Vital Healthcare Property Trust Annual Meeting, held at the Princes Ballroom, Pullman Hotel, Auckland at 11.00am on Thursday 10 November.

Chairman's address

Slide 1 – Cover slide

Welcome ladies and gentlemen to the 2016 Annual Meeting of Vital Healthcare Property Trust.

My name is **Graeme Horsley,** I am the Chairman and an Independent Director of your Trust's Manager.

The conduct of this meeting will be governed by the Unit Trusts Act 1960 and the Trust Deed of the Trust.

Under the terms of the Trust Deed I have been appointed the Chairman of this meeting.

The Notice of Annual Meeting, including all resolutions to be considered, has been circulated to all Unitholders.

Before the business of the meeting can commence it is necessary for there to be a quorum.

Proxies have been received from Unitholders holding 164,150,305 units which equates to 38.5% of units on issue and therefore represent over 10% of the number of units on issue.

On that basis, I am pleased to confirm that there is a quorum present and I declare the 2016 Annual Meeting of Unitholders of Vital Healthcare Property Trust open.

Slide 2 – Meeting Agenda

I'll first run through the order of the meeting before introducing my fellow Directors and members of the Executive Team along with the Trustee, legal and audit representatives who are also here today.

- I will then give my address looking at our performance, strategy and our focus for the year ahead;
- David Carr, the Chief Executive Officer of the Manager will then speak, briefly recapping our 2016 results and then provide you with a real time update of activities for the year to date;
- I will then invite you to ask any questions you may have regarding the Trust;

- We will then move to the one Resolution for voting upon – being the re-election of Claire Higgins as an Independent Director on the Board of the Manager;
- We will then conclude the meeting, following which there will be refreshments, and I invite all Unitholders to remain and enjoy these with us.

The Annual Report and Financial Statements for the year end 30 June 2016 have been circulated to all Unitholders and are now formally tabled at the meeting.

Copies of the minutes of last year's Annual Meeting are available for inspection at the entrance to the room.

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Slide 3 – Board of Directors

Before going any further I would like to take the opportunity to introduce my fellow Directors.

To my right is, **Claire Higgins** and to her right is **Andrew Evans** and next to Andrew is **Bernard Crotty**. We have an apology today from **Paul Dalla Lana** who could not make it due to other business commitments in Canada.

The Board composition remains unchanged from last year, with **Andrew**, **Claire**, and myself as independents and **Paul** and **Bernard** as representatives of the Manager.

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Slide 4 – In attendance today

I would also like to introduce members of the Executive Team of Vital Healthcare Management Limited.

First is the Chief Executive Officer, **David Carr** who recently completed his 10th anniversary as Vital's CEO.

Next to David is the Chief Financial Officer and Company Secretary, **Stuart Harrison**.

Also in the audience today is **Richard Roos**, Vital's Australian Managing Director along with staff from both the New Zealand and Australian teams.

Also present today are:

1. **Robert Gatward** from Trustees Executors Limited, the Trustee of Vital Healthcare Property Trust

2. **Peter Gulliver** from Deloitte, the auditors for the Trust and

3. **Andrew Harmos** from Harmos Horton Lusk Limited, the legal advisers to the Manager

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Slide 5 – Chairman's address & video clip

Ladies and gentleman, I received some great feedback on the video clip we had at the start of last year's Annual Meeting.

This year we have another short video kindly provided by one of our key partners - HealtheCare.

The video relates to Hurstville Private Hospital, a property we acquired in May 2012 close to the Sydney CBD.

Last year we finished our largest ever brownfield project, a A$34.0m programme to modernise and expand the hospital.

We added more theatres and beds, two angiograph suites, a 6-bed coronary care unit and 6-bed ICU.

We also extended the lease to 27 years and created value for investors over and above the acquisition price and development spend.

So now let's take a look at what we've delivered for you.

[PLAYED VIDEO]

I trust you all enjoyed that.

As you can see the transformation has been incredible.

We believe that over time we can further increase capacity at Hurstville as the surrounding suburbs continue to grow and patient demand increases.

Slide 6 – Vital's unit price performance

Vital has continued delivering exceptional total returns to investors.

Over the last 10 years we have consistently outperformed the wider market and our real estate peers.

At last year's Annual Meeting the unit price was $1.84 compared to yesterday's closing price of $2.05, around 11.4% higher.

As at 30 June 2016 Vital's total return was 43%, its strongest ever for a financial year.

We believe this outperformance and investor support is a positive signal of the market endorsing our strategy.

With a clear plan of the way forward, we remain focused on doing what has worked so well for us in the recent past.

Slide 7 - Chairman's 2016 year in review

Clearly, our performance doesn't happen by itself.

This slide was from last year's Annual Meeting and I have used it as a scorecard for what we've achieved over 2016. In summary we have:

- Delivered a high quality, circa billion dollar portfolio with market leading metrics and in its best ever shape;
- We maintained our brownfield developments and acquisitions programme to diversify our portfolio and our earnings;
- We successfully completed a $160m capital raising to support our scale & diversification strategy, and I'll touch on this again shortly;
- And from a management perspective, we added more resources to our existing high quality management team, to ensure we continue delivering sustainable distributions to investors.

In fact, in speaking of distributions I would note that our payout ratio for 2016 of around 70% remains one of the lowest in the New Zealand property sector where it averages around 90%[1].

This should be considered very attractive to investors as it provides added certainty around the relative long term sustainability of our distribution.

So, while all these elements reflect the day to day operational aspects of what we do, ultimately they are all about supporting the delivery of our strategy.

[1] Forsyth Barr Real Estate Reflections 6th October 2016, figure 4.

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Slide 8 - Building a healthy future

Building a healthy future is clearly a play on words, but it aims to capture our long term vision for Vital.

Vital's strategy is comprised of three core elements being:

1. **Relationship focused;**
2. **Scale and diversification; and**
3. **Sustainable distributions and long term value creation.**

Relationship focused is about supporting the long term success of our partners.

We have some of the best operator relationships in the market and our support can take many forms.

It could be offering design ideas for proposed developments; being creative and flexible around lease terms; or providing long term capital certainty to support their strategic growth.

Over the last three years 80% of our acquisitions have been acquired off-market, through both new and established relationships.

These transactions demonstrate good faith and a willingness to work together to the mutual benefit of all parties involved.

We estimate the potential pool of healthcare real estate opportunities across New Zealand and Australia to be in excess of A$3 billion.

This is clearly a very large and attractive market. We are focused on being a preferred long term capital partner of choice, for operators considering selling their real estate.

These operators can then focus on delivering high quality healthcare services to their patients.

Scale and diversification is our ability to consistently focus on our core market of healthcare real estate and leverage its favourable long term drivers.

The management team's track record in delivering exceptional portfolio, operational and financial outcomes reflects this consistent approach.

As Vital grows, the ability to also manage portfolio and earnings diversification in a relatively specialised asset class becomes critical.

The last 12 months has seen Vital expand its portfolio.

We have selectively introduced Australian residential aged care and medical office building exposures to add important tenant, geographic and income diversification benefits to the portfolio.

We have also reaffirmed our long term commitment to the New Zealand market with the acquisition of Boulcott Private Hospital.

Sustainable distributions and value creation are ultimately what we focus on delivering to you as investors.

Strong delivery on the first two elements of our strategy is important, but there are other features which help make it happen.

These can include our ability to access both debt and capital markets efficiently and at attractive terms.

We have also retained and attracted highly experienced and capable personnel to the business to help us deliver our strategy.

So now, let's take a look at what this has all meant for you, our investors.

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Slide 9 – Building a healthy future, portfolio benefits

At a portfolio level, these two charts show how all our elements of strategy have delivered significant benefits.

The left hand chart here shows through proactive management and our relationship focused approach we have reduced our largest single tenant exposure over the next 10 years from 13.1% in 2012 to now just 2.0%.

This removes significant income risk from the portfolio whilst providing greater earnings certainty over the long term.

The reduction in single tenant risk also has a positive flow-on effect for our 10-year average lease expiry profile, shown by the right hand chart.

As you can see, our average annual income expiry has reduced from 4.4% in 2012 to just 1.7% per annum now.

This means there is significantly better income sustainability over the long term.

Is there any property vehicle in the Australasian market with an average annual income expiry better than ours? Not to my knowledge.

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Slide 10 – Building a healthy future, sustainable distributions

Slide 10 shows what execution of our strategy looks like over the last five years.

All our development and acquisition activities have been driven by a consistent focus on our core healthcare market and leveraging its favourable long term fundamentals.

This has then been supported by our relationship focused approach.

Here you can see our development profile since 2012.

We have maintained fantastic portfolio metrics during development, our operators have expanded the healthcare services they provide and their businesses continue to perform strongly.

Next we have our acquisitions. The strength of our existing relationships and our ability to establish new ones with key partners has been fundamental to our success.

Our strategy has seen us enter new asset classes and locations and we have expanded and modernised the portfolio.

Then we have our committed development spend. This reflects our current pipeline of brownfield development projects and David will speak to this more in his address shortly.

Ultimately, all of these things are about ensuring sustainability of distributions to investors.

The line in this chart clearly shows that all our activities have delivered on this.

Based on a very prudent payout ratio, we expect to continue delivering sustainable distributions going forward.

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Slide 11 – Post balance date capital raising

Whilst it sat outside of our financial year results, I must make note of the highly successful $160m capital-raising during the calendar year.

Vital now has a market capitalisation of approximately $900m.

Our liquidity and scale in the New Zealand equity market has certainly improved making us more attractive to both domestic and international investors.

The capital raising was strongly supported by investors and allows us to continue delivering on our strategic plan.

Since the capital raise and recently announced acquisitions our gearing sits at around 24%.

This provides ample capacity to keep delivering on our brownfield development programme and any potential acquisition opportunities as they arise.

The fact Vital could raise a sizeable amount of capital at a premium to NTA and retain its distribution guidance of 8.5 cents per unit is compelling.

In my view it very much underscores the fact Vital is in its best portfolio and financial position ever.

While the wider equity market has softened lately, we are focused on delivering results over the long term.

On just about any time frame over the last 10 years, Vital has outperformed the listed property sector and the wider New Zealand equity market on a total return basis.

In addition, we continue to trade at the highest premium to NTA in the sector, noting our NTA is currently $1.62 per unit.

Divider slide 12

Slide 13 – Focus for 2017

In closing, the Board remains focused on building a healthy future for Vital.

This means staying on strategy to deliver value creation and sustainable returns to investors.

We are confident David and his team can continue delivering on all the focus points for 2017.

Following the 5 per cent annualised cash distribution increase announced in February, the Board remains comfortable guiding to a 2017 financial year cash distribution of 8.5 cents per unit.

I am therefore pleased to announce the Board has approved a first quarter cash distribution of 2.125 cents per unit, which is payable on 19 December to unitholders as at the record date of 5 December.

I would like to thank all unitholders for their continued support and look forward to updating you on various initiatives as we move into 2017.

I will now pass you over to David who will run through his presentation.

Graeme to pass the meeting to David Carr

Chief Executive Officer's address

Slide 14 Chief Executive Officer's address

Thank you Graeme, welcome and good morning everyone.

My name is David Carr and it's a pleasure to be here today to update you on the activities of the Trust.

Slide 15 - Agenda

In terms of the agenda I'll start by reviewing the 2016 results highlights and then provide an update on a range of activities and current healthcare real estate themes, building on the areas of focus for 2017 that Graeme discussed.

Divider slide 16 - FY16 results summary

Slide 17 – FY16 results summary

As we announced in August, the Trust had an outstanding 2016 financial year, underpinned by strong performance across New Zealand and Australia.

We had gross rental income of $70.4m, up 15.7% and a record net profit after tax up 21.4% to just over $117m, with a core component of the NPAT result including the strong year-end revaluation gain of $101.9m, which I'll provide some perspectives on later.

A more appropriate or relevant measure for unitholders is Distributable Income, which removes all the non-cash unrealised gains and losses.

With $40.2m of net distributable income, an increase of 10.9% on the prior year, the Board confirmed its guidance of 8.5 cpu for the 2017 financial year, up from the 8.1 cpu guidance at last year's results.

Slide 18 - Treasury and Capital Management

Vital's LVR, or Loan to Value ratio of just over 36% reduced to approximately 21% following the capital raise and remains well below our bank and Trust Deed covenants of 50%. We certainly have plenty of balance sheet capacity to invest into new opportunities as they arise.

Another great result was the significant reduction in our weighted average cost of debt, which declined almost 1% to 4.38% at year end.

This is our 5th consecutive year of lower bank debt funding. It reflects a combination of:

- Lower Australian interest rates,
- Lower line and margin fees achieved at each facility renewal and
- Strong support from our Banking partners.

We had a payout ratio of just over 70% for the year and NTA or Net Tangible Assets increased 24 cents to $1.51.

It's great to see Vital units still consistently trading at a healthy premium to NTA which in my view recognises the benefits of a large, well-diversified, high quality healthcare real estate portfolio.

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Slide 19 - Sector drivers and trends

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Slide 20 - Sector drivers and trends

Slide 20 considers the long term drivers of demand for healthcare services.

While the potential for healthcare reforms can cause short term uncertainty, you need to look through this noise, and our view is that the structural foundations of supply and demand for healthcare largely remain intact and will continue to grow.

Despite the natural tension that exists between policy makers, insurers, hospital operators and healthcare providers, private health insurance levels remain relatively stable in both New Zealand and Australia.

Public healthcare networks and infrastructure remains under considerable pressure. The reality is that the public and private system needs to work together to cater to the needs of a growing and ageing population with increasingly high expectations of receiving quality and timely care.

This theme also extends to our recent investments in residential aged care real estate, which I will discuss later in the presentation.

These factors all support our favourable outlook on the sector and the investment opportunities that we'll look to crystallise from these undeniable trends.

I'll now run through a few slides on Vital's current portfolio metrics and profile.

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Divider slide 21 – Portfolio update

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Slide 22 – Strong core real estate fundamentals

Slide 22 shows our core portfolio metrics are in their best ever shape.

Our current occupancy of 99.7% is our highest in a decade and maintains our track record of over 99% for the last 7 years. This is one of many key contributors in delivering sustainable distributions.

Our WALE (or Weighted Average Lease Term to Expiry) is second to none and reflects the depth of skills and experience in the team to consistently deliver exceptional outcomes. I'll expand further on the benefit of a long WALE shortly.

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Slide 23 – Geographic diversification

This slide is a little busy, but it illustrates that we have continued to enhance our geographic diversification, where since 2012, we now have 5% of our portfolio in Western Australia and 4% in South Australia.

The acquisitions driving this diversification have included investments into residential aged care and mental health facilities in Western Australia and acute surgical and rehabilitation facilities in Adelaide, South Australia.

Most importantly, through our diversification we have widened and strengthened our operator relationships. This has supported the delivery of brownfield development opportunities and resulted in some fantastic portfolio and financial outcomes.

And just to be clear, when I refer to brownfield opportunities, it really means where we undertake value add development activities at existing properties alongside our operating partners.

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Slide 24 – Core portfolio metric – WALE

As at 30 September, Vital's WALE was 18.4 years and it has been growing now for a number of years. An improving WALE is not a simple or easy achievement remember, because as each year passes you are losing a year, so to have it grow like this is excellent.

If we look over the last 5 years we've had an average WALE of 15 years. From my perspective if we could maintain this on a long term basis, that would be an outstanding goal and certainly keep us well ahead of our listed property peer group.

I see a long dated WALE as important for three key reasons:

- First, it reflects the quality of the properties occupied, knowing they are designed and built for the long term;
- Second, it represents the strength and depth of the relationships we have with our operators and tenants as no-one would make 20 or 30 year lease commitments if they were not comfortable with their long term real estate partners;
- Finally, and by no means least, a long WALE provides contracted long term rental income stability for investors and directly connects with the Board's message around the sustainability of the distribution.

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Slide 25 – Lease expiry profile

By income, Vital's average annual lease expiry is now only 1.7% per annum, which is the lowest in our history.

As noted earlier, this result has really been made possible through our relationship focused approach.

We have now removed significant income expiry risk from the portfolio and this is clearly evident if you look at the blue bar on the right hand side of this chart, which shows that 83% of our income expires between 2027 and 2046.

Also, whilst it's a little hard to see in this chart, we do have some near term lease expiries. Be assured however, the team remains focused on these and based on our track record, I'm optimistic we'll deliver some great outcomes in due course and we'll keep you updated on progress on this through the year.

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Divider slide 26 - Development update

I'll now run through a development update.

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Slide 27 – Development update

On this slide you can see a summary of six development projects where we're spending just under A$80m building additional capacity in hospital beds, theatres and related infrastructure.

These capital investments reposition and modernise the portfolio, and also strengthen our long term strategic partnerships.

Brownfield expansion enhances underlying asset values and is a core component of our NTA. It also supports the delivery of strong rental income from a high quality healthcare real estate portfolio.

During the last five years we've committed to over A$200m of brownfield developments across 12 properties and our ability to continue with this expansion programme forms a key part of our strategy.

At the top centre of this slide you'll see our most recent commitment to a A$9.3m project at Mayo Private Hospital in Taree, northern New South Wales.

Mayo provides medical, surgical, rehabilitation, cardiology and psychiatric services. This is now the third stage of development at Mayo and will include a new consulting building, expansion of medical wards and associated carparking, and is scheduled to be completed in December 2017.

Also, another area of focus in recent years has been the astute acquisition of sites around key properties. These acquisitions will allow us to continue with our attractive development programme as we look to increase capacity and protect and enhance value as our operating partners continue to grow.

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Divider slide 28 – Acquisition activity

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Slide 29 – Recent acquisitions (Rockingham & Boulcott)

In the next two slides I'll update you on some of our more recent acquisition activities.

As we have articulated now for a number of years, aged care real estate continues to form part of our diversification strategy. The aged care sector remains large and fragmented and is moving into a consolidation and growth phase that will ultimately require significant investment.

For example, the supply of new aged care beds has been increasing at just under 2% per annum, however it needs to more than double to 4% per annum just to keep up with the demands of a growing and ageing population.

As a result of this demand, Vital is well positioned to participate and benefit from this growth over time. We made our first investment into the sector earlier this year with the acquisition of a portfolio of 4 residential aged care properties - two each in New South Wales and Western Australia.

The operator is Hall & Prior, one of Australia's largest private operators and has over 20 years' experience, with a strong reputation and focus on high quality care – including dementia care.

The acquisition had an attractive yield and lease terms and provides further diversification by asset type, location and tenant covenant. It also has brownfield development potential, where we can drive further incremental operational benefits and investment returns over time.

The second property on this slide is Boulcott Private Hospital which we settled in July this year.

We acquired Boulcott for $30.7m, representing an initial yield of 6.85%. We also acquired an adjacent property for future development.

Boulcott is a 38 bed private surgical hospital located in Lower Hutt, and services a catchment of approximately 145,000 people.

It has three operating theatres, 29 inpatient beds and a nine-bed day surgery suite. Approximately 45 specialist consultants and surgeons provide services across a range of specialties, including orthopaedics, ophthalmology and urology.

Importantly, Boulcott is adjacent to Hutt Hospital, the major public facility for the region and is Vital's first asset co-located with a public hospital in New Zealand.

Over the years we have prudently sought to acquire high quality healthcare assets in New Zealand and Boulcott delivers on that. I certainly believe we can unlock more opportunities in the New Zealand market in the medium term.

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Slide 30 – Recent acquisitions (Mons Rd)

Most recently we acquired the Mons Road Medical Centre for A$30.7m, on an initial yield of 6.70%.

Completed in 2010, Mons Road is a modern, multi-tenanted, four-level medical office building adjacent to Ramsay Health Care's Westmead Private Hospital and is approximately 25 kilometres west of the Sydney CBD.

It is also conveniently situated within the Westmead medical precinct, which is recognised as one of Australia's largest health services precincts.

Mons Road comprises a mix of high quality healthcare tenants including Castlereagh Imaging, just one of several ASX listed tenants in the building, providing Vital with great rental income diversification.

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Divider slide 31 – Valuation update

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Slide 32 – Independent portfolio revaluations

I just thought a few slides on our property valuations would be helpful in understanding the underlying performance of the portfolio.

On Slide 32 we provide a 3 year track of capitalisation rates (or cap rates) for Australia, New Zealand and the total portfolio.

The chart's self-explanatory, but as you can see Australian cap rates have firmed 2.2% (or 220 basis points) since 2014 to now sit at 7.2%.

The New Zealand portfolio cap rate was 7.7% three years ago and has now firmed to 6.9%.

Vital's overall portfolio weighted average cap rate is now sitting at 7.2%, a 1.8% (or 180 basis point) firming over the last three years.

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Slide 33 – Healthcare Sector Cap Rates

Slide 33 considers both asset and market drivers of cap rate firming to help provide some context to the strong revaluation gains we've been experiencing over recent years.

Asset drivers are the elements we largely have control over and include:

1. High occupancy levels and long dated WALEs;
2. Provision for structured rent growth, with periodic reversion to market; and
3. Tenant performance, covenant and asset quality.

Market drivers are largely outside our control but can include:

4. Transactional evidence;
5. Overall market supply and demand;
6. Lower interest rate environment; and
7. Underlying drivers of demand for healthcare services – including, as I mentioned earlier an ageing and a more demanding population and increasing rates of utilisation.

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Slide 34 – Commercial cap rates

As you can see in this chart provided by MSCI, whilst the All Property index over recent years (as shown by the blue line) has seen some quite solid firming, the capitalisation rate for the healthcare real estate index has firmed relatively further and faster (as shown by the green line).

And whilst this chart uses index data to 30 June 2016, based on recent actual and anecdotal evidence I wouldn't be surprised (all things being equal) to see the wider market All property index and the healthcare index continue to firm for some time yet.

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Divider slide 35 – Summary

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Slide 36 – Summary: Themes, drivers and opportunities

Finally, just to wrap up my commentary, Vital's strategy is delivering and we continue to build on recent successes. We are in our strongest ever, capital and portfolio position and our focus for 2017 is clear.

Healthcare real estate continues to provide attractive risk adjusted returns as the markets appreciation of the qualities of its unique investment characteristics continues to develop, particularly on the back of Vital's sustained outperformance.

We remain excited about the future and see a range of supportive trends and opportunities, with sector consolidation as one of these themes yet to play out.

We get the impression it's started, so it's important we work closely with those operators leading any consolidation in order to ensure we remain a preferred real estate capital partner.

In addition to any consolidation, there has and continues to be significant under-investment in healthcare infrastructure which is now demanding capital, not only for new growth but also to maintain the existing stock to a quality that meets both regulatory and consumer demands.

Vital has developed a strong track record of performance, working alongside our healthcare operators and partners, many of which are market leaders.

Our aim is to further entrench Vital's position which will ensure that we remain well placed to participate in a potential investible universe in the order of \$3bn. This aligns with, and underpins the Board's scale and diversification strategy and desire to create long term value and deliver sustainable distributions to investors.

Well, that's all from me, thank you for coming along today it's certainly appreciated. I look forward to updating you on activities through the year. I will now pass you back to the Chairman.