit.com.au

Generation Healthcare REIT
Level 30, 101 Collins Street
Melbourne Victoria 3000 Australia
generationreit.com.au

DISCLAIMER

A copy of this presentation is available on **generationreit.com.au**

This presentation was prepared by APN Funds Management Limited (ABN 60080674479) (the "Responsible Entity") in respect of Generation Healthcare REIT (ARSN 118 712 584) ("GHC"). Information contained in this presentation is current as at 4 May 2016. This presentation is provided for information purposes only and has been prepared without taking account of any particular reader's financial situation, objectives or needs. Nothing contained in this presentation constitutes investment, legal, tax or other advice. Accordingly, readers should, before acting on any information in this presentation, consider its appropriateness, having regard to their objectives, financial situation and needs, and seek the assistance of their financial or other licensed professional adviser before making any investment decision. This presentation does not constitute an offer, invitation, solicitation or recommendation with respect to the subscription for, purchase or sale of any security, nor does it form the basis of any contract or commitment.

Except as required by law, no representation or warranty, express or implied, is made as to the fairness, accuracy or completeness of the information, opinions and conclusions, or as to the reasonableness of any assumption, contained in this presentation. By reading this presentation and to the extent permitted by law, the reader releases the Responsible Entity and its affiliates, and any of their respective directors, officers, employees, representatives or advisers from any liability (including, without limitation, in respect of direct, indirect or consequential loss or damage or loss or damage arising by negligence) arising in relation to any reader relying on anything contained in or omitted from this presentation.

The forward looking statements included in this presentation involve subjective judgment and analysis and are subject to significant uncertainties, risks and contingencies, many of which are outside the control of, and are unknown to, the Responsible Entity. In particular, they speak only as of the date of these materials, they assume the success of GHC's business strategies, and they are subject to significant regulatory, business, competitive and economic uncertainties and risks. Actual future events may vary materially from forward looking statements and the assumptions on which those statements are based. Given these uncertainties, readers are cautioned not to place reliance on such forward looking statements. Past performance is not a reliable indicator of future performance.

The Responsible Entity, or persons associated with it, may have an interest in the securities mentioned in this presentation, and may earn fees as a result of transactions described in this presentation or transactions in securities in GHC.