

180
YEARS

Australian
Unity 
Real Wellbeing

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Dear Australian Unity Healthcare Property Trust (AUHPT) Investor – this is a letter from your Responsible Entity (RE), Australian Unity Funds Management Limited (AUFM). It contains important information on your investment interests in AUHPT. Please read this letter carefully.

AUFM BOARD REJECTS NORTHWEST'S \$2.55 PER UNIT PROPOSAL AND RECOMMENDS AUHPT UNITHOLDERS TAKE NO ACTION AT THIS TIME IN RESPONSE TO ANY MATERIALS YOU RECEIVE FROM NORTHWEST

- AUFM Board REJECTS NorthWest's third proposal of \$2.55 per wholesale unit on the basis it undervalues AUHPT and is NOT in the best interests of AUHPT unitholders
- Any materials you receive from NorthWest have NOT been prepared or reviewed by AUFM and are NOT supported, recommended or endorsed by the Board of AUFM
- NorthWest is seeking to convene a unitholder meeting regarding its third proposal. AUFM does NOT support the convening of this meeting and has concerns about various aspects including the information that has been provided by NorthWest
- We are actively taking steps to ensure your interests are protected and will shortly provide unitholders with information as to what they should do, until then we advise unitholders to TAKE NO ACTION
- AUFM Board continues to consider various options to further enhance unitholder value and intends to keep AUHPT unitholders informed on progress
- If you have any questions or are not sure what to do, contact the Unitholder Hotline, which can be reached at 1300 502 987 (Domestic) or +61 2 8022 7953 (International)

1. Third proposal from NorthWest to acquire 100% of the units in AUHPT

On 24 May 2021 AUFM, as responsible entity of AUHPT, received a third, unsolicited, conditional, non-binding and indicative proposal from NorthWest Healthcare Australia RE Limited and NorthWest Healthcare Properties Real Estate Investment Trust (**NorthWest**) to acquire 100% of the units in AUHPT. NorthWest is a Canadian listed real estate company and is attempting to acquire AUHPT in partnership with entities related to Singaporean sovereign wealth fund, GIC Private Limited.

The third proposal included a revised price of \$2.55¹ per AUHPT wholesale unit² and was conditional on receiving FIRB approval, unanimous recommendation of the AUFM Board and no adverse event (**Adverse Event**) occurring in relation to AUHPT³. NorthWest subsequently confirmed on 26 May 2021 that it had received FIRB approval and that FIRB approval was no longer a condition of its third proposal.

The Board of AUFM (as RE of AUHPT) has carefully assessed and considered the third proposal (including having regard to the subsequent satisfaction of the FIRB condition) and formed the view that the third proposal is **NOT IN THE BEST INTERESTS OF AUHPT UNITHOLDERS**.

The Board of AUFM believes that the third proposal continues to materially undervalue AUHPT, having regard to the current and expected future value of the portfolio and the benefits it could deliver to a potential acquirer.

In addition to this, AUFM, as RE of AUHPT, has engaged extensively with unitholders to understand what is important to them. Having regard to the feedback from investors, the Board of AUFM took into consideration a number of other factors in assessing the third proposal, including:

- the nature of AUHPT investors and their preference for income and desire for long term returns;
- concerns of many investors regarding the tax implications of a potential cash sale of investors' AUHPT securities and their ability to then re-invest proceeds in comparable assets (with a similar risk and return profile);
- the strength of AUHPT's near term development pipeline (including the unique access to opportunities that AUHPT's relationship with the Australian Unity Group and other counterparties offers); and
- the very attractive current market conditions for the healthcare real estate sector.

NorthWest's first proposal in February 2021, which was rejected by the AUFM Board, was at a price of \$2.20 per wholesale unit. AUHPT's wholesale unit price (based on the fund's net asset value) has in the ordinary course of business increased to in excess of the price offered under that first proposal, and is currently at \$2.2334 per wholesale unit⁴. NorthWest made a second proposal of \$2.35⁵ per wholesale unit in mid-March 2021 which was also rejected by the AUFM Board. NorthWest has continued to emphasise that each of its offers delivers an attractive value proposition for AUHPT unitholders, only to continue to increase its offer price. In addition, NorthWest also continues to highlight offer premia versus its prior proposals. AUFM considers these highlighted increments are meaningless, given that each of NorthWest's prior proposals were at levels that the AUFM board determined materially undervalued AUHPT. This persistent comparison with already rejected proposals seems to be nothing more than an attempt to make the optics of its revised proposal appear more attractive to AUHPT unitholders.

AUHPT's portfolio consists of unique healthcare and medical infrastructure assets that are necessary to support Australia's future healthcare needs. It is the last remaining scale portfolio of hospital and healthcare assets in the Australian market that remains Australian owned. The fact that NorthWest has

¹ NorthWest has indicated its intention is that unitholders would be entitled to a pro-rata payment of assumed distribution income for the distribution period prior to implementation of any agreed transaction without impacting the price under the proposal.

² \$2.55 per wholesale unit, \$2.61 per retail unit and \$1.62 per Class A unit.

³ Including material acquisitions, divestments or equity raisings.

⁴ Mid-price as at 31 May 2021.

⁵ Offer of \$2.40 per wholesale unit, less any distributions paid, assumed to be approximately \$0.05 per unit

bid against itself twice reflects the highly sought-after nature (and value) of the AUHPT portfolio. Despite NorthWest's third proposal representing an increased offer price relative to NorthWest's two prior rejected proposals, the Board of AUFM continues to believe the proposal materially undervalues your units in AUHPT.

Your responsible entity continues to actively consider various options to further enhance unitholder value and we intend to keep AUHPT unitholders informed on progress.

AUFM remains focused on managing AUHPT to continue to deliver on its objective to provide investors consistent and sustainable income returns, together with long-term capital growth. As at 30 April 2021, AUHPT total unitholder returns over the preceding 12-month period were 25.09% and five year total unitholder returns were 14.89% per annum⁶.

2. Subsequent correspondence from NorthWest and materials prepared by NorthWest being provided to unitholders by NorthWest

On the morning of Monday 31 May, while the Board of AUFM was still considering the third proposal, it received notification from NorthWest that it had acquired a 5.1% interest in AUHPT and intended to convene a meeting of AUHPT unitholders to vote on its third proposal⁷. At the same time, NorthWest disclosed it was already in the process of distributing a detailed booklet to unitholders regarding the proposed meeting (**NorthWest Materials**).

The NorthWest Materials HAVE NOT BEEN PREPARED OR REVIEWED BY AUFM, HAVE NOT HAD ANY INPUT FROM AUFM, AND ARE NOT SUPPORTED, RECOMMENDED OR ENDORSED BY THE BOARD OF AUFM.

AUFM is still in the process of fully considering the NorthWest Materials, but even before completing a full evaluation we feel it important as your responsible entity to notify unitholders that there are potentially serious deficiencies in the NorthWest Materials. In addition, NorthWest is proposing a highly unusual process for the unitholder meeting that excludes any involvement of each of AUFM in its role as responsible entity of AUHPT; ASIC in its customary role as reviewer of the disclosure materials; and the Court in its typical role of supervising schemes of arrangement.

The AUFM Board DOES NOT SUPPORT THE CONVENING OF THIS MEETING. THE AUFM BOARD RECOMMENDS AUHPT UNITHOLDERS TAKE NO ACTION AT THIS TIME IN RELATION TO THE MEETING.

We are very conscious of the potential confusion the NorthWest Materials may cause our unitholders, and the NorthWest Materials **SHOULD NOT BE RELIED OR ACTED UPON BY AUHPT UNITHOLDERS.**

YOUR DIRECTORS ARE ACTIVELY TAKING STEPS TO ENSURE YOUR INTERESTS ARE PROTECTED AND, TO THE EXTENT REQUIRED, WILL PROVIDE YOU WITH INFORMATION SHORTLY TO ASSIST YOU IN DECIDING WHAT YOU SHOULD DO.

The NorthWest Materials include an independent expert's report that was commissioned by NorthWest⁸. This report is based only on a review of publicly available information and the expert did not have access to due diligence, discussion with the management of AUHPT or Directors of AUFM as RE of AUHPT. The Board of AUFM has a number of concerns about this report contained in the NorthWest Materials.

Should the Board of AUFM at some point in the future receive a proposal from a counterparty that it believes is in the best interests of AUHPT unitholders, having regard to its value, conditionality and certainty, the Board of AUFM would commission a fully informed independent expert to opine and report on the proposed transaction and would comply with the regulatory requirements in relation to the

⁶ 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.

⁷ Noting the only conditions relate to AUHPT unitholder approval and no Adverse Event occurring.

⁸ For which NorthWest has paid \$350,000 plus GST.

purpose and content of such reports. This report would form part of the extensive materials AUFM would provide to AUHPT unitholders at that time to enable them to make a properly informed decision about whether or not to accept a proposal.

Further Information

Thank you for your continuing loyalty to AUFM and your support as we carefully consider, in the interests of AUHPT unitholders, a range of options that have emerged for AUHPT.

If you have any further questions about the NorthWest proposal, the NorthWest Materials or your investment in AUHPT, please call the Unitholder Hotline, which can be reached at 1300 502 987 (Domestic) or +61 2 8022 7953 (International).

Yours faithfully



Rohan Mead
Chair
Australian Unity Funds Management Limited, as responsible entity for Australian Unity Healthcare Property Trust

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.

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