HealthCo Healthcare and Wellness REIT
ARSN 652 057 639
HCW Funds Management Limited
ACN 104 438 100, AFSL 239882

ASX RELEASE

16 June 2023

NOTICE OF EXTRAORDINARY GENERAL MEETING 2023

HCW Funds Management Limited as responsible entity of HealthCo Healthcare and Wellness REIT (ASX: HCW) advises that an Extraordinary General Meeting of its unitholders will be held in person at Level 7, Gateway, 1 Macquarie Place, Sydney NSW 2000 at 11.00am (Sydney time) on Monday, 24 July 2023 (**Meeting**).

A copy of the Notice of Extraordinary General Meeting and Explanatory Memorandum in relation to the business to be conducted at the Meeting is attached to this announcement.

Unitholders are encouraged to attend the Meeting or appoint a proxy to vote on their behalf by completing and submitting a proxy form as early as possible. Unitholders may use the proxy form attached to the Notice of Meeting or online at https://linkmarketservices.com.au/

Please note that proxy forms need to be received by no later than 11.00am (Sydney time) on Saturday, 22 July 2023.

In the event that any further updates are necessary, information will be available on HCW's website at https://www.hmccapital.com.au/our-funds/healthco-healthcare-wellness-reit/ and lodged with ASX.

This announcement is authorised for release by the Board of the Responsible Entity.

For further information, please contact:

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About HealthCo Healthcare & Wellness REIT

HealthCo Healthcare & Wellness REIT (HCW) is a Real Estate Investment Trust listed on the ASX focused on owning healthcare and wellness property assets. The REIT's objective is to provide exposure to a diversified portfolio underpinned by healthcare sector megatrends, targeting stable and growing distributions, long-term capital growth and positive environmental and social impact. HCW is Australia's leading diversified healthcare REIT with a combined portfolio size of $1.5 billion and development pipeline of approximately $1 billion.

Notice of Extraordinary General Meeting

HCW Funds Management Limited (ACN 104 438 100; AFSL 239882) as responsible entity of HealthCo Healthcare and Wellness REIT (ARSN 652 057 639)

Campbelltown Private Hospital

Nepean Private Hospital


Knox Private Hospital


Northpark Private Hospital

Monday, 24 July 2023 at 11.00am (Sydney time)

This Notice and the accompanying Explanatory Memorandum should be read in its entirety. If Unitholders are in doubt as to how they should vote, they should seek advice from their stock broker, investment advisor, accountant, solicitor or other professional adviser prior to voting.

Unitholders can attend and participate in the EGM at Level 7, Gateway, 1 Macquarie Place, Sydney NSW 2000. If Unitholders cannot attend the EGM in person, they can participate by appointing a proxy or by submitting questions in advance of the Meeting.

Letter from the Chair

16 June 2023

Dear Unitholder,

On behalf of the Board, we are pleased to invite you to participate in an extraordinary general meeting of HealthCo Healthcare and Wellness REIT (ASX: HCW) (**HCW**), which will be held at **11.00am (Sydney time) on Monday, 24 July 2023**.

As announced on 30 March 2023, HCW undertook a capital raising consisting of a placement of New Units to new and existing institutional investors (**Placement**) in conjunction with an accelerated non-renounceable entitlement offer (**Entitlement Offer**) (together, the **Capital Raising**) to acquire an interest in a hospital property portfolio leased to Healthscope.

Eligible Unitholders and eligible investors who participated in the Capital Raising are also eligible to receive, without any further action, up to 1 Bonus Unit for every 28 New Units issued to them, provided they satisfy certain minimum holding requirements as at the relevant determination date. The Bonus Units are being funded by HMC Capital Limited (**HMC**), the investment manager of HCW.

Unitholders are being asked to consider three important resolutions in connection with the Capital Raising and amendments to the investment management arrangements of HCW.

The first Resolution is a special resolution to facilitate the issue and funding of Bonus Units by HMC via a selective buy-back of up to 8,465,608 existing Units owned by HMC (held by HCDPL), for a nominal total consideration of $100 (the **Selective Buy-back**). The final number of Units bought back will be the same as the number of Bonus Units to be issued under the Capital Raising (where Unitholders and other investors who participated in the Capital Raising will receive additional Units for nil consideration, provided they meet the eligibility criteria).

The second Resolution seeks Unitholder approval to amend the Investment Management Agreement to permit the payment of some or all of any acquisition fees or disposal fees to be made by way of issues of Units to the Investment Manager or its nominee where requested by the Investment Manager. The Resolution is being sought to facilitate the proposed issue of Units to the Investment Manager (or its nominee) in lieu of cash consideration in order to reduce upfront cash funding required from the transaction. The Investment Management Agreement currently only provides for the issue of Units in lieu of management fees only.

The third Resolution seeks to allow the HMC Affiliates to acquire additional Units (potentially on-market), equivalent in number to those they would have been issued as under HCDPL's sub-underwriting commitment under the Retail Entitlement Offer. The HMC Affiliates currently have an economic exposure to those Units by way of a cash settled total return swap already entered into between HMC and Macquarie Bank Limited, but may wish to obtain direct ownership of an equivalent number of Units after the swap is unwound. If the HMC Affiliates were to acquire all those Units, the number of Units acquired would result in the HMC Affiliates acquiring a voting power in HCW exceeding the takeovers threshold under the Corporations Act of 20%, and therefore Unitholder approval pursuant to item 7 of section 611 of the Corporations Act is necessary.

The Notice and Explanatory Memorandum in the following pages provide further details on all Resolutions and we urge you to read the contents carefully. Unitholders should also refer to the announcements and Investor Presentation lodged with ASX on 30 March 2023 for further information relating to the Capital Raising.

All Directors eligible to make a recommendation to Unitholders (being all the independent non-executive Directors) recommend Unitholders vote in favour of all the Resolutions. In respect of each Resolution, each Director eligible to vote on that Resolution intends to vote all the Units he or she holds or that are controlled by him or her in favour of all Resolutions proposed.

David Di Pilla and Kelly O'Dwyer (as directors of HMC Capital Limited) have abstained from making a recommendation to Unitholders for the Resolutions due to a disclosed interest in the transactions. For further information, see Section 2.6 of the Explanatory Memorandum entitled "Director's interests".

The health of Unitholders, HCW's employees and other Meeting attendees is of paramount importance. We ask that you do not attend the Meeting if you feel unwell or have been in contact with someone who has been affected by COVID-19. If it becomes necessary or appropriate to make alternative arrangements for the meeting, we will provide further information on HCW's website at https://www.hmccapital.com.au/our-funds/healthco-healthcare-wellness-reit/.

On behalf of the Board we thank you for your consideration of the Resolutions.

We look forward to seeing you at our EGM.

Yours faithfully

Joseph Carrozzi AM

Chair

Notice of Extraordinary General Meeting

Notice is hereby given that the Extraordinary General Meeting of unitholders of HealthCo Healthcare and Wellness REIT (ARSN 652 057 639) (**HCW**) (the **Meeting**) will be held at Level 7, Gateway, 1 Macquarie Place, Sydney NSW 2000 on Monday, 24 July 2023 at 11.00am (Sydney time).

Voting on all resolutions will occur by way of poll.

The Explanatory Memorandum provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form constitute part of this Notice.

If it becomes necessary or appropriate to make alternative arrangements for the Meeting, HCW Funds Management will ensure that Unitholders are given as much notice as possible. Any additional information will be announced to the ASX and made available on HCW's website.

The Directors have determined that the persons eligible to vote at the Meeting are those who are registered as Unitholders on Saturday, 22 July 2023 at 7.00pm (Sydney time).

Terms and abbreviations used in this Notice and the Explanatory Memorandum are defined in Schedule 1.

The map below shows the location of HCW's offices at which the Meeting will be held.

Business of the Meeting

1. Resolution 1 – Approval of the Selective Buy-Back

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

"*That:*

(a) the terms and conditions of the Selective Buy-Back Agreement between HCW Funds Management Limited as responsible entity of HealthCo Healthcare and Wellness REIT and Home Consortium Developments Pty Ltd; and

(b) HCW Funds Management Limited as responsible entity of HealthCo Healthcare and Wellness REIT conducting an off-market selective buy-back of up to 8,465,608 Units from Home Consortium Developments Pty Ltd and the subsequent cancellation of those Units,

be approved on the terms and conditions summarised in the Explanatory Memorandum."

Voting Exclusion

HCW Funds Management will disregard any votes cast in favour of this Resolution by or on behalf of HCDPL or any of its associates (including HCW Funds Management Limited).

However, this does not apply to a vote cast in favour of the Resolution by:

(a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way;

(b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or

(c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

    (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting and is not an associate of a person excluded from voting, on the Resolution; and

    (ii) the holder votes on the Resolution in accordance with the directions given by the beneficiary to the holder to vote in that way.

2. Resolution 2 – Amendments to Investment Management Agreement to permit the issue of Units to the Investment Manager in lieu of cash payments for fees

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"*That, approval is given for all purposes for the Investment Management Agreement to be amended to permit the Investment Manager to require HCW Funds Management Limited to issue Units in lieu of cash to the Investment Manager or its nominee to satisfy amounts owing in respect of fees as further described in the Explanatory Memorandum."*

Voting Exclusion

HCW Funds Management will disregard any votes cast in favour of this Resolution by or on behalf of the Investment Manager, HMC or any of their associates.

However, this does not apply to a vote cast in favour of the Resolution by:

(a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way;

(b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or

(c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

  (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting and is not an associate of a person excluded from voting, on the Resolution; and

  (ii) the holder votes on the Resolution in accordance with the directions given by the beneficiary to the holder to vote in that way.

3. Resolution 3 – Acquisition of relevant interest by the HMC Affiliates

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

> "*That, for the purposes of item 7 of section 611 of the Corporations Act, approval is given for the HMC Affiliates to acquire relevant interests in Units such that the HMC Affiliates' voting power in HCW will increase to a maximum of 22.86% as a result of the acquisition of up to 31,912,867 Units within a period of 12 months after the Meeting, on the terms and conditions summarised in the Explanatory Memorandum.*"

Voting Exclusion

HCW Funds Management will disregard any votes cast in favour of this Resolution by or on behalf of the HMC Affiliates or any of their associates.

However, this does not apply to a vote cast in favour of the Resolution by:

(a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way;

(b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or

(c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

  (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting and is not an associate of a person excluded from voting, on the Resolution; and

  (ii) the holder votes on the Resolution in accordance with the directions given by the beneficiary to the holder to vote in that way.

Independent Expert's Report

Unitholders should carefully consider the Independent Expert's Report contained in Schedule 3 of the Explanatory Memorandum. The Independent Expert's Report comments on the fairness and reasonableness of permitting the HMC Affiliates to make the Approved Purchases, to Unitholders not associated with the HMC Affiliates and contains an assessment of the potential advantages and disadvantages of such arrangements. The Independent Expert has concluded that the advantages of permitting the HMC Affiliates to make the Approved Purchases outweigh the disadvantages to Unitholders not associated with the HMC Affiliates.

Dated: 16 June 2023

By order of the Board

Andrew Selim
Company Secretary
HCW Funds Management Limited
as responsible entity of HealthCo Healthcare and Wellness REIT

Explanatory Memorandum

1. Introduction

1.1 Overview

This Explanatory Memorandum has been prepared for the information of Unitholders in connection with the business to be conducted at the Meeting to be held at Level 7, Gateway, 1 Macquarie Place, Sydney NSW 2000 on Monday, 24 July 2023 at 11.00am (Sydney time).

This Explanatory Memorandum forms part of the Notice which should be read in its entirety. This Explanatory Memorandum contains the terms and conditions on which the Resolutions will be voted. Terms and abbreviations used in this Explanatory Memorandum are defined in Schedule 1.

1.2 Chair

HCW Funds Management has appointed Joseph Carrozzi, its Chair, as the Chair of the Meeting.

1.3 Eligibility to vote

Your vote is important. You are encouraged to attend and vote at the Meeting. If you cannot attend the Meeting, you should complete the Proxy Form accompanying the Notice. Please read the instructions on the Proxy Form carefully.

Unitholders will be eligible to vote at the Meeting if they are registered holders of Units on Saturday, 22 July 2023 at 7.00pm (Sydney time). If you are in any doubt as to whether you are entitled to vote, please notify us immediately.

1.4 Voting methods

Unitholders can attend the Meeting and vote on each Resolution in person. If Unitholders are unable to attend the Meeting, they may appoint a proxy online at www.linkmarketservices.com.au or by submitting a Proxy Form to the Registry. To log in, you will need your holder identifier (SRN, HIN or employee identification) and postcode. Please note that your proxy appointment needs to be received by no later than 11.00am (Sydney time) on Saturday, 22 July 2023.

Attorneys

A Unitholder may appoint an attorney to vote on his or her behalf. For an appointment to be effective for the Meeting, the instrument effecting the appointment (or a certified copy of it) must be received by HCW Funds Management at its registered office or by the Registry by no later than 11.00am (Sydney time) on Saturday, 22 July 2023.

Corporate representatives

A body corporate which is a Unitholder, or which has been appointed as a proxy, may appoint an individual to act as its representative at the Meeting in accordance with section 250D of the Corporations Act.

If you wish to appoint a body corporate as your proxy, you must specify on the Proxy Form:

- the full name of the body corporate appointed as proxy; and
- the full name or title of the individual representative of the body corporate who will be present virtually at the Meeting.

Representatives should provide satisfactory evidence of their appointment including any authority under which that appointment is signed (unless previously given to HCW Funds Management).

1.5 Voting by proxy

A Unitholder entitled to vote at the Meeting is entitled to appoint a proxy. A proxy need not be a Unitholder.

The appointment of one or more proxies will not preclude a Unitholder from being present and voting.

A Unitholder entitled to cast more than one vote on a Resolution may appoint two proxies, in which case the Unitholder should specify the proportion or number of votes that each proxy is appointed to exercise. If no proportions or numbers are specified, each proxy may exercise half of the Unitholder's votes.

Unitholders are encouraged to direct their proxies how to vote on each resolution by selecting the 'for', 'against' or 'abstain' box for each item on the Proxy Form. If a proxy chooses to vote, then he/she must vote in accordance with the directions set out in the Proxy Form. If a proxy does not vote in accordance with the Unitholder's directions, the proxy automatically defaults to the Chair of the Meeting who will vote in accordance with the Unitholder's instructions.

If the Chair of the Meeting is appointed, or taken to be appointed, as a proxy but the appointment does not direct the proxy how to vote on a resolution, then the Chair intends to exercise the relevant Unitholder's votes in favour of the relevant Resolution (subject to the other provisions of these notes, including any voting exclusions set out in the Notice).

In order for the proxy appointment to be valid, completed Proxy Forms (together with any authority under which the proxy was signed or a certified copy of the authority) must be returned before 11.00am (Sydney time) on Saturday, 22 July 2023 in one of the following three ways:

- **by mail:** Locked Bag A14, SYDNEY SOUTH, NSW 1235
- **online at**: www.linkmarketservices.com.au
- **by facsimile**: (+612) 9287 0309

Proxy Forms received later than this time will be invalid.

1.6 Asking questions at the Meeting

Unitholders will have a reasonable opportunity to ask questions to HCW Funds Management at the Meeting.

Questions may also be submitted to HCW Funds Management prior to the Meeting. Questions for HCW Funds Management should be received by no later than 5.00pm (Sydney time) on Saturday, 22 July 2023. The Chair will endeavour to address as many of the more frequently raised questions as possible during the course of the Meeting. However, there may not be sufficient time available at the Meeting to address all the questions raised. Please note that individual responses will not be sent to Unitholders.

Business of the Meeting

2. Resolution 1 – Approval of the Selective Buy-Back

2.1 Overview

On 30 March 2023, HCW Funds Management announced the launch of the Capital Raising, the proceeds of which are principally intended to be used to fund the acquisition of a 100% interest in four mental health / rehabilitation hospitals and approximately 50% interest in a further seven acute care hospitals via its investment in a newly established unlisted healthcare and life sciences fund managed by HMC (**Acquisition**). Refer to the ASX announcement and Investor Presentation lodged by HCW with ASX on 30 March 2023 for further details in relation to the Acquisition.

The Capital Raising consisted of:

- a fully underwritten placement to wholesale clients and sophisticated investors at an issue price of $1.35 per New Unit, which completed on 18 April 2023 and raised $89 million (before costs); and
- an underwritten accelerated 1 for 1.90 non-renounceable entitlement offer of New Units at an offer price of $1.35 per New Unit, raising gross proceeds of approximately $231 million. The Institutional Entitlement Offer completed on 18 April 2023 and raised approximately $119 million. The Retail Entitlement Offer completed on 28 April 2023 and raised approximately $112 million.

The Capital Raising includes the issue to each eligible Unitholder or investor who was issued New Units with up to 1 Bonus Unit for every 28 New Units issued, provided the eligible Unitholder or investor holds a number of Units in excess of their Record Date Holding on the Bonus Unit determination date, being 30 October 2023 (**Bonus Units Determination Date**). Subject to satisfying the minimum holding requirements, eligible Unitholders will be issued the Bonus Units for nil consideration. Refer to the ASX announcement and Investor Presentation lodged by HCW with ASX on 30 March 2023 and the Retail Entitlement Offer Booklet lodged by HCW with ASX on 6 April 2023 for further details in relation to the proposed issue of Bonus Units.

The issue of the Bonus Units is being supported and funded by HMC (via its wholly-owned subsidiary, HCDPL), which has agreed to sell back to HCW Funds Management a number of Units equal to the number of Bonus Units that are issued, pursuant to an off-market selective buy-back for nominal consideration (**Selective Buy-Back**). The result of the issue of Bonus Units and the Selective Buy-Back is that Unitholders will benefit from the allotment and issue of additional Bonus Units, with a net zero change on the issued capital of HCW and result in an implied discount in the offer price under the Capital Raising of approximately 3.4% (assuming the maximum number of Bonus Units are issued).

This issue of Bonus Units has been structured in this way to raise additional capital without requiring the New Units under the Capital Raising to be issued at a discount to their market value, while Unitholders will be able to realise a discount provided they meet the conditions to be issued Bonus Units, on the Bonus Unit Determination Date. The structure also has the benefit of increasing the liquidity of Units by reducing the number of Units currently held by the HMC Group.

Assuming the maximum number of Bonus Units are issued, HMC does not acquire any additional units in HCW following completion of the Capital Raising (other than the Acquisition Fee Units described in Resolution 2 and those the subject of Resolution 3) and no further Equity Securities are issued, exercised or converted, the HMC Group's interest in HCW will be reduced from a maximum of 22.73% to approximately 21.24% (following completion of the issue of Bonus Units).

2.2 Summary of the Selective Buy-Back Agreement

HCW and HCDPL have entered into the Selective Buy-Back Agreement, pursuant to which HCW Funds Management has agreed to buy-back, and HCDPL has agreed to sell, up to 8,465,608 Units held by HCDPL (**Buy-Back Units**) for nominal consideration and subject to certain conditions.

Completion of the Selective Buy-Back is conditional on:

(a) completion of the Capital Raising;

(b) HCW Funds Management obtaining all necessary waivers, exemptions and modifications required to be obtained by HCW Funds Management from ASIC to enable HCW Funds Management to undertake the Selective Buy-Back in compliance with the Corporations Act and such waivers, exemptions and modifications not having been withdrawn or modified;

(c) Unitholders approving, by way of a special resolution, the terms of the Selective Buy-Back Agreement and the Selective Buy-Back, which is the subject of Resolution 1; and

(d) any consent, amendment or waiver necessary or desirable to the transactions and arrangements contemplated in the Selective Buy-Back Agreement under any syndicated facility agreement to which (i) HMC, (ii) HCDPL or (iii) HCW Funds Management, is party (if any) has been obtained and is effective.

At the date of the Notice, none of these conditions have become incapable of being satisfied. HCW Funds Management has completed the Capital Raising and received the necessary waivers, exemptions and modifications from ASIC under the ASIC Relief Instrument (referred to below).

It is proposed that the Selective Buy-Back will be implemented as follows:

(a) HCW Funds Management has agreed to buy, and HCDPL has agreed to sell, a number of Buy-Back Units from HCDPL equal to the number of Bonus Units issued, being no more than 8,465,608 Units;

(b) the Selective Buy-Back will be conducted in accordance with the requirements of the ASIC Relief Instrument (referred to below);

(c) nominal consideration ($100) will be paid for the Buy-Back Units; and

(d) upon registration of the transfer of the Units bought back by HCW Funds Management, those Units will be cancelled.

Under the terms of the Selective Buy-back Agreement, HCW Funds Management and HCDPL have given mutual warranties as to status, authority and the binding nature of the agreement.

Following completion of the Capital Raising, 562,730,513 Units are on issue. The Selective Buy-Back relates to a total of up to 8,465,608 Units, which represents approximately 1.50% of the Units on issue as at the date of the Notice (or approximately 1.49% assuming the Acquisition Fee Units are issued).

A copy of the Selective Buy-Back Agreement is available for inspection by Unitholders upon request at the registered office of HCW before the Meeting.

2.3 Funding and financial effect of the Selective Buy-Back

The Buy-Back Units will be acquired for nominal consideration (i.e. $100), which will be satisfied through existing cash holdings of HCW scheme assets (as opposed to HCW Funds Management's own assets or assets other than HCW assets).

In light of only nominal consideration being payable, the Selective Buy-Back will have no impact on the balance sheet of HCW or the total number of Units on issue, as the number of Units bought back will correspond to the number of Bonus Units to be issued. Accordingly, there will be a net zero effect on the assets of HCW, and the Selective Buy-Back will not cause any realisation of assets that would be disadvantageous or detrimental to Unitholders.

Further, the Selective Buy-Back will not materially prejudice HCW Funds Management's ability to pay its creditors in relation to liabilities incurred by it as the responsible entity of HCW, as the Buy-Back Units will be bought back for nominal consideration and therefore will have little to no impact on the assets of HCW.

The Selective Buy-Back should have no income tax implications for HCW or Unitholders, other than HCDPL.

2.4 Advantages and disadvantages of the Selective Buy-Back

The Board has identified the following advantages of the Selective Buy-Back for Unitholders:

(a) the Selective Buy-Back will not require payment by HCW, other than for nominal consideration;

(b) the issue of the Bonus Units and the Selective Buy-Back allows HCW to include an intrinsic discount to the offer price under the Capital Raising (provided eligible Unitholders meet minimum holding requirements) without requiring further Units to be issued;

(c) the issue of Bonus Units is effectively being funded by HMC (via its wholly-owned subsidiary HCDPL) through the Selective Buy-Back. This ensures that there is minimal dilution to NTA per Unit to existing Unitholders as a result of the issue of Bonus Units;

(d) there will be a net zero change in the issued capital of HCW as a result of the issue of Bonus Units, and will effectively result in a transfer of Units from HCDPL to eligible Unitholders; and

(e) the Selective Buy-Back will increase the liquidity of Units by reducing the concentration of Units held by the HMC Group.

The Board does not believe that the Selective Buy-Back poses any significant disadvantages to Unitholders. However, in making their decision, Unitholders should consider the impact of the Selective Buy-Back as follows:

(a) there is no risk of the asset backing of non-participating Unitholders being diluted; and

(b) there will be no change in control as a result of the Selective Buy-Back, noting that the HMC Group's interest in HCW will be reduced following completion of Selective Buy-Back (assuming the HMC Group does not acquire any additional units in HCW, other than those the subject of Resolutions 2 and 3).

2.5 ASIC Relief Instrument

Section 257A of the Corporations Act authorises an Australian company to buy-back its own shares if the buy-back does not materially prejudice the company's ability to pay its creditors and it follows the procedures set out in Division 2 of Part 2J.1 of the Corporations Act. However, the Corporations Act does not contain equivalent provisions for buy-backs of interests in a managed investment scheme, such as the Selective Buy-Back and therefore specific ASIC relief was required.

Accordingly, in order to implement the Selective Buy-Back, ASIC has granted HCW Funds Management relief under the ASIC Relief Instrument from certain provisions of the Corporations Act to enable a selective buy-back of Units on the same basis as if they were shares of a company. The ASIC Relief Instrument includes:

(a) an exemption from section 601FC(1)(d) of the Corporations Act to the extent that it requires HCW Funds Management to treat members who hold interests of the same class equally;

(b) an exemption from section 601GA(4) of the Corporations Act to enable HCW Funds Management to conduct the Selective Buy-Back without complying with the withdrawal procedures set out in the constitution of HCW;

(c) an exemption from Part 5C.6 of the Corporations Act to enable HCW Funds Management to conduct the Selective Buy-back without complying with the withdrawal procedures for non-liquid schemes in that part;

(d) an exemption from section 601FG(1)(a) of the Corporations Act to enable HCW Funds Management to acquire interests in HCW for less consideration than another person, as HCW Funds Management intends to buy back the Buy-Back Units from HCDPL for nominal consideration;

(e) an exemption from Division 5A of Part 7.9 of the Corporations Act, which prohibits unsolicited offers to purchase financial products off-market;

(f) an exemption from the requirement in section 601KB(2) of the Corporations Act for HCW Funds Management to give the withdrawal offer to all members of HCW or to all members of a particular class, as the Selective Buy-Back is structured as a selective buy-back available only to HCDPL; and

(g) an exemption from the requirement in section 601KB(3)(a) of the Corporations Act to enable HCW Funds Management to facilitate a shorter offer period than 21 days.

It is a requirement under the ASIC Relief Instrument that the Selective Buy-Back be approved by a special resolution (being 75% of votes cast on the Resolution) passed at a meeting of Unitholders, with no votes being cast in favour of the resolution by HCDPL or its associates.

The effect of passing Resolution 1 will be to allow HCW Funds Management to complete the Selective Buy-Back, via a transfer and subsequent cancellation of up to 8,465,608 Units held by HCDPL for nominal consideration.

If Resolution 1 is not passed, the issue of Bonus Units will not proceed and Unitholders will not enjoy the benefits noted above.

2.6 Directors' interests and recommendation

The Selective Buy-Back relates only to the Units held by HCDPL and therefore none of the Directors may participate in the Selective Buy-Back.

David Di Pilla and Kelly O'Dwyer are currently directors of HCW Funds Management and HMC (being the parent entity of HCDPL).

On this basis, the Board (consisting of all Directors other than David Di Pilla and Kelly O'Dwyer) confirms that David Di Pilla and Kelly O'Dwyer abstained from participating in decisions of the Board relating to the Selective Buy-Back and have abstained from making or participating in any recommendation to Unitholders in relation to the Selective Buy-Back.

Notwithstanding this, HCW Funds Management will not disregard any votes cast by David Di Pilla or Kelly O'Dwyer or any of their associates in favour of Resolution 1.

Otherwise, the Directors have no interest in the Selective Buy-back except as Unitholders.

Based on the Directors' detailed consideration and assessment of the Selective Buy-back and taking into account the advantages and disadvantages described in this Explanatory Memorandum, the Directors (other than David Di Pilla and Kelly O'Dwyer) unanimously recommend that Unitholders vote in favour of Resolution 1.

Each Director intends to vote any Units he or she owns or controls in favour of Resolution 1.

3. Resolution 2 – Amendments to Investment Management Agreement to permit the issue of Units to the Investment Manager in lieu of cash payments for fees

3.1 General

The Investment Management Agreement delegates to the Investment Manager day-to-day control of the management of HCW and its portfolio assets, subject to the supervision of HCW Funds Management and the terms of the Investment Management Agreement. The agreement commenced on 2 August 2021 for an initial 10 year term.

A summary of the Investment Management Agreement is set out in HCW's Product Disclosure Statement released to the ASX on 3 September 2021 and in Schedule 2.

Currently, under the Investment Management Agreement, the Investment Manager is entitled to the following fees:

- management fee: 0.65% per annum of GAV on GAV up to and including $1.50 billion, and 0.55% per annum of GAV on GAV in excess of $1.50 billion. The management fee is payable monthly in arrears;
- acquisition fee: 1.00% of the purchase price of any assets directly or indirectly acquired by HCW in proportion to HCW's economic interest in the asset; and
- disposal fee: 0.50% of the sale price of any assets directly or indirectly disposed of by HCW in proportion to HCW's economic interest in the asset.

However, following the completion of the Acquisition which occurred on 18 May 2023, base management fees have now stepped down from 0.65% to 0.55% on incremental GAV above $800m (rather than $1.50 billion).

The Investment Management Agreement currently provides that the Investment Manager may elect to receive the payment of some or all of its management fee in Units issued to the Investment Manager or its nominee. This entitlement does not currently extend to the acquisition fee or the disposal fee.

3.2 Reason for seeking Resolution 2

The Investment Manager and the HCW Funds Management independent Directors have agreed, subject to obtaining the approval sought under this Resolution 2, to amend the Investment Management Agreement to permit the payment of some or all of any acquisition fees or disposal fees to be made by way of issues of Units to the Investment Manager or its nominee where requested by the Investment Manager. The amendments would allow any acquisition or disposal fees to be paid to the Investment Manager (or its nominee) in Units or cash or a combination of both (at the Investment Manager's election).

HCW Funds Management considers that the ability to pay acquisition and disposal fees in Units, similar to the current regime under which management fees can be paid in Units upon the election of the Investment Manager, will bring about a number of advantages to HCW, including providing:

- another option (at the Investment Manager's election) for HCW Funds Management to meet its payment obligations to the Investment Manager without putting additional financial pressure on HCW; and
- a payment option that will further align the interests of the Investment Manager with those of Unitholders, for the benefit of Unitholders.

Under the terms of an undertaking provided by HCW Funds Management to ASX on 2 September 2021, HCW Funds Management is required to seek the approval of Unitholders for any material changes to the Investment Management Agreement.

3.3 Payment of Acquisition Fee

Resolution 2 impacts the form of payment HCW Funds Management can provide to satisfy the acquisition fee that will arise as a result of tranches 1 and 2 of the Acquisition, which will comprise a one-off payment of $7.3 million to be paid by HCW to the Investment Manager (**Acquisition Fee**).

If Resolution 2 is passed, the Investment Manager will be permitted to request HCW Funds Management to satisfy the Acquisition Fee in cash or Units or a combination of both (at the Investment Manager's election). If Resolution 2 is passed, the Investment Manager intends to elect for HCDPL to receive the Acquisition Fee in Units.

A total of 5,368,042 Units will be issued to satisfy the Acquisition Fee (**Acquisition Fee Units**), representing the Acquisition Fee of $7.3 million divided by $1.3599, being the five-trading day VWAP of Units up to Thursday, 18 May 2023 (the completion date of tranches 1 and 2 of the Acquisition).

The Acquisition Fee will need to be paid entirely in cash if Resolution 2 is not passed, or if the Investment Manager does not elect to receive the Acquisition Fee by way of Units.

3.4 Summary of proposed changes to the Investment Management Agreement

It is proposed that the Investment Management Agreement be amended to insert new provisions (**New Provisions**) giving effect to the following:

(a) the Investment Manager may request HCW Funds Management to pay some or all of any acquisition fees or disposal fees (plus any GST payable in respect of such fees) by issuing Units to the Investment Manager in lieu of cash payment;

(b) if the Investment Manager makes such a request:

   (i) the Investment Manager may elect a nominee to receive the Units to be issued by HCW Funds Management for this purpose; and

   (ii) the number of Units to be issued to the Investment Manager (or its nominee) will be calculated by reference to the VWAP of the Units during the period of five trading days up to the date on which the relevant asset was acquired (where the calculation relates to the acquisition fee) or disposed (where the calculation relates to the disposal fee).[1]

3.5 ASX waivers and conditions

ASX has granted waivers from Listing Rules 7.1 and 10.11 to permit HCW Funds Management to issue Units to the Investment Manager or its nominee under the New Provisions, without seeking Unitholder approval.

In granting the waivers, ASX has imposed the following conditions:

- Unitholders approve the proposed amendments to the Investment Management Agreement;

[1] Calculation of the number of Units to be issued in lieu of cash for the satisfaction of management fees will not change and will continue to be calculated with reference to the VWAP of Units during the period of five trading days up to the end of the relevant month to which the management fee relates.

- HCW Funds Management makes full disclosure to any person who may subscribe for Units under an offer document or product disclosure statement of the New Provisions;
- a completed Appendix 2A/3B must be lodged for release to the market for each issue of Units pursuant to the New Provisions;
- the Units are issued in accordance with the New Provisions;
- details of the Units issued in lieu of fees (and any GST payable in respect of such fees) are disclosed in HCW's annual report each year in which Units are issued; and
- Unitholder approval is sought every third year for the issue of Units in lieu of any management, acquisition or disposal fees (and any GST payable in respect of such fees) payable to the Investment Manager or its nominee under the Investment Management Agreement.

3.6 Directors' interest and recommendation

David Di Pilla and Kelly O'Dwyer are currently directors of HCW Funds Management and HMC (being the parent entity of the Investment Manager).

On this basis, the Board (consisting of all Directors other than David Di Pilla and Kelly O'Dwyer) confirms that David Di Pilla and Kelly O'Dwyer abstained from participating in decisions of the Board relating to the amendments to the Investment Management Agreement and have abstained from making or participating in any recommendation to Unitholders in relation to the amendments to the Investment Management Agreement.

Notwithstanding this, HCW Funds Management will not disregard any votes cast by David Di Pilla or Kelly O'Dwyer or any of their associates in favour of Resolution 2.

Otherwise, the Directors have no interest in the amendments to the Investment Management Agreement except as Unitholders. Each Director intends to vote any Units he or she owns or controls in favour of Resolution 2.

4. Resolution 3 – Acquisition of relevant interest by the HMC Affiliates

4.1 Overview

HCW is externally managed by the HMC Group. Members of the HMC Group, namely HMC and HCDPL, together with the other HMC Affiliates, currently hold the largest relevant interest (the meaning of which is explained in Section 4.6) in HCW. The HMC Affiliates collectively hold a relevant interest of up to 16.45% of the voting Units on issue, as at the date of the Notice.[2]

As announced on 30 March 2023, HCDPL had committed to sub-underwrite $75 million of the Retail Entitlement Offer. Following the close of the Retail Entitlement Offer, the sub-underwriting allocation of 31,912,867 Units was made to HCDPL. As a result of the takeovers prohibitions in the Corporations Act and the retail sub-underwriting allocation made to HCDPL under the Retail Entitlement Offer, the HMC Affiliates would have acquired a relevant interest in more than 20% of the Units on the issue date for the Retail Entitlement Offer if they had acquired the allocation of Units in full. This would have resulted in the HMC Affiliates acquiring a voting power in excess of the takeovers threshold in the Corporations Act unless Unitholder approval were obtained (or another exception was available).

So as to retain economic exposure to those Units and align its interests with those of Unitholders from completion of the Entitlement Offer, on 27 April 2023, HMC entered into a cash settled total return swap with Macquarie Bank Limited in respect of 31,912,867 Units (equivalent to 5.67% of the total number of Units on issue) (**TRS**). The key terms of the TRS are set out in Section 4.2(b). Those terms were also previously disclosed to the market on 2 May 2023 in HMC's ASIC Form 604 filed with ASX. The TRS does not give HMC or any of the HMC Affiliates a relevant interest in any Units that are referenced under the TRS and it does not cause the HMC Affiliates to acquire a voting power in excess of the takeovers threshold in the Corporations Act. The TRS may only be settled in cash (HMC does not have a right of physical settlement).

As and when the TRS is unwound, HMC may wish to retain exposure to those Units by owning them directly. Any such acquisition would cause the HMC Affiliates to acquire a voting power in excess of the takeovers threshold in the Corporations Act. As a result, the HMC Affiliates are seeking Unitholder approval to allow HMC to acquire 31,912,867 Units, being the equivalent number of Units referenced under the TRS (which may or may not be made on-market), and for the HMC Affiliates to acquire relevant interests in those Units and acquire a voting power in excess of the takeovers threshold in the Corporations Act (**Approved Purchases**).

Unitholder approval is being sought, pursuant to Resolution 3, under item 7 of section 611 of the Corporations Act for the HMC Affiliates to acquire a relevant interest in Units such that the HMC Affiliates' voting power in HCW will increase to a maximum of 22.86% by being permitted to make the Approved Purchases. No new Units will be issued as a result of the Approved Purchases.

Assuming Resolution 3 is passed, it is proposed that any Approved Purchases be made within 12 months following the date of the Meeting.

[2] Based on a total issued capital of 562,730,513 Units. Additional Units are expected to be issued pursuant to HCW's Distribution Reinvestment Plan on or around 23 June 2023. The exact number of Units to be issued is not known at the date of the Notice, but will be issued before the Meeting. Such additional Units will have an effect on the HMC Affiliates' voting power in HCW.

4.2 Relevant Contractual Arrangements

(a) Sub-underwriting Agreement

As part of the Entitlement Offer underwriting arrangements, HCDPL entered into a sub-underwriting agreement with the Joint Lead Managers, under which it committed to sub-underwrite approximately $48 million of the Institutional Entitlement Offer and $75 million of the Retail Entitlement Offer (**Sub-underwriting Agreement**). In consideration for its sub-underwriting commitment, it received an underwriting fee of 1.0% of its retail sub-underwriting commitment (no fees were payable in respect of its institutional sub-underwriting commitment).

Under the terms of the Sub-underwriting Agreement, if HCDPL's obligations required it to subscribe for Units which would result in, among other things, involve it or any of its affiliates breaching the takeovers prohibitions in the Corporations Act, it was still obligated to pay for its full sub-underwriting commitment, but HCW would not issue to HCDPL any Units which would cause it or any of its affiliates to be in breach of the takeover prohibitions in the Corporations Act. Instead, the issue of such Units was to be deferred until such time as when HCDPL could receive those Units without being in breach.

HMC (through HCDPL, its wholly owned subsidiary) paid for its full allocation of Units under the Sub-Underwriting Agreement. Rather than having the Units issued over time under that agreement, HMC entered into a cash settled swap referencing its full retail sub-underwriting allocation, so as to retain economic exposure to those Units and align its interests with those of Unitholders from completion of the Entitlement Offer.

(b) TRS summary

On 27 April 2023, HMC entered into a cash settled total return swap with Macquarie Bank Limited in respect of 31,912,867 Units (equivalent to 5.67% of the total number of Units on issue), being the TRS. The terms of the TRS are as follows:

- Type of derivative: Cash settled equity swap
- Identity of taker: HMC Capital Limited
- Relevant security: Fully paid ordinary units in HCW
- Notional number of securities to which the TRS relates: 31,912,867 Units
- Reference price: $1.35 per Unit
- Long equity derivative positions held:
  - Relevant interest in 92,588,396 Units;
  - Economic interest in 31,912,867 Units under the TRS
  - Total long position interest in 124,501,263 Units

The TRS does not give HMC Capital, the HMC Affiliates, any of their related bodies corporate or their respective associates the right to require physical settlement of the TRS, or the right to control the right to vote, or the disposal, of any Units referenced under the TRS, and therefore does not give rise to any relevant interest in any Units.

The TRS matures on 29 April 2024 in accordance with its terms.

4.3 Impact of the Approved Purchases on the capital of, and voting power in, HCW

There will be no impact on HCW's capital structure by permitting the Approved Purchases as no new Units will be issued. Accordingly, there will be no dilution to existing Unitholders' interest in HCW.

The maximum voting power in HCW the HMC Affiliates will acquire will be up to 22.86% if the maximum number of Units are acquired by way of the Approved Purchases. It is intended that the Acquisition Fee Units be issued before any Approved Purchases are made. The issue of the Acquisition Fee Units can be made to HCDPL without the HMC Affiliates requiring Unitholder approval.

The table below shows the maximum ownership of HCW by the HMC Affiliates, assuming Resolutions 2 and 3 are approved by Unitholders, the Acquisition Fee is fully paid in the form of Units, the maximum number of Units are acquired by way of the Approved Purchases and no further Equity Securities are issued, exercised or converted.

Table: Voting power

	Current		Following issue of Acquisition Fee Units		Following Approved Purchases	
	No. of Units	Voting Power	No. of Units	Voting Power	No. of Units	Voting Power
HMC Affiliates	92,588,396	16.45%	97,956,438	17.24%	129,869,305	22.86%
Other Unitholders	470,142,117	83.55%	470,142,117	82.76%	438,229,250	77.14%
Total	**562,730,513***	**100%**	**568,098,555**	**100%**	**568,098,555**	**100%**

Note: Additional Units are expected to be issued pursuant to HCW's Distribution Reinvestment Plan on or around 23 June 2023. The exact number of Units to be issued is not known at the date of the Notice, but will be issued before the Meeting. The issue of the additional Units will have an impact on the figures above.

4.4 Considerations Relevant to your Vote

(a) Advantages and disadvantages of permitting the Approved Purchases

In the view of the independent Directors, permitting the HMC Affiliates to make the Approved Purchases has a number of advantages, including:

- it will be non-dilutive to existing Unitholders' interests in HCW, as the Approved Purchases will be made of existing issued Units;
- it will create further alignment between the interests of the HMC Affiliates and other Unitholders by providing the HMC Affiliates direct exposure to no greater a number of Units than the Units that HMC was allocated under the Sub-Underwriting Agreement (with those potential acquisitions being disclosed on 30 March 2023 in conjunction with the Entitlement Offer);
- the incremental impact on control of HCW is immaterial; and
- but for the HMC Affiliates losing their ability to "creep" under the takeovers exception in following completion of the Institutional Entitlement Offer, the HMC Affiliates could

have acquired the Units HMC was allocated under the Sub-Underwriting Agreement without the need for Unitholder approval.

Potential disadvantages of allowing the HMC Affiliates to make the Approved Purchases include:

- as a result of permitting the Approved Purchases, the HMC Affiliates may obtain up to a 22.86% relevant interest in Units, which may dissuade potential acquirers of HCW from making a takeover offer in the future. This may adversely affect the Unit price and reduce the opportunity for Unitholders to receive a takeover premium in the future. As at the date of the Notice, HCW Funds Management is not engaged in any discussions in relation to any potential takeover proposal; and
- the HMC Affiliates will be entitled to acquire voting power in HCW in excess of 20%, without the need for it to make a takeover bid or obtain further Unitholder approval (or otherwise comply at the time with one of the other exceptions to section 606 of the Corporations Act).

While the independent Directors acknowledge that there are reasons to vote against permitting the HMC Affiliates to make the Approved Purchases, they believe the advantages outweigh the disadvantages.

(b) Consequences of the Approved Purchases not being approved

If Resolution 3 is not approved and the HMC Affiliates are not permitted to make the Approved Purchases, the HMC Affiliates may still acquire additional Units on-market up to the 20% takeovers threshold set out in the Corporations Act, but any further acquisitions would be subject to any exceptions to section 606 of the Corporations Act which may be available at the time. This may include the HMC Affiliates making acquisitions in reliance on the 3% creep exception every six months.

4.5 Independent Expert's Recommendation

In order to assist Unitholders to assess the Approved Purchases and consider whether to vote in favour of Resolution 3, HCW Funds Management appointed Grant Thornton Corporate Finance Pty Ltd (**Independent Expert**) as an independent expert and commissioned it to prepare a report (**Independent Expert's Report**) to provide an opinion as to whether or not the advantages of permitting the Approved Purchases outweigh the disadvantages to Unitholders not associated with the HMC Affiliates.

The Independent Expert's Report was prepared to satisfy the recommendations of ASIC Regulatory Guide 74 'Acquisitions approved by members'. If allowing the Approved Purchases is approved, the HMC Affiliates will acquire voting power in HCW of more than 20%.

The Independent Expert has concluded that the advantages of permitting the Approved Purchases, the subject of Resolution 3, outweigh the disadvantages to Unitholders not associated with the HMC Affiliates. In coming to this view, the Independent Expert considered the advantages and disadvantages of permitting the Approved Purchases, and other significant favours, which are set out in summary form only below.

(a) Advantages of permitting the Approved Purchases

- It will be non-dilutive to existing Unitholders' interests in HCW, as the Approved Purchases will be made of existing issued Units.

- It creates further alignment between the interests of the HMC Affiliates and other Unitholders, with the HMC Affiliates holding no exposure to additional Units than they were allocated under the sub-underwriting agreement.
- The incremental impact on control of HCW is immaterial compared to the HMC Affiliates' holding prior to the Acquisition announcement and Capital Raising.
- The HMC Affiliates could have acquired the Units allocated in accordance with the sub-underwriting agreement without the need for Unitholder approval, however, in order to do so in a timely fashion, it is now necessary as they are no longer able to rely on the takeovers “creep” exception following completion of the Institutional Entitlement Offer.
- The Independent Expert's assessment of the reference price under the TRS with the valuation methodologies considered within the Independent Expert's Report indicates that there is no control premium paid.

(b) Disadvantages of permitting the Approved Purchases

- The HMC Affiliates may obtain up to a maximum of 22.86% (if Resolution 2 is approved and the Acquisition Fee settled in units) relevant interest in HCW if the Approved Purchases is approved, which may dissuade potential acquirers of HCW from making a takeover offer in the future. This may have an adverse impact on the Unit price and diminish the opportunity for Unitholders to receive a takeover premium in the future.
- The HMC Affiliates will be entitled to acquire voting power in HCW in excess of 20.0%, without the need for it to make a takeover bid or obtain further Unitholder approval.

(c) Other considerations

- The Independent Expert has assessed that the Proposed Transaction will not trigger the payment of a control premium.
- HMC's current intention is to continue to provide similar support to HCW as the external manager, with no intention to change the operational management or capital structure of HCW.
- If the Approved Purchases are not approved and Macquarie Bank Limited decides to sell any Units on-market upon an unwind of the TRS, it may have an adverse impact on the price of Units. Although it is noted that even if the Approved Purchases are approved, any Units that may be held by Macquarie Bank Limited as a hedge would be sold on-market.

The Independent Expert's assessment of permitting the Approved Purchases is based on a number of assumptions. Unitholders are strongly encouraged to read the Independent Expert's Report (a fully copy of which is set out in Schedule 3).

The Independent Expert has consented to the use of the Independent Expert's Report in the form and context in which it appears.

4.6 Requirement for Unitholder approval

(a) Section 606 and item 7 of section 611 of the Corporations Act

Unitholder approval is required to permit the Approved Purchases because it will result in the HMC Affiliates acquiring a relevant interest in Units such that the HMC Affiliates' voting power in HCW will increase from 16.45% to a maximum of 22.86% (assuming the Acquisition Fee is fully paid in Units),[3] and sections 604 and 606 of the Corporations Act prohibits a person acquiring a relevant interest in the issued voting interests of a listed managed investment scheme if, because of the acquisition, that person's or another person's voting power in the managed investment scheme increases from:

- 20% or below to more than 20%; or
- a starting point that is above 20% and below 90%.

The voting power of a person in a managed investment scheme is determined by reference to section 610 of the Corporations Act. A person's voting power in a managed investment scheme is the total of the votes attaching to the units in the managed investment scheme in which that person and that person's associates (within the meaning of the Corporations Act) has a relevant interest.

Under section 608 of the Corporations Act, a person will have a relevant interest in units in a managed investment scheme if:

- the person is the registered holder of the units;
- the person has the power to exercise or control the exercise of votes or disposal of the units; or
- the person has over 20% of the voting power in a company that has a relevant interest in the units, then the person has a relevant interest in those units.

Section 611 of the Corporations Act contains exceptions to the prohibition in section 606 of the Corporations Act. Item 7 of section 611 of the Corporations Act provides a mechanism by which unitholders of a managed investment scheme may approve a person to acquire relevant interests in voting units which results in that person's or another person's voting power in the managed investment scheme increasing from:

- 20% or below to more than 20%; or
- a starting point that is above 20% and below 90%.

Resolution 3 seeks Unitholder approval, for the purpose of item 7 of section 611 of the Corporations Act, to allow the HMC Affiliates to acquire a relevant interest in Units by permitting them to make the Approved Purchases.

The effect of the approvals is that the HMC Affiliates could acquire a voting power of up to 22.86%, without the need to make a takeover bid, seek further Unitholder approval, or otherwise comply at that time with any of the other exceptions to section 606 of the Corporations Act.

[3] Based on a total issued capital of 562,730,513 Units. Additional Units are expected to be issued pursuant to HCW's Distribution Reinvestment Plan on or around 23 June 2023. The exact number of Units to be issued is not known at the date of the Notice, but will be issued before the Meeting. Such additional Units will have an effect on the HMC Affiliates' voting power in HCW.

(b) Chapter 2E of the Corporations Act

For a responsible entity of a registered scheme to give a financial benefit to the responsible entity or a related party, the responsible entity must:

- obtain the approval of the registered scheme's members in the manner set out in sections 217 to 227 of the Corporations Act (as modified by section 601LC of the Corporations Act); and
- give the benefit within 15 months after the approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 212 and sections 215 and 216 of the Corporations Act.

Permitting the HMC Affiliates to make the Approved Purchases constitutes giving a financial benefit and HCDPL is a related party by virtue of it being an entity that controls HCW Funds Management, the responsible entity of HCW.

It is the view of HCW Funds Management that the "arm's length" exception in section 210 of the Corporations Act applies in the current circumstances as Units acquired under the Approved Purchases will be made for their market value and therefore the HMC Affiliates will be treated no different to other investors. Accordingly, HCW Funds Management is therefore not seeking Unitholder approval for the purposes of section 208 of the Corporations Act.

4.7 Information required by item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74

(a) The identity of the person proposing to make the acquisition and their associates

The acquisition will be made by the HMC Affiliates, which consists of HCDPL, HMC, Home Investment Consortium Company Pty Ltd (ACN 614 090 818) as trustee for the Home Investment Consortium Trust (**HICT**), Aurrum Holdings Investment Company Pty Ltd (ACN 614 090 603) as trustee for Aurrum Holdings Investment Trust (**Aurrum**), Mez Pty Limited ACN (166 758 032) as trustee for Di Pilla Family Trust (**Mez**), and David Di Pilla.

The HMC Affiliates' associates in relation to HCW are:

- the entities controlled by each of Mez, Aurrum, HICT and David Di Pilla, being Aurrum Holdings Pty Ltd (ACN 168 679 123), Aurrum Investments Pty Ltd (ACN 619 972 315), Aurrum Childcare Pty Ltd (ACN 640 240 473), Aurrum Pty Limited (ACN 168 114 038), HICC 2 Pty Ltd (ACN 621 691 779), ZEM Pty Limited (ACN 635 321 907) and DDP Capital Pty Limited (ACN 163 122 978); and
- the entities comprising of the HMC Group, details of which are set out in HMC's annual report, which is available at https://www.hmccapital.com.au/investor-centre/.

(b) The maximum extent of the increase in that person's voting power in HCW

If Resolution 3 is passed, the Acquisition Fee Units are issued (subject to the passing of Resolution 2) and the maximum number of Units are acquired under the Approved Purchases, each of the HMC Affiliates' voting power in HCW will increase by a maximum of 6.41%.

(c) The voting power the person would have as a result of the acquisition

In the circumstances outlined in (b) above, permitting the Approved Purchases may ultimately result in the HMC Affiliates' voting power in HCW to increase to:

- in respect of HCDPL, 22.18%;
- in respect of HMC, HICT and Aurrum, 22.73%;
- in respect of Mez, 22.79%; and
- in respect of David Di Pilla, 22.86%.

(d) The maximum extent of the increase in the voting power of each of the acquirer's associates that would result from the acquisition

The maximum extent of the increase in the HMC Affiliates' associates' voting power will be equivalent to the increase in voting power of the HMC Affiliates, being approximately 6.41%.

(e) The voting power that each of the acquirer's associates would have as a result of the acquisition

The voting power that HMC Affiliates' associates would acquire will be equivalent to the voting power the relevant HMC Affiliate would acquire.

(f) An explanation of the reasons for the proposed acquisition

As announced on 30 March 2023, HCDPL had committed to sub-underwrite $75 million of the Retail Entitlement Offer. Following the close of the Retail Entitlement Offer, the sub-underwriting allocation of 31,912,867 Units was made to HCDPL. As a result of the takeovers prohibitions in the Corporations Act and the retail sub-underwriting allocation made to HCDPL under the Retail Entitlement Offer, the HMC Affiliates would have acquired a relevant interest in more than 20% of the Units on the issue date for the Retail Entitlement Offer if they had acquired the allocation of Units in full. This would have resulted in the HMC Affiliates acquiring a voting power in excess of the takeovers threshold in the Corporations Act unless Unitholder approval were obtained (or another exception was available).

So as to retain economic exposure to those Units and align its interests with those of Unitholders from completion of the Entitlement Offer, on 27 April 2023, HMC entered into the TRS in respect of 31,912,867 Units (equivalent to 5.67% of the total number of Units on issue). As and when the TRS is unwound, HMC may wish to retain exposure to those Units and is therefore seeking Unitholder approval to acquire 31,912,867 Units, being the equivalent number of Units referenced under the TRS (which may or may not be made on market).

(g) When the proposed acquisition is to occur

If Resolution 3 is passed, it is proposed that any Approved Purchases be made within 12 months following the date of the Meeting. Accordingly, the HMC Affiliates will have the ability to make the Approved Purchases until 24 July 2024.

(h) The material terms of the proposed acquisition

There are no agreements or arrangements entered into, or proposed to be entered into, between HCW and any of the HMC Affiliates in connection with the Approved Purchases.

The Approved Purchases are being facilitated due to the HMC Affiliates' potential desire to retain exposure to up to 31,912,867 Units by acquiring up to an equivalent number of Units after the TRS is unwound. The material terms of the TRS are summarised in Section 4.2.

Any Approved Purchases would be made at the prevailing market price at the time.

(i) Details of any other relevant agreements between the acquirer and the target entity or vendor (or any of their associates) that is conditional on (or directly or indirectly depends on) members' approval of the proposed acquisition

As noted above, there are no agreements or arrangements entered into, or proposed to be entered into, between HCW and any of the HMC Affiliates in connection with the Approved Purchases. The unwinding of the TRS is also not conditional on approval of Resolution 3 by Unitholders and in accordance with its terms this will occur on 29 April 2024.

(j) A statement of the acquirer's intentions regarding the future of the target entity if members approve the acquisition

Other than in the ordinary course of the HMC Group's business of being the external manager of HCW, the HMC Affiliates do not:

- have any intention to change the business of HCW;
- have any intention to inject further capital into HCW;
- intend to change employment arrangements of HCW;
- propose to transfer assets between HCW and any of the HMC Affiliates or any of their associates; or
- have any intention to otherwise redeploy the fixed assets of HCW.

(k) Any intention of the acquirer to significantly change the financial or dividend distribution policies of the entity

The HMC Affiliates do not intend to change the financial or dividend distribution policies of HCW.

(l) The interests that any director has in the acquisition or any relevant agreement disclosed under paragraph (i) above

David Di Pilla and Kelly O'Dwyer are currently directors of HCW Funds Management and HMC (being the parent entity of HCW Funds Management). In addition, David Di Pilla also controls Mez, Aurrum and HICT. As such, they each have an interest in the Resolution.

Other than David Di Pilla and Kelly O'Dwyer's interests, and the interests the other Directors have in the Resolution by reason of their ownership of Units, no Director has any personal interest in the outcome of the Resolution.

(m) Details about any person who is intended to become a director if members approve the acquisition

There will be no changes to the Directors as a result of approval of the Approved Purchases.

4.8 Directors' Recommendation

David Di Pilla and Kelly O'Dwyer are currently directors of HCW Funds Management and HMC (being the parent entity of HCW Funds Management). In addition, David Di Pilla also controls Mez, Aurrum and HICT.

On this basis, the Board (consisting of all Directors other than David Di Pilla and Kelly O'Dwyer) confirms that David Di Pilla and Kelly O'Dwyer abstained from participating in decisions of the Board relating to the Approved Purchases and have abstained from making or participating in any recommendation to Unitholders in relation to the Approved Purchases.

HCW Funds Management will also disregard any votes cast by David Di Pilla or any of his associates in favour of Resolution 3 on the basis that he is an HMC Affiliate, but will not disregard any votes cast by Kelly O'Dwyer or any of her associates in favour of Resolution 3.

Otherwise, the Directors have no interest in permitting the HMC Affiliates in making the Approved Purchases except as Unitholders.

Based on the Directors' detailed consideration and assessment of the Approved Purchases and taking into account the advantages and disadvantages described in this Explanatory Memorandum, the Directors (other than David Di Pilla and Kelly O'Dwyer) unanimously recommend that Unitholders vote in favour of Resolution 3.

Each Director (other than David Di Pilla) intends to vote any Units he or she owns or controls in favour of Resolution 3.

Schedule 1 – Definitions

In the Notice and this Explanatory Memorandum, unless the context otherwise requires:

$ or A$	means Australian dollars.
Acquisition	has the meaning given to that term in Section 2.1.
Acquisition Fee	refers to the one-off $7.3 million acquisition fee payable by HCW to the Investment Manager in relation to the Acquisition.
Acquisition Fee Units	has the meaning given to that term in Section 3.3.
Approved Purchases	has the meaning given to that term in Section 4.1.
ASIC	means the Australian Securities & Investments Commission.
ASIC Relief Instrument	means ASIC Instrument 23-0392 granted by ASIC on 24 May 2023.
ASX	means ASX Limited ABN 98 008 624 691 and where the context permits, the market operated by it.
Board	means the board of Directors of HCW Funds Management.
Bonus Unit	means a Unit to be allotted and issued for nil consideration to eligible Unitholders or any investors who are issued New Units, for every 28 New Units issued under the Capital Raising.
Bonus Unit Determination Date	has the meaning given to that term in Section 2.1.
Buy-Back Units	has the meaning given to that term in Section 2.2.
Capital Raising	means the Placement and the Entitlement Offer.
Chair	means the person appointed to chair the Meeting convened by the Notice.
Corporations Act	*Corporations Act 2001* (Cth).
Director	means a director of HCW Funds Management.
Entitlement Offer	means the underwritten accelerated, non-renounceable pro rata entitlement offer of New Units announced by HCW on 30 March 2023.
Explanatory Memorandum	means this explanatory memorandum which forms part of the Notice.
GAV	The consolidated gross asset value of the HCW Group calculated in accordance with the HCW constitution, and with the effects of all transactions between all members of the HCW Group being eliminated in full.
General Meeting or **Meeting**	means the meeting of Unitholders to be held on Monday, 24 July 2023.
HCDPL	Home Consortium Developments Pty Ltd (ACN 635 859 700).
HCW	HealthCo Healthcare and Wellness REIT (ARSN 652 057 639).

HCW Funds Management	HCW Funds Management Limited (ACN 104 438 100, AFSL 239882) in its capacity as responsible entity of HCW.
HMC	HMC Capital Limited (ACN 130 990 593).
HMC Affiliates	means HCDPL, HMC, Home Investment Consortium Company Pty Ltd (ACN 614 090 818) as trustee for the Home Investment Consortium Trust, Aurrum Holdings Investment Company Pty Ltd (ACN 614 090 603) as trustee for Aurrum Holdings Investment Trust, Mez Pty Limited ACN (166 758 032) as trustee for Di Pilla Family Trust and David Di Pilla.
HMC Group	HMC and each entity controlled by HMC.
Independent Expert	Grant Thornton Corporate Finance Pty Ltd (ABN 59 003 265 987).
Independent Expert's Report	means the report prepared by the Independent Expert which is annexed to this Notice as Schedule 3.
Institutional Entitlement Offer	means the institutional component of the Entitlement Offer made to eligible institutional Unitholders.
Investment Management Agreement	Investment Management Agreement dated 1 August 2021, as amended and summarised in Schedule 2.
Investment Manager	HMC Investment Management Pty Ltd (ACN 644 510 583).
Joint Lead Managers	J.P. Morgan Securities Australia Limited and Macquarie Capital (Australia) Limited.
Listing Rules	means the listing rules of ASX.
New Unit	means Units offered and issued under the Capital Raising.
Notice	means the notice of meeting for the General Meeting which accompanies this Explanatory Memorandum.
NTA	means net tangible assets.
Placement	means the underwritten placement of New Units to wholesale clients and sophisticated investors announced by HCW on 30 March 2023 and completed on 18 April 2023.
Proxy Form	means the proxy form attached to the Notice.
Record Date Holding	means the number of Units held by a Unitholder as at 7.00pm (Sydney time) on 3 April 2023.
Registry	Link Market Services Limited (ACN 083 214 537).
Resolution	means a resolution proposed pursuant to the Notice.
Retail Entitlement Offer	means the retail component of the Entitlement Offer made to eligible retail Unitholders.
Schedule	means a schedule to this Explanatory Memorandum.
Section	means a section of this Explanatory Memorandum.

Selective Buy-Back	has the meaning given to that term in Section 2.1.
Selective Buy-Back Agreement	means the agreement dated 29 March 2023 between HCW Funds Management and HCDPL in relation to the Selective Buy-Back, as summarised in Section 2.2.
TRS	has the meaning given to that term in Section 4.1.
Unit	means a fully paid ordinary unit in the capital of HCW.
Unitholder	means a registered holder of Units.
VWAP	volume weighted average price.

Schedule 2 – Summary of Investment Management Agreement

Management Services

Under the Investment Management Agreement, the Investment Manager has been delegated the day-to-day control over HCW and HCW's portfolio of assets, subject to the supervision and control of HCW Funds Management and the terms of the agreement.

Services to be provided by the Investment Manager to HCW (the **Services**) include investment management services with respect to dealings in HCW's assets, management of the equity and debt financing of HCW, day-to-day management of HCW's secretarial, accounting, administrative and reporting requirements, management of auditors, advisers and other consultants, Unitholder relations and meetings, management of all compliance and contractual requirements, including with respect to ASX listing obligations, preparation of an operating plan (including a budget) for HCW for each Financial Year, and other services agreed by the Investment Manager and HCW Funds Management. The Investment Manager is not required to provide any Services to the extent to that they would comprise services or activities that would require the Investment Manager to hold an Australian Financial Services Licence or that HCW Funds Management cannot delegate to the Investment Manager under law. The Property Manager (HMC Property Management Pty Ltd) separately provides property management services to HCW Funds Management and HCW under a Property and Development Management Agreement.

The Investment Manager must act in accordance with the requirements of HCW's investment policy and any applicable legal and other requirements. HCW Funds Management may at any time overrule the Investment Manager to the extent that the responsible entity believes doing so is necessary or advisable to comply with any applicable requirement or in the best interests of the Unitholders. The Investment Manager must also seek the approval of the responsible entity before incurring any expenditure in excess of 10% of the expenditure which has been agreed by the responsible entity in an annual operating plan for the relevant Financial Year, and entering into any contract in the name of the responsible entity or any HCW group member to acquire or dispose of any asset for a consideration in excess of 5% of the GAV as at the most recent valuation of net asset value determined in accordance with the constitution of HCW.

Exclusivity

During the term of the Investment Management Agreement, HCW Funds Management must not appoint any other party to perform the Services except where it is necessary to comply with applicable law or regulation, the terms of HCW's financing arrangements or other applicable requirements, or as otherwise permitted by the Investment Manager. The Investment Manager and its associates may from time to time perform services for itself and other parties the same as or similar to the services provided under the Investment Management Agreement.

Right of first offer

The Investment Manager must notify and may offer to HCW Funds Management any opportunity to acquire an investment in hospitals, aged care, childcare, government life sciences and research, and primary care and wellness properties that the Investment Manager or its associates (including the responsible entity), or any of their officers, directors, or employees (acting in that capacity), identify and which falls within HCW's investment strategy.

Term and termination

The Investment Management Agreement commenced on 2 August 2021.

The initial term of the agreement is 10 years and is automatically extended for successive five year terms unless terminated by either the Investment Manager or HCW Funds Management by giving at least 12 months' notice prior to the end of the initial term or any successive five year term. This means that the initial term of the agreement is at least 10 years unless otherwise terminated in one of the circumstances referred to below.

Where the responsible entity gives the required notice that it does not wish to extend the agreement at the end of a term, termination in this circumstance will give rise to the payment of a compensation amount to the Investment Manager equal to two years of management fees, determined as at the date of expiry or termination of the Investment Management Agreement.

Manager's termination rights

The Investment Manager can terminate the Investment Management Agreement:

- at any time on 90 days' notice to HCW Funds Management, if there is a bona fide sale of all or substantially all of the assets of HCW to a third party on an arm's length basis; or
- immediately if:
  - there is a material default of the agreement by HCW Funds Management which is not rectified (including by way of payment of reasonable compensation) within 30 days of written notice from the Investment Manager;
  - HCW Funds Management commits five or more breaches of the Investment Management Agreement within a consecutive 12 month period (provided that the Investment Manager has provided notice to HCW Funds Management of each individual breach within 30 days of becoming aware of the relevant breach);
  - HCW Funds Management is insolvent (and is not replaced by another trustee within 30 days of becoming insolvent);
  - HCW is insolvent; or
  - without prior written approval of the Investment Manager, there is a change in control event, including a change in a person having, or a person gaining, control of the ability to remove HCW Funds Management, HCW Funds Management is replaced by a responsible entity that is not a member of the HMC Group or a winding-up of HCW commences (provided that, in each case, notice of termination is provided within 90 days of the Investment Manager becoming aware of the change of control).

Termination by the Investment Manager in these circumstances will give rise to the payment of a compensation amount to the Investment Manager equal to two years of management fees, determined as at the date of expiry or termination of the Investment Management Agreement.

Responsible entity's termination rights

HCW Funds Management can terminate the Investment Management Agreement:

- on 60 days' notice to the Investment Manager, if there is a bona fide sale of all or substantially all of the assets of HCW to a third party on an arm's length basis; or
- immediately if:
  - there is a change of control event, including a change in a person having, or a person gaining, control of the ability to remove the responsible entity of HCW, the responsible entity being replaced by a trustee who is not a member of the HMC Group, the winding up HCW commences (provided that, in each case, notice of termination is provided within 90 days of the responsible entity becoming aware of the change of control); or

- the Investment Manager ceases to be a member of the HMC Group (provided that notice of termination is provided within 90 days of the responsible entity becoming aware of the Investment Manager ceasing to be a member of the HMC Group),

and in these circumstances, a compensation amount equal to two years management fees under the agreement will be payable to the Investment Manager; or

- immediately if:
  - there is a material default of the agreement by the Investment Manager which is not rectified (including by way of payment of reasonable compensation) within 30 days of written notice from the responsible entity;
  - the Investment Manager commits five or more breaches of the Investment Management Agreement within a consecutive 12 month period (provided that the responsible entity has provided notice to the Investment Manager of each individual breach within 30 days of becoming aware of the relevant breach); or
  - the Investment Manager is insolvent and is not replaced by the HMC Group with another manager within 30 days of becoming insolvent,

and in these circumstances, no compensation amount will be payable to the Investment Manager.

Fees

The Investment Manager is entitled to receive a management fee of 0.65% per annum of the GAV up to and including $1.50 billion, and 0.55% per annum of GAV on GAV in excess of $1.50 billion. The management fee is payable monthly in arrears.

The Investment Manager is also entitled to:

- an acquisition fee of 1.00% of the purchase price of any assets directly or indirectly acquired by HCW in proportion to HCW's economic interest in the asset; and
- a disposal fee of 0.50% of the sale price of any assets directly or indirectly disposed of by HCW in proportion to HCW's economic interest in the asset.

However, following the completion of the Acquisition which occurred on 18 May 2023, base management fees have now stepped down from 0.65% to 0.55% on incremental GAV above $800m (rather than $1.50 billion).

Units in lieu of Management Fees

The management fees described above may be paid to the Investment Manager in cash or Units or a combination of both (at the election of the Investment Manager). If the Investment Manager elects to receive Units, it may require some or all of the Units to be issued to a nominee of the Investment Manager. The issue of Units is subject to the requirements of the Corporations Act and the Listing Rules.

If the Investment Manager elects to receive Units with respect to some or all of a management fee amount (plus any GST payable in respect of that amount), the number of Units to be issued to the Investment Manager (or its nominee) will be calculated by reference to the volume weighted average price of the Units during the period of 5 trading days up to the end of the relevant month to which the management fee relates.

Units in lieu of Acquisition and Disposal Fees

HCW Funds Management is seeking Unitholder approval to amend the Investment Management Agreement to permit the acquisition fee and disposal fee described above to be paid to the Investment Manager in cash or Units or a combination of both (at the election of the Investment Manager).

As with the management fees, the proposed amendments will permit, if the Investment Manager elects to receive Units, it to require some or all of the Units to be issued to a nominee of the Investment Manager. The issue of Units is subject to the requirements of the Corporations Act and the Listing Rules. Unitholder approval for these amendments will be sought at the Meeting.

If Unitholder approval for these amendments is obtained, the Investment Manager:

- will be able to elect to receive the acquisition fee in respect of the Acquisition (being the Acquisition Fee) in cash or Units or a combination of both; and
- intends to elect for HCDPL to receive the Acquisition Fee in Units.

If the Investment Manager elects to receive Units with respect to some or all of an acquisition or disposal fee amount (plus any GST payable in respect of that amount), the number of Units to be issued to the Investment Manager (or its nominee) will be calculated by reference to the volume weighted average price of the Units during the period of 5 trading days up to the completion date of the relevant acquisition or disposal.

Costs and expenses

The Investment Manager is entitled to be reimbursed for all costs and expenses it reasonably and properly incurs as Investment Manager (whether on its own behalf or on behalf of HCW Funds Management, a HCW group member) other than its own overhead, administrative or salary expenses incurred in the ordinary conduct of its business or expenses that arise as a result of the negligence, fraud, wilful misconduct or dishonesty of the Investment Manager or any officer, employee, delegate, agent or contractor of the Investment Manager. The Investment Manager must seek the approval of the responsible entity where expenditure would exceed the prescribed thresholds.

If the Investment Manager delegates, appoints an agent or service provider, or otherwise engages a third party (including an associate) to provide a service to the responsible entity (or HCW group member or Custodian) that would not customarily be provided by the Investment Manager, the responsible entity will be liable to pay for the expenses incurred as a result of that delegation or appointment, provided those same services have first been approved by the responsible entity.

Conflicts and use of associates

The Investment Manager must establish protocols for the prevention and management of conflicts.

The Investment Manager may, in connection with the Investment Management Agreement, invest in, deal with or engage the services of the Investment Manager's associates engaged in separate business activities which are entitled to charge fees, brokerage and commissions provided that they are in the ordinary course of business, on an arm's length commercial basis and approved by HCW Funds Management.

Indemnities

The Investment Manager indemnifies HCW Funds Management, the HCW group and their respective employees, officers, delegates, agents and contractors on demand against any direct expenses reasonably incurred by the aforementioned indemnified parties that arise from the gross negligence, fraud, wilful misconduct or dishonesty of the Investment Manager.

HCW Funds Management indemnifies the Investment Manager and its associates on demand against any direct expenses reasonably incurred by the Investment Manager in connection with the provision of the Services, except to the extent any expense is caused by the negligence, fraud, wilful misconduct or dishonesty of the Manager.

Schedule 3 – Independent Expert's Report

HealthCo Healthcare & Wellness REIT

Independent Expert's Report and Financial Services Guide

16 June 2023

Grant Thornton Corporate Finance Pty Ltd
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383 Kent Street
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T +61 2 8297 2400

Directors
HCW Funds Management Limited as responsible entity of
HealthCo Healthcare & Wellness REIT
L7, Gateway, 1 Macquarie Place
SYDNEY NSW 2000

16 June 2023

Dear Directors

Introduction

HealthCo Healthcare & Wellness REIT ("HCW") is a real estate investment trust ("REIT") listed on the Australian Securities Exchange ("ASX") focused on investing in property assets within the healthcare and wellness sectors. HCW holds a portfolio value of c. A$1,505.0 million[1] across 51 properties with a weighted average lease expiry ("WALE") of 12.5 years and a 99% - 100% occupancy rate[2]. The portfolio subsectors include[3]: private hospitals (c. 52%), primary, specialty care & wellness (c. 15%), childcare (c. 13%), aged care (c. 4%) and government, life sciences & research (c. 9%).

HCW is externally managed by HCW Funds Management Limited, which is a wholly owned subsidiary of HMC Capital Limited ("HMC"). As at the date of this Independent Expert's Report ("IER"), HMC together with a group of affiliates as set out in the Notice of Meeting and Explanatory Memorandum ("HMC Affiliates") held a 16.45%[4] interest in HCW.

On 30 March 2023, HCW announced that it had entered into arrangements alongside a newly established unlisted fund (the "Unlisted Fund") to acquire a 100.0% interest in 11 private hospitals

[1] Includes HCW's 100% interest in Tranches 1 & 2 (c. A$730.0 million) - Transformational Acquisition and Equity Raising Presentation dated 30 March 2023.
[2] Data from H1 FY23 Results Presentation HCW Standalone c.99%. Healthscope Hospital Portfolio occupancy rate of c. 100% (as per Transformational Acquisition and Equity Raising Presentation dated 30 March 2023)
[3] As per Transformational Acquisition and Equity Raising Presentation dated 30 March 2023, and weighted based on net operating income. Income from 'Other' subsectors of c. 7%
[4] Based on voting units as per 'Change of substantial holding – HCDPL' dated 2 May 2023.

leased to Healthscope Limited for c. A$1.2 billion (the "Healthscope Hospital Portfolio"). The acquisition of the Healthscope Hospital Portfolio was structured as outlined below:

- Tranche 1 – In May 2023, HCW completed the acquisition of four mental health/rehabilitation hospitals for c. A$256.0 million.

- Tranche 2 – In May 2023, the Unlisted Fund completed the purchase of three acute care hospitals for c. A$474.0 million. The Unlisted Fund will initially be capitalised with HCW holding 100.0% of the equity, which will reduce to 50.0% post settlement of Tranche 3, as discussed below.

- Tranche 3 – The Unlisted Fund will acquire four acute care hospitals for c. A$470.0 million, with the expected settlement in September 2023 (collectively with Tranche 1 and Tranche 2 referred to as the "Healthscope Hospital Portfolio Acquisition"). The deferred settlement allows HMC to complete an institutional fund raising of c. A$259.0 million[5] ("Tranche 3 Equity Raising") in the Unlisted Fund which will dilute HCW's interest to 50%[6].

Following settlement of Tranche 3, HCW will have a direct interest in four hospital assets valued at c. A$256 million (Tranche 1 assets) and an indirect interest, via its 50% investment in the Unlisted Fund, in a further seven hospital assets valued at c. A$944 million (Tranche 2 and Tranche 3 assets).

HCW has funded its component of the Healthscope Hospital Portfolio Acquisition via an underwritten c. A$320.0 million equity raising, which included an institutional placement raising gross proceeds of c. A$89.0 million with an issue price of A$1.35 per unit ("the Placement"), and an entitlement offer, which issued 1 new unit for every 1.90 existing units under a pro rata accelerated non-renounceable entitlement offer (the "Entitlement Offer", and together with the Placement referred to as the "Capital Raising"). At an issue price of A$1.35, c. A$231.0 million was raised through the Entitlement Offer, consisting of institutional and retail investors.

Subject to the conditions discussed in Section 1 of this Report, the Capital Raising includes the issue of up to 1 Bonus Unit (the "Bonus Units") for every 28 new units issued to those eligible unitholders who received new units from the Capital Raising. The issue of the Bonus Units is supported and funded by HMC, which has agreed to sell back to HCW for a nominal consideration, a number of units equal to the number of Bonus Units to be issued under the Capital Raising, pursuant to an off-market selective buy-back ("Selective Buy-Back") as provided under Resolution 1 of the Notice of Meeting and Explanatory Memorandum.

As announced to the market on 30 March 2023, Home Consortium Developments Pty Ltd ("HCDPL") committed to sub-underwrite c. A$48.0 million of the institutional Entitlement Offer and A$75.0 million of the retail Entitlement Offer. Following the close of the Capital Raising, the sub-underwriting allocation under the retail Entitlement Offer was 31,912,867 units to HMC (through its wholly owned subsidiary HCDPL) ("Sub-underwriting Units").

As at the date of this IER, the HMC Affiliates hold an interest of 16.45% of the voting units which would have increased to 22.12% upon issue of the Sub-underwriting Units or to 22.86% if the

[5] 50.0% of the equity within the Unlisted Fund
[6] If HMC does not raise the required cash under the Tranche 3 Equity Raising (in full or partially), HMC will draw from its available liquidity (cash and debt) to allow Tranche 3 to settle

Resolution 2 is approved and the acquisition fee of A$7.3 million (“Acquisition Fee”) owed by HCW to the HMC Affiliates is fully paid in HCW units. This increase would have been in breach of the takeover provisions in the Corporations Act unless an exemption applied. As a result, on 27 April 2023, HMC entered into a cash settled total return swap agreement with Macquarie Bank Limited (the “TRS Counterparty”) in respect of the 31,912,867 Sub-underwriting Units (“TRS”).

In unwinding the TRS, HMC Affiliates may seek to replace the economic interest in the units referenced by the TRS with a direct holding (the “Proposed Transaction”). There is no obligation or right to physical settlement under the TRS.

The TRS may only be settled with cash payment equal to the difference (if any) between the A$1.35 reference price (“TRS Reference Price”) and the final exit price as per the terms of the TRS. Considering the substance of the transaction over legal form, although the HMC Affiliates may seek to acquire units at the prevailing market prices if the Proposed Transaction is approved, the TRS Reference Price would ultimately be the price paid per unit with the difference to prevailing market prices cash settled under the TRS[7].

Purpose of the report

If the Proposed Transaction is approved, it will result in the HMC Affiliates increasing its equity interest in HCW from 16.45% to a maximum of 22.86% (if Resolution 2 is also approved and the Acquisition Fee settled in HCW units). Accordingly, the Directors of HCW not associated with the Proposed Transaction (the “Independent Directors”) have engaged Grant Thornton Corporate Finance to prepare an IER stating whether, in its opinion, the advantages associated of the Proposed Transaction outweigh the disadvantages for HCW unitholders other than the HMC Affiliates and any of their associates (“Non-Associated Unitholders”) for the purpose of Item 7 of Section 611 of the Corporations Act.

We note that Regulatory Guide 111 “Content of expert reports” (“RG 111”) specifically differentiates between an issue and a sale of units under Item 7 of Section 611. Specifically, an issue of units under Item 7 of Section 611 requires the Independent Expert to form an opinion whether the Proposed Transaction is fair and reasonable whilst a sale of units under Item 7 of Section 611 requires the Independent Expert to assess whether the advantages of the proposal outweigh the disadvantages or vice versa.

Grant Thornton Corporate Finance has not been engaged to form an opinion and it has not formed an opinion in relation to the Selective Buyback as set out in Resolution 1 and/or on the changes to the Investment Management Agreement as outlined in Resolution 2.

Summary of opinion

Grant Thornton Corporate Finance has concluded that the advantages of the Proposed Transaction outweigh the disadvantages to the Non-Associated Unitholders.

In arriving at our conclusion, Grant Thornton Corporate Finance has examined the following factors:

[7] This is assuming that the unwinding of the TRS and the acquisition of the units occurs broadly at the same time. If there is a material time difference, HMC will bear the price risk differential.

- Whether a control premium is paid by the HMC Affiliates under the Proposed Transaction;
- The future intentions of the HMC Affiliates if the Proposed Transaction is approved;
- Whether any further transactions are planned between the TRS Counterparty and the HMC Affiliates;
- The implications to HCW and the Non-Associated Unitholders if the Proposed Transaction is not approved; and
- The likely advantages and disadvantages relevant to the Non-Associated Unitholders.

Control premium

For the purpose of assessing whether the Proposed Transaction results in the payment of a control premium, we looked at the substance of the Proposed Transaction rather than the legal form. Although the HMC Affiliates may seek to acquire units at the prevailing market prices if the Proposed Transaction is approved, the TRS Reference Price would ultimately be the price paid per unit with the difference to prevailing market prices cash settled under the TRS[8]. Accordingly, we have considered the following:

- We have compared the TRS Reference Price of A$1.35 per unit with the trading prices of HCW after the announcement of the Healthscope Hospital Portfolio Acquisition. We conclude that no premium would be paid as a result of the Proposed Transaction due to the following:
    1) Since the announcement of the Healthscope Hospital Portfolio Acquisition, the trading prices of HCW have been substantially in line with listed peers and the ASX REIT Index; and
    2) Control premiums paid for successful takeovers in Australia have ranged between 20.0% and 40.0% with a median and average of around 30% and 35.0%, respectively. The TRS Reference Price is substantially in line with the trading prices without any premium being paid.
- The TRS Reference Price is in line with the Capital Raising issue price of A$1.35 per unit which does not reflect a premium for control but rather was established at a discount to the prevailing trading prices immediately before the announcement of the Healthscope Hospital Portfolio Acquisition. The Capital Raising involved the issue of new units for a cash consideration supported by both new and existing eligible unitholders. On the basis that new investors participated and they provided a cash consideration, we would consider the issue price to represent fair value for the units on a minority basis.
- We have compared the discount to Net Tangible Assets ("NTA") implied in the TRS Reference Price of 22.2%[9] with the following:

[8] This is assuming that the unwinding of the TRS and the acquisition of the units occurs broadly at the same time. If there is a material time difference, HMC will bear the price risk differential.
[9] Calculated as the TRS Reference Price of A$1.35 per unit divided by the NTA per unit as at 31 December 2023 pro-forma adjusted for the Healthscope Hospital Portfolio Acquisition.

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1) *Listed peers* – We note all of the listed peers support that no premium has been incorporated into the TRS Reference Price. Based on the geographic presence and property sectors of properties held, we consider Vital Healthcare Property Trust ("VHP") to be the most comparable to HCW. VHP is trading at an average discount to NTA of 25.1% since the start of 2023 which is aligned with the discount implied in the TRS Reference Price.

2) *Control transactions* – All of the transactions are acquisitions of a controlling interest across REITs operating in the healthcare sector[10] and that occurred at a significant premium to NTA. Although market conditions and circumstances were materially different at the date of the transactions, occurring at times with low interest rates, they still provide evidence that the TRS Reference Price does not include a premium for control.

- Units purchased on-market at the prevailing market price (whether from TRS Counterparty or third parties) would represent the price per unit on a minority basis.

Please refer to Section 5.1 of this Report for further analysis of our assessment of the control premium.

Future intentions of the HMC Affiliates if the Proposed Transaction is approved

If the Proposed Transaction is approved, the HMC Affiliates will increase their interest in HCW voting units from 16.45% to a maximum of 22.86% (if Resolution 2 is also approved and the Acquisition Fee settled in units).

HMC is already the external manager of HCW. Accordingly, other than in the ordinary course, HMC does not have any intention of changing the business of HCW operationally, through potential future capital structure changes or changing asset and distribution policies.

Further, prior to the Healthscope Hospital Portfolio Acquisition and Capital Raising, the HMC Affiliates held a controlling interest of 20.90% in HCW. Post the Sub-underwriting Agreement and the Selective Buy-Back, if the Proposed Transaction occurs, the HMC Affiliates' interest would increase to a maximum of 22.86% (if Resolution 2 is also approved and the Acquisition Fee settled in units) which is not materially different from the interest they held before the Healthscope Hospital Portfolio Acquisition.

Implications if the Proposed Transaction is not approved

If the Proposed Transaction is not approved, the HMC Affiliates may still acquire additional units on-market up to the 20.0% takeover threshold as set out in the Corporations Act. Any further acquisitions would be subject to any exceptions to Section 606 of the Corporations Act available at the time, which may include the HMC Affiliates making acquisitions in reliance on the 3.0% creep exception every six months.

If the Proposed Transaction is not approved, and the TRS unwound, the TRS Counterparty may seek to sell the units held on market which could have an overhang impact by applying downward pressure on the traded unit price. Although we note even if the Proposed Transaction is approved,

[10] Including aborted transactions.

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any Sub-underwriting Units the TRS Counterparty may be holding as a hedge would be sold on market.

Strengthen the relationship with the HMC Affiliates

If the Proposed Transaction is approved, the HMC Affiliates will increase their unitholding in HCW from 16.45% to a maximum of 22.86% (if Resolution 2 is approved and the Acquisition Fee settled in units). HMC owns and manages real estate focused funds in Australia with a market capitalisation of c. A$1.5 billion as at 12 May 2023. Prior to 18 April 2023 when the Placement completed, HMC Affiliates held a substantial 20.9% unitholding in HCW. Despite the HMC Affiliates' unitholding reducing to 16.45% following the Capital Raising, the unitholding increase as a consequence of the Proposed Transaction only represents a short time lapse since their previous substantial unitholding, with no change in the HMC Affiliates' relationship with HCW. HMC will continue to provide externally managed support to HCW.

Any further transactions planned between the TRS Counterparty and the HMC Affiliates

We understand that both HMC and HCW have historically worked with the TRS Counterparty on financing transactions and they intend to continue to do so in the future. These engagements occur on an arm's length basis and HMC and HCW have a number of alternative providers to the TRS Counterparty. We have been instructed that there are no transactions planned with the TRS Counterparty which are as a direct result of the parties entering into the TRS.

Advantages and disadvantages

Set out below is a summary of the advantages and disadvantages of the Proposed Transaction to the Non-Associated Unitholders.

Advantages	**Disadvantages**
• It will be non-dilutive to existing unitholders' interests in HCW, as the Proposed Transaction will be made of existing issued units; • It creates further alignment between the interests of the HMC Affiliates and other unitholders, with the HMC Affiliates holding no exposure to additional units than they were allocated under the sub-underwriting agreement; • The incremental impact on control of HCW is immaterial compared to their holding prior to the Healthscope Hospital Portfolio Acquisition announcement and Capital Raising; • The HMC Affiliates could have acquired the units allocated in accordance with the sub-underwriting agreement without the need for	• The HMC Affiliates may obtain up to a maximum of 22.86% (if Resolution 2 is approved and the Acquisition Fee settled in units) relevant interest in HCW if the Proposed Transaction is approved, which may dissuade potential acquirers of HCW from making a takeover offer in the future. This may have an adverse impact on the unit price and diminish the opportunity for unitholders to receive a takeover premium in the future; • The HMC Affiliates will be entitled to acquire voting power in HCW in excess of 20.0%, without the need for it to make a takeover bid or obtain further unitholder approval.

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HCW unitholder approval, however, in order to do so in a timely fashion, it is now necessary as they are no longer able to rely on the takeovers "creep" exception following completion of the institutional Entitlement Offer; • Our assessment of the TRS Reference Price with the valuation methodologies considered within Section 5 of this report indicate that there is no control premium paid.	

Overall conclusions

In determining the overall conclusion in relation to the Proposed Transaction, we note that based on the requirements of RG 111, the greater the control premium payable as a result of the Proposed Transaction, the greater the advantages of the Proposed Transaction to the Non-Associated Unitholders would need to be, to support a finding that the advantages of the Proposed Transaction outweigh the disadvantages. Specifically, we summarise the following:

- We have assessed that the Proposed Transaction will not trigger the payment of a control premium.

- HMC's current intention is to continue to provide similar support to HCW as the external manager, with no intention to change the operational management or capital structure of HCW; and

- If the Proposed Transaction is not approved and the TRS Counterparty decides to sell the Sub-underwriting Units on market upon an unwind of the TRS, it may have an adverse impact on the unit price of HCW. Although we note even if the Proposed Transaction is approved, any Sub-underwriting Units the TRS Counterparty may be holding as a hedge would be sold on market.

Accordingly, Grant Thornton Corporate Finance has concluded that the advantages of the Proposed Transaction outweigh the disadvantages to the Non-Associated Unitholders.

Other matters

Grant Thornton Corporate Finance has prepared a Financial Services Guide ("FSG") in accordance with the Corporations Act. The FSG is set out in the following section.

The decision of whether or not to vote in favour of the Proposed Transaction is a matter for each HCW Unitholder to decide based on his or her own views of value of HCW and expectations about future market conditions, HCW's performance, risk profile and investment strategy. If HCW unitholders are in doubt about the action they should take in relation to the Proposed Transaction, they should seek their own professional advice.

Yours faithfully
GRANT THORNTON CORPORATE FINANCE PTY LTD

ANDREA DE CIAN
Director

JANNAYA JAMES
Director

16 June 2023

Financial Services Guide

1 Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by HCW to provide general financial product advice in the form of an IER in relation to the Proposed Transaction. This Report is included in HCW's Notice of Meeting and Explanatory Memorandum.

1 Financial Services Guide

This FSG has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

2 General financial product advice

In our Report, we provide general financial product advice. The advice in the Report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

3 Remuneration

When providing the Report, Grant Thornton Corporate Finance's client is HCW. Grant Thornton Corporate Finance receives its remuneration from HCW. In respect of the Report, Grant Thornton Corporate Finance will receive a fee of A$100,000 (plus GST) which is based on commercial rates, plus reimbursement of out-of-pocket expenses for the preparation of the Report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this Report.

4 Independence

Grant Thornton Corporate Finance is required to be independent of HCW and the HMC Affiliates in order to provide this Report. The guidelines for independence in the preparation of an IER are set out

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in RG 112 *Independence of expert* issued by ASIC. The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

"Grant Thornton Corporate Finance and its related entities do not have at the date of this Report, and have not had within the previous two years, any unitholding in or other relationship with any of the HMC Affiliates or HCW (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the Proposed Transaction.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Proposed Transaction, other than the preparation of this Report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this Report. This fee is not contingent on the outcome of the Proposed Transaction. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the Report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this Report.

Grant Thornton Corporate Finance was engaged in November 2020 as an Independent Expert to opine on an internal re-organisation between Home Consortium Developments Limited and Home Consortium Limited.

Grant Thornton Corporate Finance considers itself to be independent in terms of RG 112 "Independence of expert" issued by the ASIC."

5 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Australian Financial Complaints Authority. All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Australian Financial Complaints Authority who can be contacted at:

Australian Financial Complaints Authority Limited
GPO Box 3
Melbourne, VIC 3001
Telephone: 1800 931 678

Grant Thornton Corporate Finance is only responsible for this Report and FSG. Complaints or questions about the Scheme Meeting should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

6 Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of Section 912B of the Corporations Act, 2001.

Contents

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1 Outline of the Healthscope Hospital Portfolio Acquisition

1.1 Transaction overview

1.1.1 Background to the Healthscope Hospital Portfolio Acquisition

On 30 March 2023, HCW announced that it had entered into arrangements alongside the Unlisted Fund to acquire a 100.0% interest in 11 private hospitals leased to Healthscope Limited for A$1.2 billion[11]. As previously detailed, the Healthscope Hospital Portfolio Acquisition has been structured as outlined below:

- Tranche 1 – HCW has acquired four mental health/rehabilitation hospitals for c. A$256.0 million (settlement occurred in May 2023).
- Tranche 2 – The Unlisted Fund has acquired three acute care hospitals for c. A$474.0 million (settlement occurred in May 2023). The Unlisted Fund will initially be capitalised with HCW holding 100.0% of the equity (c. A$261.0 million[12]). HCW's ownership will reduce to c. 50.0% post settlement of Tranche 3 as discussed below.
- Tranche 3 – The Unlisted Fund will acquire four acute care hospitals for c. A$470.0 million, with expected settlement in September 2023. The deferred settlement allows HMC to complete an institutional fund raising of c. A$259.0 million[13] in the Unlisted Fund which will dilute HCW's interest to 50%. If HMC does not raise the required cash under the Tranche 3 Equity Raising (in full or partially), HMC will draw from its available liquidity (cash and debt) to allow Tranche 3 to settle.

1.1.2 Following settlement of Tranche 3, which is expected by no later than September 2023, HCW will have a direct interest in four hospital assets valued at c. A$256 million (Tranche 1 assets) and an indirect interest, via its 50% investment in the Unlisted Fund, in a further seven hospital assets valued at c. A$944 million (Tranche 2 and Tranche 3 assets) Capital Raising and Selective Buy-Back

HCW has funded its component of the Healthscope Hospital Portfolio Acquisition via an underwritten c. A$320 million equity raising comprising the following:

- The Placement – The issue of 65,619,419 new units in HCW at an issue price of A$1.35 per unit for wholesale clients and sophisticated investors to raise gross proceeds of c. A$89.0 million.
- The Entitlement Offer – The issue of 1 for 1.90 new units under a pro rata accelerated non renounceable entitlement offer at an issue price of A$1.35 per unit to raise c. A$231.0 million. Circa A$119.0 million was raised through institutional investors, with the remaining c. A$112.0 million raised through retail investors.

The A$1.35 issue price for the new units was at a discount to the prevailing trading prices immediately before the announcement of the Healthscope Hospital Portfolio Acquisition.

The Capital Raising includes the issue to each eligible unitholder who was issued with new units from the Capital Raising with up to 1 Bonus Unit for every 28 new units issued. However, investors participating in

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[11] Excluding transaction costs.
[12] Unlisted Fund to be levered at 45%. Equity contribution excludes transaction costs and acquisition of vendor's existing A$35 million interest rate swap.
[13] 50.0% of the equity within the Unlisted Fund

the Capital Raising only become eligible to receive the Bonus Units if they hold a number of units on 30 October 2023 (“Bonus Units Determination Date”) which is in excess of the number of units they held on 3 April 2023. Subject to satisfying the minimum holding requirements, eligible unitholders will be issued the Bonus Units for nil consideration.

The issue of the Bonus Units is supported and funded by HMC (through its wholly owned subsidiary HCDPL) which has agreed to sell back to HCW for a nominal consideration a number of units equal to the number of Bonus Units to be issued under the Capital Raising, pursuant to an off-market selective buy-back as provided under Resolution 1 of the Notice of Meeting and Explanatory Memorandum.

The purpose of the Selective Buy-Back is to fund the Bonus Units to provide a net zero change to the issued unit capital of HCW and avoid further dilution for HCW unitholders not participating in the Capital Raising.

We have provided a summary of the Capital Raising below:

	Pre-Capital Raising	Placement	Entitlement Offer		Bonus Units (2) (1:28)	Selective Buy-Back	Post-Capital Raising
			Institutional (1)	Retail			
Issue Price (A$)	**n/m**	1.35	1.35	1.35	0.0	n/m	**n/m**
# of Units (millions)	**325.7**	65.6	88.1	83.3	8.5	(8.5)	**562.7**
Capital Raised (A$m)	**n/m**	88.6	119.0	112.5	0.0	n/m	**320.0**
HMC Affiliates Voting Power	**20.90%**	n/m	n/m	n/m	n/m	n/m	**16.45%**

Source: Management information, GTCF analysis.
Notes: (1): Institutional Entitlement Offer units are calculated based on the capital raised and the issue price of A$1.35; (2): Bonus Units are calculated based on the number of new units issued within the Capital Raising of 237.0 million.

Completion of the Selective Buy-Back is conditional on the following:

- Completion of the Capital Raising.
- HCW obtaining all necessary waivers, exemptions and modifications to undertake the Selective Buy-Back.
- Unitholders approving, by way of a special resolution, the terms of the Selective Buy Back.
- Other conditions precedent typical for a transaction of this nature.

1.1.3 Sub-underwriting Units agreement and the Total Return Swap

The HMC Affiliates are currently the largest unitholders of HCW with an interest in 16.45% of the issued units after the Capital Raising. As announced to the market on 30 March 2023, HCDPL committed to sub-underwrite c. A$48.0 million of the institutional Entitlement Offer and A$75 million of the retail Entitlement Offer. Following the close of the Capital Raising, the sub-underwriting allocation under the retail Entitlement Offer was 31,912,867 units to HMC (through its wholly owned subsidiary HCDPL).

Immediately before the announcement of the Healthscope Hospital Portfolio Acquisition, the HMC Affiliates held a relevant interest of 20.9% in the voting units on issued of HCW which reduced to 16.45% following the Capital Raising but before its sub-underwriting allocation under the retail Entitlement Offer pursuant to the Sub-underwriting Agreement.

Based on the number of units to be issued to the HMC Affiliates under the Sub-underwriting Agreement, the HMC Affiliates would increase its interest in HCW voting units from 16.45% to a maximum of 22.86% (if Resolution 2 is approved and the Acquisition Fee settled in units).

If the HMC Affiliates would have acquired its full allocation under the Sub-underwriting Agreement without approval of the Non-Associated Unitholders, it would have been in breach of the takeovers prohibitions in the Corporations Act.

We provide an overview of the sub-underwriting impact on the HMC Affiliates' interest in HCW below:

Sub-underwriting HMC Affiliates unitholding impact # of Units (millions)	
Post Capital Raising	562.7
HMC Affiliates Relevant Interest	16.45%
HMC Affiliates Sub-Underwriting (Retail Entitlement Offer element)	31.9
HMC Affiliates Economic Interest (the Swap Agreement)	5.67%
Indicative HMC Affiliates Total Interest	**22.12%**
Issue of units in lieu of the A$7.3 million acquisition fee to HMC (Resolution 2)	0.74%
	22.86%
Takeover Threshold	20.00%

Source: Management information, GTCF analysis.

Whilst the TRS allows the HMC Affiliates to retain an economic exposure to the Sub-underwriting Units, the TRS does not give the HMC Affiliates, the right to require physical settlement, or the right to control the right to vote, or the disposal, of any units referenced under the TRS, and therefore does not give rise to any relevant interest in any units.

If Resolution 2 is passed, the Investment Manager is permitted to request HCW to satisfy the Acquisition Fee with the payment of approximately 5.37 million units based on the five-trading day VWAP of units up to 18 May 2023 (the completion of tranches 1 and 2).

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2 Purpose and scope of the report

2.1 Proposed Transaction

2.1.1 Purpose

If the Proposed Transaction is approved by the Non-Associated Unitholders, the HMC Affiliates will increase their interest in HCW voting units from 16.45% to a maximum of 22.86% (if Resolution 2 is approved and the Acquisition Fee settled in units).

Sections 604 and 606 of the Corporations Act prohibits the acquisition of a relevant interest in issued voting units of a listed managed investment scheme if the acquisition results in the person's voting power in the scheme increasing from either below 20% to more than 20%, or from a starting point between 20% and 90%, without making an offer to all unitholders of the scheme.

However, Item 7 of Section 611 of the Corporations Act allows the Non-Associated Unitholders to waive this prohibition by passing a resolution at a general meeting. Regulatory Guide 74 "Acquisitions agreed to by unitholders" ("RG 74") and RG 111 issued by the Australian Securities and Investment Commission ("ASIC") set out the view of ASIC on the operation of Item 7 of Section 611 of the Corporations Act.

RG 74 requires that unitholders approving a resolution pursuant to Item 7 of Section 611 of the Corporations Act be provided with a comprehensive analysis of the proposal, including whether or not the proposal is fair and reasonable to the non-associated unitholders. The Independent Directors (directors not associated with the proposal) may satisfy their obligations to provide such an analysis by either:

- commissioning an IER; or
- undertaking a detailed examination of the proposal themselves and preparing a report for the non-associated unitholders.

Accordingly, the Independent Directors of HCW have engaged Grant Thornton Corporate Finance to prepare an IER to opine whether or not the advantages associated with the Proposed Transaction outweigh the disadvantages to the Non-Associated Unitholders under Item 7 of Section 611 of the Corporations Act.

2.1.2 Basis of assessment

Grant Thornton Corporate Finance has had regard to the Regulatory Guides issued by ASIC, particularly the guidance provided by RG 111 associated with approval of a sale of securities under Item 7 of Section 611 of the Corporations Act.

In this regard, RG 111 states that security holders not associated with such a transaction may be forgoing the opportunity of receiving a takeover bid and sharing in any premium for control. RG 111 further states that the expert should identify the advantages and disadvantages of the proposal to security holders not associated with the transaction and provide an opinion either:

- that the advantages of the proposal outweigh the disadvantages; or
- that the disadvantages of the proposal outweigh the advantages.

We note that RG111.3 specifically differentiates between an issue and a sale of units under Item 7 of Section 611. Specifically, an issue of units under Item 7 of Section 611 requires the Independent Expert to form an opinion whether the proposed transaction is fair and reasonable whilst a sale of units under Item 7 of Section 611 requires the Independent Expert to assess whether the advantages of the proposal outweigh the disadvantages or vice versa.

RG 111 also requires the expert to determine whether the vendor is to receive a premium for control. The greater the control premium, the greater the advantages of the transaction to the non-associated holders would need to be, to support a finding that the advantages of the proposal outweighed the disadvantages.

Based on the above in order to form our opinion in relation to the Proposed Transaction in accordance with RG111, Grant Thornton Corporate Finance examined the following factors:

- Whether the Proposed Transaction incorporates the payment of a control premium.;
- Whether the Proposed Transaction will affect the opportunities of HCW receiving a takeover bid;
- The future intentions of the HMC Affiliates if the Proposed Transaction is approved;
- Whether any further transactions are planned between HCW and the TRS Counterparty or any of their associates;
- The implications to HCW and the Non-Associated Unitholders if the Proposed Transaction is not approved; and
- The likely advantages and disadvantages relevant to the Non-Associated Unitholders.

2.2 Independence

Prior to accepting this engagement, Grant Thornton Corporate Finance (a 100% subsidiary of Grant Thornton Australia Limited) considered its independence with respect to the Proposed Transaction with reference to RG 112.

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the approval of the Proposed Transaction other than that of an Independent Expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this Report.

Except for these fees, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this Report. The payment of this fee is in no way contingent upon the success or failure of the Proposed Transaction.

Grant Thornton Corporate Finance was engaged in November 2020 as an Independent Expert to opine on an internal re-organisation between Home Consortium Developments Limited and Home Consortium Limited.

In our opinion, Grant Thornton Corporate Finance is independent for the purpose of the Proposed Transaction.

2.3 Consent and other matters

Our Report is to be read in conjunction with the Notice of Meeting and Explanatory Memorandum in which this Report is included, and is prepared for the exclusive purpose of assisting the Non-Associated Unitholders in their consideration of the Proposed Transaction. This Report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issue of this Report in its form and context and consents to its inclusion in the Notice of Meeting and Explanatory Memorandum.

This Report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Proposed Transaction on the Non-Associated Unitholders as a whole. We have not considered the potential impact of the Proposed Transaction on individual unitholders of HCW. Individual unitholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Proposed Transaction on individual unitholders.

The decision of whether or not to approve the Proposed Transaction is a matter for each of the Non-Associated Unitholder based on their views on the value of HCW and expectations about future market conditions, together with HCW's performance, risk profile and investment strategy. If the Non-Associated Unitholders are in doubt about the action they should take in relation to the Proposed Transaction, they should seek their own professional advice.

2.4 Compliance with APES 225 Valuation Services

This Report has been prepared in accordance with the requirements of the professional standard APES 225 Valuation Services ("APES 225") as issued by the Accounting Professional & Ethical Standards Board. In accordance with the requirements of APES 225, we advise that this assignment is a Valuation Engagement as defined by that standard as *"an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Member is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Member at that time."*

3 Industry overview

HCW is a REIT listed on the ASX with a mandate to invest in property assets within the healthcare sector. This section of the Report is structured into two major components. The first part focuses on the REIT industry along with the macro-environment in Australia. The second part focuses on the healthcare sector.

3.1 REIT industry

REITs are trust structures that provide security holders with an opportunity to invest in a vehicle that owns/holds investments in property assets. Investors generally evaluate REITs by assessing the security of the rental and other property income, quality of the individual property portfolio and diversification, tenant covenants, distribution yield, WALE, gearing and quality of management.

REITs usually invest in a range of properties in various sub-sectors and geographical locations. Among them are the following:

- Retail – investment in shopping malls and community shopping centres.
- Industrial – investment in industrial warehouses and distribution properties.
- Office – investment in office buildings and office parks.
- Residential – investment in residential properties including housing, apartments and student housing.
- Hotel – investment in properties that provide accommodation on a room and/or suite.
- Diversified – investment across a range of property sectors.
- Bulky goods – investment in retail warehouses which contain white goods and hardware.
- Healthcare/Social – includes investment in hospitals, medical centres, childcare and early learning, as well as retirement communities, aged care and other healthcare & wellness adjacencies. HCW falls within this category.

The graph below shows the performance of the S&P/ASX 200 A-REIT Index against the S&P/ASX 200 Index, as well as the movement in the Reserve Bank of Australia (“RBA”) cash rate over the past two years.

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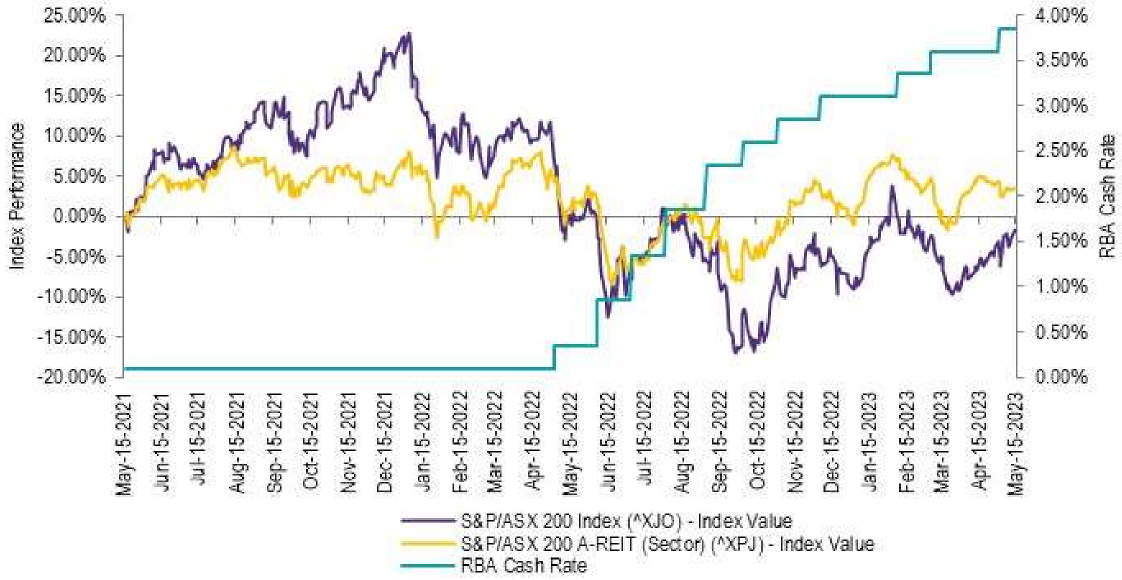
S&P/ASX 200 A-REIT and S&P/ASX 200 Index Performance vs. RBA Cash Rate

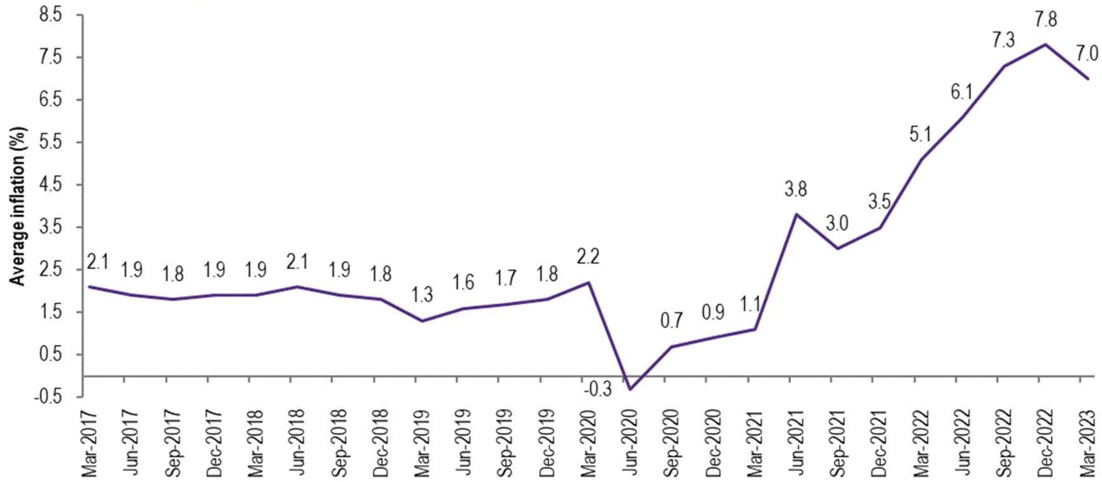


Source: S&P Capital IQ, Reserve Bank of Australia

As set out above, the REITs performance have been adversely affected by rising interest rates. To combat inflation, the RBA has steadily increased the cash rate to 3.85% in May 2023 from 0.10% a year earlier. For the REIT sector, the current increasing interest rates mean a higher cost of debt which may cause a decline in earnings and distributions. In addition, an increasing interest rate environment would usually lead to an expansion in the capitalisation rates and as a consequence, a decrease in market value of the property if the increase in the passing rent is not proportionate.

REITs primarily derive their revenue from property rentals. Therefore, inflationary expectations tend to offset their rental yields and valuations depends on the REIT's ability to increase leases in line with inflation (fixed vs CPI indexed leases). Presented below is the historical average inflation rate in Australia covering the period from March 2017 to March 2023.

Historical Average Inflation Rate

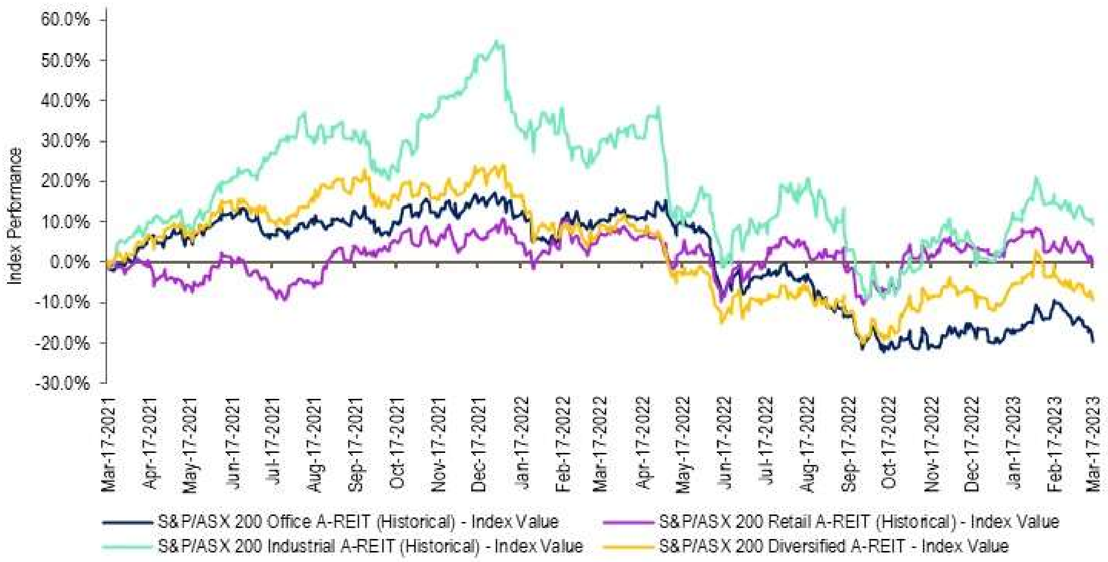


Source: Reserve Bank of Australia

Evident in the graph above is the decline in the average inflation rate during the outbreak of COVID-19 due to significant initial reduction in discretionary spending. This was followed by an extended increase in the average inflation rate from June 2021 due to the increase in disposable income as a result of the expansionary fiscal policies implemented by governments around the world as well as the global supply chain issues and increase in energy prices. Based on the forecast of the International Monetary Fund, the inflation rate is expected to fall to 3.2% in FY24 and to 3.0% in FY25.

The graph below shows the performance over the last two years by various sub-categories within the REIT Index including Office REIT, Industrial REIT and Retail REIT performance.

A-REIT sub-sector performance



Source: S&P Capital IQ

As evident in the graph above, the Office A-REIT performance has weakened over the last two years as demand for office space has been affected by the change in working habits and the ability to work from home. Whilst Retail A-REIT performance was volatile during the pandemic due to the restrictions that were imposed, the sector showed signs of recovery as restrictions eased and consumers resumed pre-pandemic shopping habits. However, with rising interest rates and increased cost-of-living pressures, the retail sector has suffered from a decline in discretionary spending. Conversely, Industrial REIT performance has recovered in the last six months as businesses have invested in logistics and industrial assets amidst global supply chain issues.

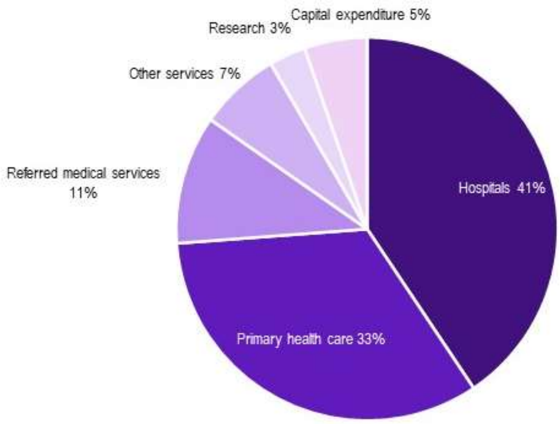
3.2 Healthcare sector and expenditure

Australia's healthcare system includes a diverse range of programs and services including public and private hospitals, primary health care services (such as general practitioners and allied health services), and referred medical services (including many specialists). Services are either paid for, and delivered by, the Australian or state and territory governments or are managed by private or not-for-profit organisations.

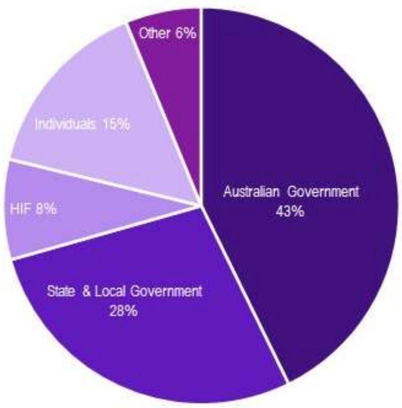
In the latest release on health expenditure by the Australian Institute of Health and Welfare, in 2020-21, Australia spent c. A$220.9 billion on health, or about A$8,617 per person, a considerable increase from A$4,800 per person in 2000–01. More than two-thirds of healthcare spending is funded by the government with c. 74% of the funding going to hospitals and primary health cares as outlined in the graphs below[14].

[14] Source – Australia's health 2022 in brief.

Australian healthcare expenditure by area



Australian healthcare funding by source



Source: Heath Expenditure Australia 2020-21

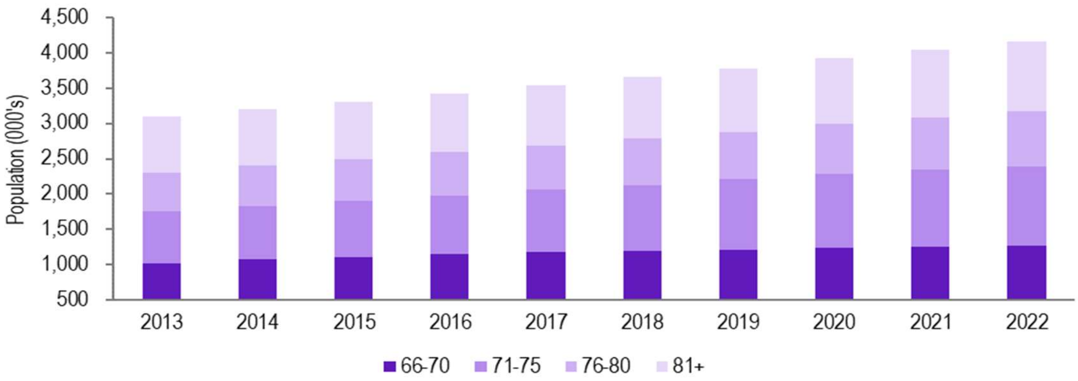
3.2.1 Hospital sector

Hospitals within Australia are primarily owned and managed by the respective state and territory governments, however, there also exists numerous private hospitals that run both for-profit and not-for-profit purposes. Australia's public and private hospital sectors generate c. A$81.3[15] billion and A$22.4[16] billion in revenue per annum, respectively. In the 2023-24 Federal Budget, the government announced they would commit c. A$3.5 billion over five years to incentivise general practitioners to bulk bill their patients, alleviating the pressure on hospitals.[17]

The industry is characterised by various key market trends and drivers, namely:

- *Ageing Population* – Hospital demands, both public and private, continues to rise due to Australia's growing and ageing population as outlined in the graph below.

Australia's ageing population



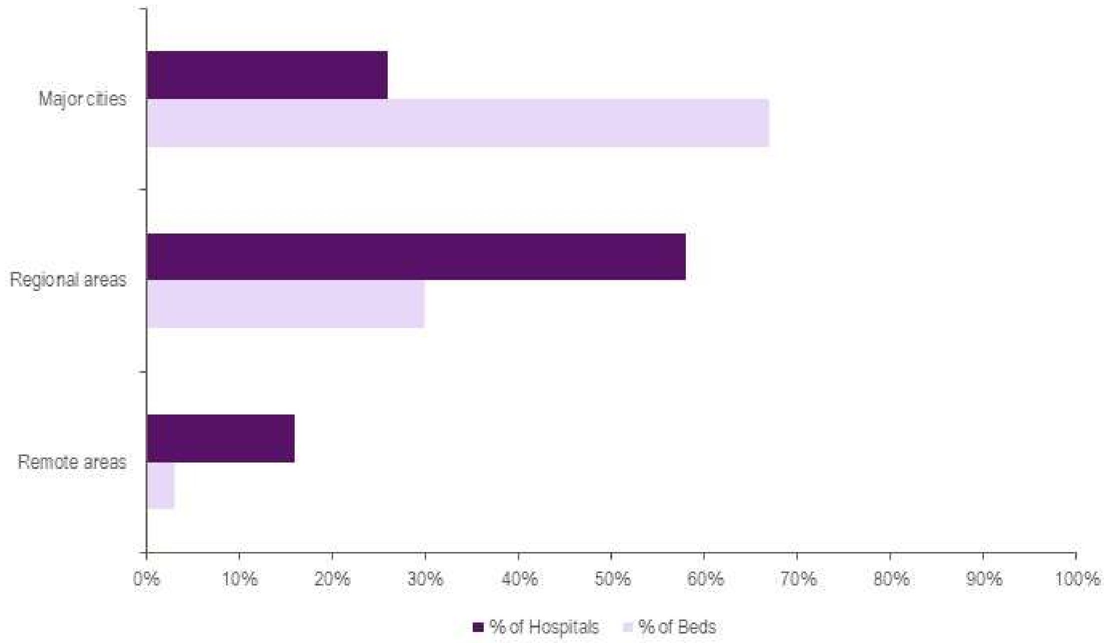
Source: Australian Bureau of Statistics – Estimated Resident Population by single year of age, Australia.

[15] IBIS World – Public General Hospitals in Australia.
[16] IBIS World – Private General Hospitals in Australia.
[17] 2023 Federal Budget

The percentage of the Australian population aged 65 years and over has increased from 4.6% in 1922 to 17.1% in 2022[18] and is set to increase to c. 20.7% by 2066.[19] This is largely driven by greater life expectancies as a result of technological and medical advancements alike. This increase in the pool of high-risk patients generates heightened demand for beds and better quality hospital services, in turn supporting sustained investment into the industry and likely driving increases in hospital property prices in the future.

- *Access to healthcare* – The number of hospitals and beds available is a good measure of the population's access to health care services. In 2020-21, on average, there were 63,333 public hospital beds available, representing 2.5 beds per 1,000 people and ranging from 2.3 bed per 1,000 people in major cities to 4.0 beds per 1,000 people in remote areas. [20] Since 2016-17, the beds per 1,000 people have fallen by 0.9% per annum. Interestingly however, despite only c. 26% of all hospitals being found in major cities, approximately two thirds of all public hospital beds in Australia were located within the same area, illustrating both the size of the facilities and the consequential demand for health services. The following graph illustrates the breakdown of hospitals and beds around Australia.

Breakdown of % of Hospitals vs. % of beds by region



Source: Australian Institute of Health and Welfare – Australia's hospitals at a glance (2022)

- *Technological advances* – Notably, improvements in technology are forecast to drive hospital efficiency into the near future, namely with respect to patient treatment. Technological advancements in fields such as robotics and medicine are predicted to reduce mortality rates and increase the speed and efficiency at which procedures are completed. In doing so, the average stay of a patient is also likely to simultaneously decrease which should make bed space available for higher value procedures.

[18] Australia Bureau of Statistics
[19] Australian Institute of Health and Welfare – Older Australians
[20] Australian Institute of Health and Welfare – Australia's hospitals at a glance (2022).

Australia's public hospital industry is anticipated to grow steadily at an annualised rate of 3.4% over the next five years through to 2028. This growth is largely underpinned by Australia's ageing population which will results in chronic illnesses and complex diseases becoming more prevalent. For both private and public hospitals, the need to clear elective surgery backlogs created by the pandemic will be of paramount importance.

Whilst the macro-trends are positive, the industry is facing labour shortages in all of nursing, surgeons, physicians and other medical occupations relative to the industry's increase in demand placing an increased pressure and burden on hospitals in the future.

3.2.2 Primary and specialty care sector

Primary care refers to health care in the community, such as GPs, pharmacies and allied health professionals. In 2021-22, there were approximately 270 million Medicare-subsidised primary care services in Australia, including, but not limited to:

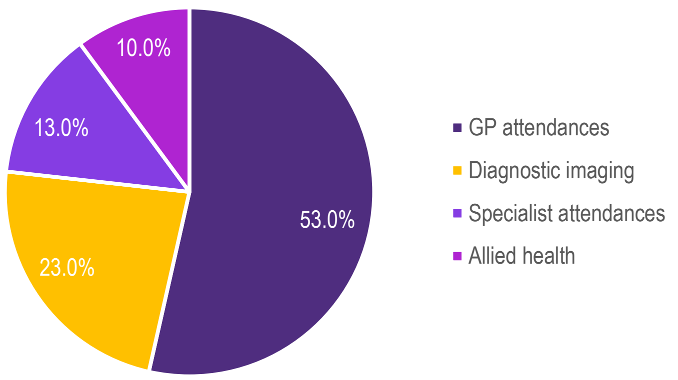
- *GP attendances (189 million)*: Between 2015 and 2020, approximately c. 88% of all Australians received at least one Medicare-subsidised GP service. The outbreak of COVID-19 within Australia invariably led to a sharp contraction in physical visits as mandatory stay at home orders and lockdowns were imposed. In this regard, in 2020-21, the percentage of Australians who received at least one Medicare-subsidised GP service decreased to c. 85%. A by-product of the pandemic, however, is the increased use of telehealth services by medical professionals to minimise contact and avoid spreading the virus. On 1 January 2022, expanded telehealth services became an ongoing part of Medicare and by 2021-22, the percentage of Australians who received at least one Medicare-subsidised GP service increased to c. 90%.

- *Allied health attendances (25 million)*: The allied health sector comprises a range of services such as psychologists, optometrists and physiotherapists. In 2021-22, c. 37% of Australians received at least one Medicare-subsidised allied health service. The most common type of service was optometry followed by psychology, podiatry and physiotherapy. Aside from Medicare, allied health services are also accessed and funded through private health insurance or the Department of Veterans' Affairs.

- *Services provided by nurses, midwives and Aboriginal health workers (4.1 million)*: This includes services provided in non-admitted patient settings. In 2021-22, only c. 8.1% of Australians received at least one Medicare-subsidised nursing, midwifery or practice nurse/Aboriginal health worker service.

Federal funding for Medicare is a key driver for the industry as it makes consultations more affordable keeping out-of-pocket payments low. An increase in funding for Medicare increases demand and in turn, increases revenue for general practitioners. In 2021-22, c. A$17 billion was paid in Medicare benefits for primary care services as follows:

Medicare benefits expenditure 2021-22



Source: Australian Institute of Health and Welfare – General practice, allied health and other primary care services

In the 2023 Federal Budget, the government announced a c. A$5.7 billion investment over five years to strengthen Medicare, focusing on incentives for GPs to bulk bill consultations for children under 16 years, pensioners and concession card holders.[21] Looking to the future, industry revenue for general practitioners is forecast to grow at an annualised rate of 3.2% over the five-year period ending 2028 to c. A$32.7 billion[22].

3.2.3 Childcare sector

In 2022-23, approximately 1.3 million children aged 12 and under attend some form of government-approved or government-funded childcare service. The key drivers for early childhood education/care include the level of social assistance, the level of females in the labour force, the number of dependent children and real household discretionary income.

The industry's growth over the last decade has primarily been driven by steady increases in funding from the Federal Government. On 2 July 2018, the Child Care Benefit and the Child Care Rebate schemes were replaced with the Child Care Subsidy, a single means- and activity-tested subsidy paid directly to childcare providers. This new funding arrangement was aimed to make childcare more flexible, accessible and affordable. Further examples of increased funding from the Federal Government include:

- The Australian Government subsidy for childcare grew by c. 6% per annum between 2014 and 2019, improving accessibility to childcare services.
- Through COVID-19, the government offered the Early Childhood Education and Care Relief package which paid centres to offer free childcare to Australians between April and July 2020, and a recovery package continued support from September 2020 to January 2021.
- The 2023-24 Federal Budget has brought significant changes to the childcare sector including:
    - A revision of the childcare subsidy: The government announced an increase in the maximum subsidy rate removing the annual cap on the amount of childcare subsidies that can be paid for

[21] Federal Budget 2023-24
[22] IBIS World – General Practice Medical Services in Australia.

families with incomes above A$189,390. The subsidy rate will decrease gradually for families with a combined income of up to A$80,000, lifting the maximum childcare subsidy rate from 85% to 90% for families earning up to A$80,000 per year. The government has committed approximately c. A$55 billion on childcare subsidies in the four years from 2023-24.

- Increased support for workforce: The government will spend c.A$72.4 million over four years to support the skills development of early childhood education and care sector workers. This will include financial assistance for ongoing professional development and to complete practical components of higher education courses.

Following the onset of the COVID-19 pandemics, the industry suffered from low occupancy rates and staff shortages with parents withdrawing their children due to financial or health concerns. In 2022, the number of children aged four or five years old enrolled in preschool was 334,440, a 1.3% decrease versus 2021.[23]

With childcare subsidies facilitating the number of parents working full-time, there is a forecast increase in demand for childcare services. Notwithstanding this, ongoing skilled labour shortages are expected to curb the growth of childcare services as data from the National Skills Commission showed over 7,000 vacancies in the sector in late 2022, with many childcare centres forced to cap enrolments due to staff shortages.

REITs are prominent in the sector, as operators have a prevalence towards leasing their assets instead of owning assets. The value of underlying real estate supporting the industry accounted for an estimated c. A$37.4 billion in FY20, with an estimated c. A$4.6 billion to be invested further to support the 3% per annum growth in the number of enrolled children.[24] Revenue for childcare services are expected to grow at an annualised 4.0% over the next five years to c. A$17.9 billion.[25]

[23] ABS, Preschool Education
[24] Health Co REITs Initial Public Offering ("IPO") Prospectus prepared Jun 2021, page 66
[25] IBIS World – Child Care Services in Australia.

4 Profile of HCW

4.1 Introduction

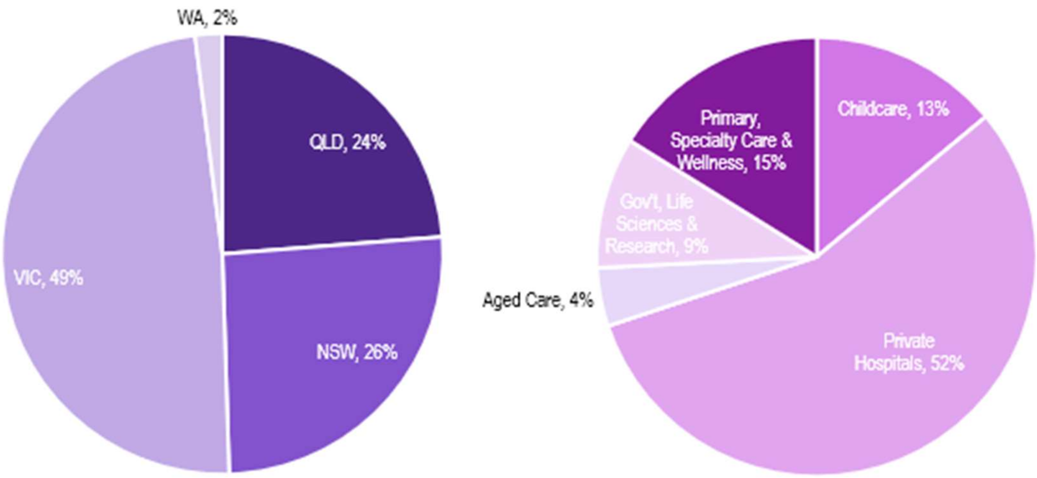
HCW is a REIT listed on the ASX with a mandate to invest in hospitals, aged care, childcare, government, life sciences and research and primary care and wellness property assets. Following the acquisition of the Healthscope Hospital Portfolio, HCW's portfolio is expected to have a fair value of c. A$1,505 million[26]. A summary of HCW's portfolio is set out below.

HCW Portfolio Summary Metrics	Post Acquisition
Portfolio Valuation[1]	$1,505 million
WACR	5.1%
WALE	12.5 years
CPI-linked leases	60.0%
Site area	480,850 sqm

Notes: (1) Including pending acquisitions of Metro Childcare Portfolio & Macquarie Park and assuming HCW's 100% interest in Tranche 1 and 2.
Source: Transformational Acquisition and Equity Raising Presentation dated 30 March 2023

Additionally, HCW's portfolio is well diversified across Australia with a presence in five separate states, most notably in Victoria (c. 49%) and with a greater focus on private hospitals accounting for c. 52%. The following chart illustrates a breakdown of HCW's portfolio across both state and subsectors.

HCW's portfolio breakdown by state and subsectors[27]



Source: Transformational Acquisition and Equity Raising Presentation dated 30 March 2023
Notes: (1) Portfolio breakdown by state is weighted based on asset value; (2) Portfolio breakdown by subsector is weighted based on net operating income.

The responsible entity of HCW is HCW Funds Management Limited ("Responsible Entity"). The Responsible Entity has appointed HMC Property Management Pty Limited ("Property Manager") and HMC Investment Management Pty Ltd ("Investment Manager") to provide certain asset management, investment management, development management, leasing and property management services to the group in accordance with the relevant management agreements. The Responsible Entity, the Property Manager and the Investment Manager are ultimately owned by HMC. The fees payable under the

[26] Including pending acquisitions of Metro Childcare Portfolio and Macquarie Park and assuming HCW's 100% interest in Tranche 1 and 2.
[27] Including pending acquisitions of Metro Childcare Portfolio and Macquarie Park and assuming HCW's 100% interest in Tranche 1 and 2.

management agreements with the Investment Manager ("Investment Management Agreement") and the Property Manager ("Property Management Agreement") are set out below:

Fees payable under the Investment Management Agreement

Investment Management Agreement Fee Descriptions	
Base fee	0.65% p.a. of GAV up to A$800 million; plus, 0.55% p.a. of the amount by which GAV exceeds A$800 million
Acquisition fee	1.0% of purchase price of any assets directly or indirectly acquired by the group in proportion to the group's economic interest in the assets
Disposal fee	0.5% of sale price of any assets directly or indirectly disposed by the group in proportion to the group's economic interest in the assets
Other	The Investment Manager is entitled to be paid or reimbursed all reasonable expenses properly incurred in the performance of the services.

Source: HCW Annual Reports and the ASX release dated 30 March 2023.

Fees payable under the Property Management Agreement

Property Management Agreement Fee Descriptions	
Property management fees	3.0% of gross income for each property for each month
New tenant lease fees	15.0% of the face rent for the first year of the lease term where the tenant is new to the property
Lease renewable fee	7.5% of the face rent for the first year of a new lease if an existing tenant enters into a new lease to continue leasing their current tenancy in the property
Lease administration and design fees	Charged on a cost recovery basis, unless payable by the tenant
Development management fees	5.0% of the development costs in relation to the first $2.5 million of the project costs of each project and 3.0% of the development costs thereafter
Other	The Property Manager is entitled to be paid or reimbursed all reasonable expenses properly incurred in the performance of the services

Source: HCW Annual Reports

4.2 Healthscope Hospital Portfolio

The Healthscope Hospital Portfolio consists of 11 private hospitals valued at c. A$1.2 billion and is being acquired in three tranches at a Net Operating Income ("NOI") yield of 5.8%[28] which compares favourably with the cap rates of listed peers' such as VHP (4.20% cap rate) and Australian Unity Hospital Portfolio (4.17% cap rate). The acquisition also provides access to an advanced development pipeline to unlock significant unutilised landholding via brownfield capital expenditure to be rentalised at the greater of 6% or 300bps spread over the 10-year Australian Government bond yield.

Healthscope is Australia's second largest private hospital operators (by number of beds) with a network of 39 hospitals that service every state and territory. It provides a range of services in its hospitals from acute care (27 sites) to rehabilitation (6 sites) and mental care services (6 sites). Healthscope delisted from the ASX in 2019 following the acquisition by Brookfield Asset Management for an enterprise value in excess of A$5 billion.

[28] Calculated on 100% of the Healthscope Portfolio Acquisition and including incremental rent and capex on projects under construction.

As part of the acquisition, HCW has renegotiated some key terms of the lease agreements which have enhanced its covenant position, including base rent escalation being renegotiated to take into account the high interest rate environment and base rent reset. On the flip side, HCW will provide lease incentives equivalent to 7% of the total lease payments spread over the remainder of the lease. The transaction has been structured in three tranches as outlined below.

Tranche 1: Acquisition of four mental health/rehabilitation hospitals for c. A$256 million (completed on 18 May 2023).

- Northpark Private Hospital valued at c. A$101 million: Northpark Private Hospital is located in the northern suburbs of Melbourne and provides a broad range of care including surgical, medical, and mental health services.

- The Victorian Rehab Centre valued at c. A$63 million: The Victorian Rehab Centre is located in Glen Waverley and provides a range of evidence based rehabilitation inpatient and day programs.

- Pine Rivers Private Hospital valued at c. A$51 million: The Pine Rivers Private Hospital is located on the banks of the South Pine River and is a dedicated mental health facility providing a wide range of inpatient and outpatient mental health services.

- The Geelong Clinic valued at c. aA$41 million: The Geelong Clinic is a fully accredited private psychiatric hospital under ACHS National Safety and Quality Health Service Standards.

HCW has directly acquired the Tranche 1 assets.

Tranche 2: Acquisition of three acute care hospitals for c. A$474 million (completed on 18 May 2023).

- Knox Private Hospital valued at c. A$350 million: Knox Private Hospital is located in Wantirna and provides a full range of surgical and medical services offering a cardiology centre, orthopaedics, neurosurgery, urology, coronary care unit and an intensive care unit.

- Campbelltown Private Hospital valued at c. A$94 million: Campbelltown Private Hospital was opened in April 2007 and provides medical, surgical and rehabilitation services and care to patients.

- Ringwood Private Hospital valued at c. A$30 million: Ringwood Private Hospital is a 74 patient-bed hospital that offers cancer care including surgical, medical (chemotherapy and radiotherapy), pre and post cancer support services.

The Unlisted Fund has acquired the Tranche 2 assets, however it was initially capitalised with HCW holding 100.0% of the equity (c. A$261.0 million[29]). HCW's ownership will reduce to ~50.0% post settlement of Tranche 3 as discussed below.

[29] Unlisted Fund to be levered at 45%. Equity contribution excludes transaction costs and acquisition of vendor's existing A$35 million interest rate swap.

Tranche 3: Acquisition of four acute care hospitals for c. A$470 million with expected settlement between July 2023 and September 2023.

- The Mount Private Hospital valued at c. A$147 million: The Mount Private Hospital is located in Kings Park and is a 224 bed acute private hospital providing a broad range of surgical and medical care.

- Nepean Private Hospital valued at c. A$176 million: The Nepean Private Hospital is located in Penrith and provides a full range of surgical and medical services. It has recently been expanded and as at April 2023, a surgery admissions centre and Central Sterile Supply Department were open.

- Sydney Southwest Hospital valued at c. A$97 million: The Sydney Southwest Private Hospital is located in Liverpool and has 98 patient-beds providing a large range of medical and acute services including but not limited to: seven operating theatres, angiography suite, intensive care unit, maternity unit, mental health unit, oncology department and a day surgery unit.

- Sunnybank Private Hospital valued at c. A$50 million: The Sunnybank Private Hospital offers a range of medical and surgical services including oncology, day surgery, endoscopy and intensive care. It provides specialist inpatient and day rehabilitation for people recovering from an operation, injury or illness.

The Unlisted Fund will acquire the Tranche 3 assets with settlement deferred to September 2023. The deferred settlement provides up to six months for HMC to complete Tranche 3 Equity Raising. If HMC does not raise the required cash under the Tranche 3 Equity Raising (in full or partially), HMC will draw from its available liquidity (cash and debt) to allow Tranche 3 to settle. In any case, HCW will hold a 50% interest in the Unlisted Fund.

4.3 Portfolio overview (excluding Healthscope Hospital Portfolio)

4.3.1 HCW’s portfolio (excluding Healthscope Hospital Portfolio)

Below we provide a snapshot of HCW’s portfolio assets as at 31 December 2022 (excl. Healthscope portfolio):

HCW Portfolio Overview	State	Classification	Fair Value ($m)	Cap Rate	Site Area sqm	WALE Yrs	Occupancy %
Aged Care							
Erina	NSW	Operating	42.5	5.8%	33,280.0	7.7	100.0%
Childcare							
Armadale	VIC	Operating	20.3	4.5%	2,525.0	14.1	100.0%
Avondale Heights	VIC	Operating	8.4	5.0%	1,414.0	19.8	100.0%
Beaconsfield	VIC	Operating	9.2	4.5%	2,448.0	13.8	100.0%
Chadstone	VIC	Operating	8.7	5.0%	1,962.0	19.9	100.0%
Concord	NSW	Operating	15.5	4.3%	1,657.0	11.4	100.0%
Croydon	VIC	Operating	8.5	5.0%	2,626.0	14.4	100.0%
Essendon	VIC	Operating	10.2	4.5%	1,911.0	8.3	100.0%
Everton Park	QLD	Operating	21.3	4.8%	2,629.0	12.0	100.0%
Five Dock	NSW	Operating	12.1	5.0%	1,391.0	2.8	100.0%
Frankston	VIC	Operating	9.1	5.0%	2,567.0	14.8	100.0%
Greystanes	NSW	Operating	11.0	4.5%	1,503.0	8.4	100.0%
Maylands	WA	Operating	8.3	5.0%	1,978.0	19.4	100.0%
Nunawading	VIC	Operating	15.0	4.5%	2,139.0	13.6	100.0%
Seaford	VIC	Operating	8.0	4.5%	1,251.0	19.4	100.0%
Tarneit	VIC	Operating	8.9	4.5%	2,907.0	12.1	100.0%
Woolloongabba	QLD	Operating	15.2	4.8%	1,237.0	10.3	100.0%
Yallambie	VIC	Operating	5.4	5.0%	1,210.0	19.1	100.0%
Primary Medical							
Ballarat HCW	VIC	Operating	41.0	5.8%	39,390.0	16.4	100.0%
Cairns	QLD	Operating	39.0	6.3%	27,200.0	8.8	96.0%
Morayfield Health Hub	QLD	Operating	118.0	4.5%	58,164.0	5.6	100.0%
Rouse Hill	NSW	Operating	72.0	5.0%	36,100.0	5.9	100.0%
Springfield	QLD	Development	32.8	5.3%	31,030.0	9.7	100.0%
Vitality Village	QLD	Operating	28.9	6.3%	4,636.0	4.6	92.0%
Hospitals							
Camden[1]	NSW	Development	98.0	4.8%	49,534.0	15.2	100.0%
GeneisCare - Chermside	QLD	Operating	13.0	4.4%	1,080.0	13.6	100.0%
GeneisCare - Nambour	QLD	Operating	16.5	4.5%	3,456.0	3.6	100.0%
GeneisCare - Ringwood	VIC	Operating	8.7	4.5%	835.0	8.9	100.0%
GeneisCare - Shepparton	VIC	Operating	8.9	4.8%	1,370.0	8.6	100.0%
GeneisCare - Southport	QLD	Operating	14.9	4.4%	1,236.0	13.6	100.0%
GeneisCare - Urraween	QLD	Operating	7.6	4.8%	860.0	13.7	100.0%
GeneisCare - Wembley	WA	Operating	18.5	4.5%	2,459.0	13.7	100.0%
Gov't, Life Sciences & Research							
Proxima	QLD	Development	24.1	5.5%	3,040.0	10.2	100.0%
Total owned properties			**779.4**	**5.0%**	**327,025.0**	**10.1**	**99.0%**
Metro Childcare Portfolio[2]	VIC	Operating	33.8	5.0%	8,151.0	10.7	100.0%
Macquarie Park	NSW	Operating	80.8	5.3%	9,731.0	3.6	100.0%
Total pending acquisitions			**114.6**	**5.2%**	**17,882.0**	**7.2**	**100.0%**
Total portfolio			**894.0**	**5.0%**	**344,907.0**	**9.7**	**99.0%**

Note 1: Includes Camden Stages 2 & 3
Note 2: Includes sites at Boronia, Bulleen, Chimside Park and Melton
Source: HCW 1H FY23 Results Presentation

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At the end of December 2022, book values in HCW's portfolio grew by c. 24% from the June 2022 valuation, supported by c. A$177 million of acquisitions within key healthcare and life science precincts conducted throughout the period. We note that the capitalisation rate across the portfolio (including pending acquisitions and investments in joint ventures) increased from 4.89% as at 30 June 2022 to 5.00% as at 31 December 2022 as a result of the tightening monetary policies of the RBA.

We summarise three of the key operating assets below:[30]

- *Morayfield Health Hub (QLD)* – Morayfield Health Hub is a purpose-built modern 3-storey health hub precinct encompassing a general practice clinic, pathology, pharmacy, radiology, dental, mental health, childcare, rehabilitation, counselling and clinical research usages. This site is the largest asset in the portfolio, accounting for c. 15% of all owned properties by fair value. HCW owns the title in the freehold and HomeCo provides a rental guarantee in the event of vacancy.

- *Rouse Hill (NSW)* – HealthCo Rouse Hill sits within Sydney's north-west growth corridor, approximately 43km from the Sydney CBD. The suburb has enjoyed strong expansion over recent years and has diverse subsector exposure including childcare, government, primary medical and wellness. For example, the NSW Government recently announced plans for the new c. A$300 million public hospital development in the Rouse Hill Hospital precinct.[31] Pending approval, HCW plans to expand the health hub to include a private hospital development opposite the public hospital development.

- *GenesisCare Portfolio (QLD, VIC, WA)* – This portfolio consists of eight properties and accounts for c. 8% of the HCW's gross rental income, the joint-largest share of income from one tenant. Each asset is purpose-built and serves as a specialist oncology clinic. The GenesisCare portfolio's fair value comprises c. 11% of the total owned portfolio.

Prior to the Healthscope Hospital Portfolio Acquisition, HCW's top 10 tenants, spread across all subsectors, accounted for c. 59% of the total portfolio income, with no single tenant accounting for more than c. 8% of total income. Below is a snapshot of HCW's top 10 tenants in terms of portfolio income as at 31 December 2022.

[30] Health Co REITs IPO Prospectus prepared Jun 2021
[31] HCW annual and half-yearly reports

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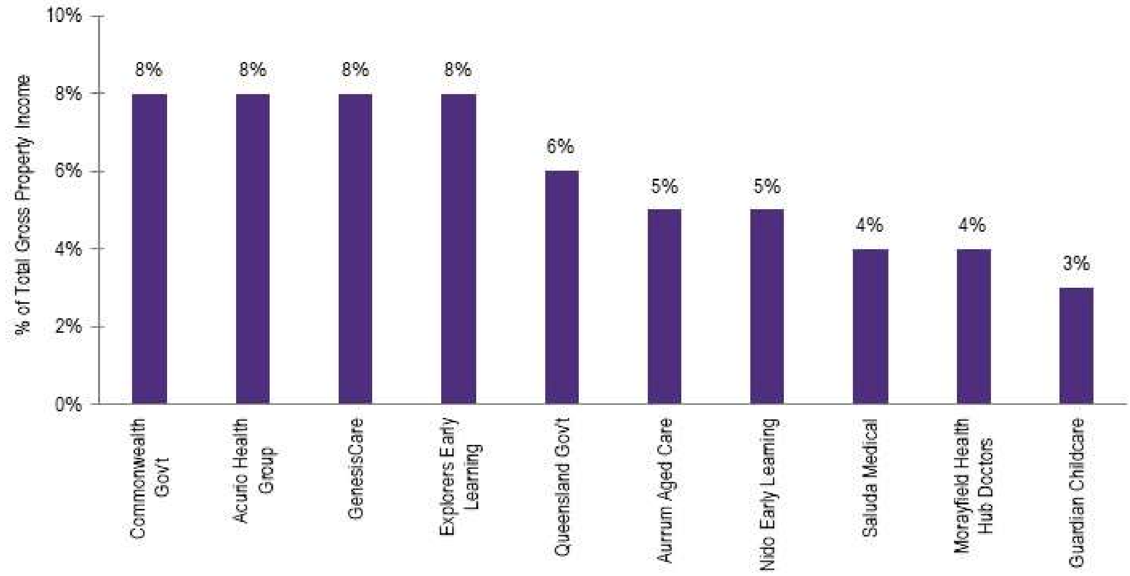
Top 10 tenants as at 31 December 2022 (prior to the Healthscope Hospital Portfolio Acquisition)



Source: HealthCo REIT HY23 Presentation

We note that post the Healthscope Hospital Portfolio acquisition, Healthscope has become the single largest tenant, accounting for c. 43% of gross property income.[32]

4.3.2 Development Pipeline

Development pipelines for REITs are fundamental to their continued growth as a means to maintain and replenish its building stock and resulting return to investors.

HCW has six major developments underway which are close to completion as outlined below. Excluding other various minor projects that form part of the Healthscope Hospital Portfolio, the value of HCW's acquired interest in these developments at completion total c. A$141 million[33]:

- *Knox Private Hospital (VIC) (Acquired as part of the Healthscope Hospital Portfolio)* – This capex development is an expansion of the existing hospital that forms part of the Healthscope Hospital Portfolio. Expected to complete in Q4 FY24, HCW's 50% interest requires a further c. A$20 million investment to complete (c. A$85 million total investment on a 100% basis).

- *Nepean Private Hospital (NSW) (Acquired as part of the Healthscope Hospital Portfolio)* – Similar to Knox Private Hospital, the Nepean development too is an expansion of an existing asset that will target the same returns. This development is expected to complete in Q1 FY24 and requires a further c. A$2 million investment (c. A$26 million total investment on a 100% basis).

- *Northpark Private Hospital (VIC) (Acquired as part of the Healthscope Hospital Portfolio)* – An expansion of a mental health inpatient bed facility, HCW has full interest in this development. HCW will invest c. A$10 million over the next 12 to 15 months to target a completion date in Q4 FY24.

- *Mount (WA) (Acquired as part of the Healthscope Hospital Portfolio)* – The A$44 million capex will predominantly fund a regulatory upgrade of the Mount Private Hospital, currently valued at c. A$147

32 HCW Retail Entitlement Offer Booklet, page 84
33 HCW's Acquisition & Equity Raising presentation, page 32. (\$124m x 50%) + (\$30m x 50%) + (\$20m x 100%) + (\$88m x 50%) = \$141m

million, of which HCW owns 50%. The upgrade will focus on the central sterile supply department among other areas of the hospital.

- *Springfield Health Hub (QLD)* – This relates to an 11,000 sqm diversified health hub which will be anchored by Mater who have acquired a 20% interest in the development. The lease with Mater is expected to commence from Q4 FY23. 99% of HCW's precommitments have supported a valuation increase of c. A$8 million.

- *Proxima Southport* (QLD) – This is a fund-through development creating a 200-place childcare facility with 142 on-site car park spaces with an expected completion of Q2 FY24. HCW have invested c. A$70 million of their c. A$124 million pre-commitment and are projected to return a yield of 5.65%.

All the developments within the Healthscope Hospital Portfolio acquisition are expected to rentalise at the greater of 6% or the Australian Government bond yield plus 300bps.

We also note that there are three other projects in the development pipeline (Camden Stages 2 & 3 and Rouse Hill) which have expected completion dates post FY24 and do not have committed tenants. Camden Stage 2 is a significant private hospital which HCW are expecting to invest c. A$250 million, with Camden Stage 3 providing a research facility with an estimated investment of c. A$90 million. Planning for Rouse Hill is still in progress.[34]

4.4 Financial information

HCW completed the acquisition of Stage 1 and Stage 2 of the Healthscope Hospital Portfolio in May 2023. Given the size of the acquisition compared with the pre-existing business, we are of the opinion that it is not particularly useful for unitholders to discuss in the body of this Report the historical financial information. Accordingly, we have included them in Appendix E, however we emphasise that these accounts were prepared prior to the Healthscope Hospital Portfolio Acquisition and do not represent the current operations of the business.

Noting the above, we set out below our comments in relation to the pro forma balance sheet of HCW as at 31 December 2022 which incorporates the acquisition of the Healthscope Hospital Portfolio and other adjustments. No other pro-forma financial information has been released by HCW.

4.4.1 Financial position

The table below shows HCW's pro forma balance sheet as at 31 December 2022 which incorporates the adjustments following the acquisition of the Healthscope Hospital Portfolio:

[34] HCW's Acquisition & Equity Raising presentation, page 32

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Consolidated statements of financial position A$m	Dec-22 Audited	Macquarie Park	Healthscope: Assets held for sale	Healthscope: Acquisition and equity raise	Underway capex internal valuation	Additional asset sales	Dec-22 Pro forma
Cash and cash equivalents	4.3	-	125.0	(125.0)	-	-	4.3
Trade and other receivables	3.5	-	-	-	-	-	3.5
Other assets	9.3	-	-	-	-	-	9.3
Investment properties	770.6	80.8	(125.0)	256.0	-	(75.0)	907.4
Equity accounted investments	-	-	-	278.3	73.3	-	351.6
Investment in associate	11.6	-	-	-		-	11.6
Total Assets	**799.4**	**80.8**	**-**	**409.3**	**73.3**	**(75.0)**	**1,287.7**
Borrowings	125.8	84.5	-	143.3	-	(75.0)	278.7
Other liabilities	23.8	-	-	-	-	-	23.8
Total Liabilities	**149.6**	**84.5**	**-**	**143.3**	**-**	**(75.0)**	**302.5**
Net Assets	**649.8**	**(3.7)**	**264.9**	**265.9**	**73.3**	**-**	**985.3**
Key Performance Indicators							
Gearing	*15.5%*						*21.8%*
Look-through gearing	*15.5%*						*32.8%*
Units on issue (millions)	*325.6*			*242.4*			*568.0*
NTA per unit ($)	*2.00*						*1.73*

Source: Transformational Acquisition and Equity Raising Presentation dated 30 March 2023

In relation to the above, we note the following:

- The adjustment for Macquarie Park relates to an acquisition which completed in March 2023 in relation to a diversified life sciences property located in the Macquarie Park Innovation Precinct in Sydney. The property is fully leased and anchored by Aegros, an Australian plasma processing company and Saluda Medical, a med-tech company focused on pain management through neural activation.

- The adjustments for Healthscope relates to the acquisition of the Healthscope Hospital Portfolio. The adjustment assumes completion of Tranche 3 in the Unlisted Fund with third party institutional investors providing 100% of equity capital. The impact includes the equity raise, A$125 million of identified assets sales, HCW debt and look-through debt.

- The adjustment for the underway capex internal valuation relates to the internal ‘as-complete’ valuation of the Knox Private Hospital and Nepean Private Hospital net of costs to complete.

- The adjustment for additional asset sales relates to A$75 million of additional asset sales (via balance sheet selldown or selldown to the Unlisted Fund) to de-lever to the bottom end of the target range of 30% to 40%. Gearing reduces to 32.8% following the additional asset sales.

At the time of the IPO, HCW entered into a A$400 million, 3-year senior secured syndicated debt facility. As at 31 December 2022, HCW has drawn c. A$128 million of the debt facility. HCW is compliant with all financial covenants and gearing is well below their targeted range of 30-40%.

Post-acquisition, look-through gearing increased to 36% from 23.8% standalone as at 31 December 2022. However, following an additional A$75 million of further asset sales, look-through gearing fell to 32.8%.[35]

[35] Gearing is defined as borrowings (excluding unamortised debt establishment costs) less and cash and cash equivalents divided by total assets less cash and cash equivalents. Look-through gearing incorporates the proportionate consolidation of gross assets and liabilities of equity accounted investments.

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4.5 Unit capital structure

As at the date of this report, HCW's capital structure comprised of 562,730,513 ordinary units. HCW has only issued ordinary units and they carry equal rights to capital and income distributions. Below is a table summarising the unit capital structure after the Capital Raising but before the Proposed Transaction.

Share Capital Structure Shareholding	Securities
Units post-Capital Raising	562,730,513
Units of existing HMC Affilates	92,588,396
HMC Affiliates (interest %)	16.45%
Other Shareholders (interest %)	83.55%

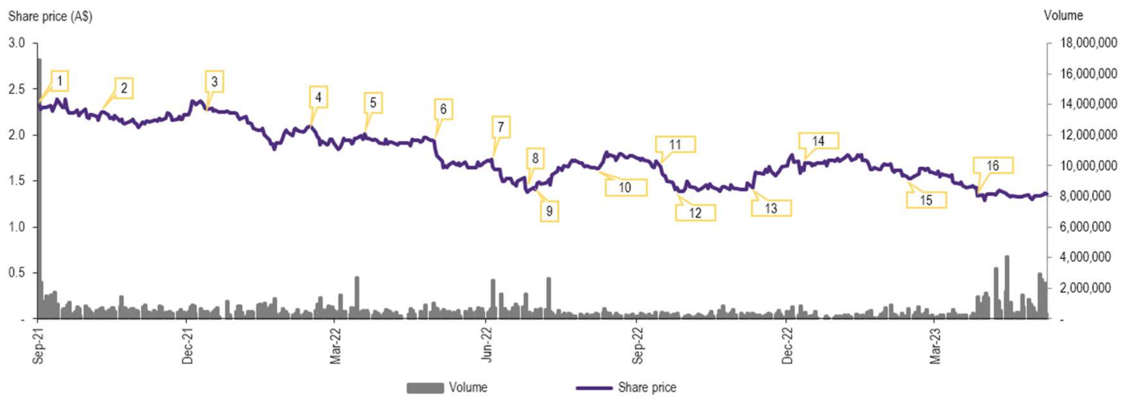
Source: Management information, GTCF analysis

Post-acquisition, the HMC Affiliates have a 16.45% interest in HCW. The top 20 unitholders account for 46.38% of total units. Refer to Section 1.1.2 of this Report for further information relating to the capital structure changes post-acquisition.

4.5.1 Unit price and market analysis

Our analysis of the daily movements in HCW's trading price and volume for the period September 2021 to 12 May 2023 is set out below.

Historical unit price and volume for HCW from September 2021 to 12 May 2023



Source: S&P Capital IQ, GTCF analysis

The following table describes the key events which may have impacted the unit price and volume movements recently as shown above.

Event	Date	Comments
1	2 September 2021	HCW was admitted to the Official List of ASX. HCW raised c. A$640 million pursuant to the offer under its product disclosure statement dated 2 august 2021 by the issue of 325 million units at an issue price of A$2 per unit.
2	14 October 2021	HCW released a trading strategy update which set out the following: • Acquisition of approximately A$200 million of high-quality healthcare acquisitions • HMC agrees to sell remaining interest in Proxima Southport and Camden (Stage 1) to HCW • FY22 PDS distribution per unit of 7.4 cents is affirmed
3	17 December 2021	HCW declares the distribution for the period 2 September 2021 to 31 December 2021 at 3.00 cents per unit, consistent with the forecast FY22 annualised distribution yield provided in the PDS.

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Event	Date	Comments
4	18 February 2022	HCW released their HY22 financial report and presentation which set out the following: • Increase in the number of properties from 27 (as at time of IPO) to 40, effectively increasing fair value by A$145 million • HCW recorded statutory profit of A$10.8 million and FFO of A$5.8 million • There was c. A$500 million in the development pipeline
5	22 March 2022	HCW advises that it has established a Distribution Reinvestment Plan which will apply from and include the March 2022 quarterly distribution.
6	5 May 2022	A change of director's interest notice was published where Home Consortium Limited acquired 2.1 million units.
7	7 June 2022	HCW announced that they recorded a valuation gain of A$25 million, a 4.1% increase on December 2021, representing 8 cents per unit of NTA uplift. The announcement further noted that a dividend of 2.25 cents per unit for the quarter ended 30 June 2022 was declared.
8	30 June 2022	A notice of change of interests of substantial holder was published where Macquarie Group Limited disposed of 3.4 million securities reducing their voting power from 6.60% to 5.56%
9	4 July 2022	HCW announced to unitholders the opportunity to invest in the HMC Capital Partners Fund I, an Australian-domiciled unlisted wholesale fund providing exposure to a high-conviction investment strategy seeking to generate superior risk-adjusted returns. The Fund will target returns of 15% + per annum with a medium-term distribution yield of 2% to 4% per annum.
10	12 August 2022	HCW released their FY22 financial report recording statutory profit of A$49.6 million and FFO of A$16.4 million ahead of upgraded guidance.
11	20 September 2022	HCW declares that the distribution for the period 1 July 2022 to 30 September 2022 will be 1.875 cents per unit.
12	30 September 2022	HCW released their FY22 annual report.
13	15 November 2022	HCW announced a new strategic partnership with leading not-for-profit private hospital operator Mater Misericordiae Ltd ("Mater"), beginning with co-ownership and anchor tenancy at the Springfield Health Hub.
14	15 December 2022	HCW declares that the distribution for the period 1 October 2022 to 31 December 2022 will be 1.875 cents per unit.
15	17 February 2023	HCW released their HY23 financial report and presentation which set out the following: • Increase in the number of properties from 39 (as at 30 June 2022) to 40, effectively increasing fair value by A$172 million • HCW recorded statutory profit of A$1.5 million and FFO of A$10.0 million
16	29 to 30 March 2023	On 29 March 2023, the securities of HCW were placed in trading halt for the release of an announcement. On 30 March 2023, HCW announced the Healthscope Hospital Portfolio Acquisition.

Source: ASX announcements, GTCF analysis

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The monthly unit price performance of HCW since April 2022 and the weekly unit price performance of HCW over the last 16 weeks is summarised below:

HealthCo Healthcare and Wellness REIT	Share Price			Average
	High	Low	Close	weekly volume
	$	$	$	000'
Month ended				
Apr 2022	1.990	1.870	1.970	1,753
May 2022	1.985	1.610	1.705	2,458
Jun 2022	1.760	1.365	1.375	3,780
Jul 2022	1.765	1.370	1.725	2,327
Aug 2022	1.830	1.615	1.775	1,301
Sep 2022	1.795	1.390	1.390	1,267
Oct 2022	1.525	1.390	1.410	1,372
Nov 2022	1.690	1.395	1.605	1,410
Dec 2022	1.835	1.580	1.730	1,382
Jan 2023	7.380	0.150	1.630	868
Feb 2023	48.200	0.150	1.635	1,525
Mar 2023	49.860	0.180	1.340	1,281
Apr 2023	1.440	1.285	1.335	5,620
Week ended				
20 Jan 2023	1.800	0.150	1.730	1,018
27 Jan 2023	1.575	1.525	1.650	1,432
3 Feb 2023	47.770	0.150	1.680	1,694
10 Feb 2023	46.450	0.165	1.615	1,888
17 Feb 2023	6.880	0.155	1.530	1,473
24 Feb 2023	48.200	0.167	1.635	1,992
3 Mar 2023	1.630	0.177	1.600	1,542
10 Mar 2023	49.070	0.180	1.565	957
17 Mar 2023	49.860	1.590	1.475	1,786
24 Mar 2023	1.765	1.420	1.430	1,092
31 Mar 2023	1.455	1.315	1.340	1,983
7 Apr 2023	1.405	1.285	1.360	5,463
14 Apr 2023	1.440	1.345	1.390	6,102
21 Apr 2023	1.380	1.325	1.340	7,791
28 Apr 2023	1.355	1.305	1.335	3,126
5 May 2023	1.365	1.290	1.340	4,118

Source: S&P Capital IQ and GTCF calculations

4.6 Distributions

HCW has paid quarterly distributions since December 2021 and this distributable income can be paid to Unitholders in the form of either cash, in additional units via a Dividend Reinvestment Plan ("DRP") or a combination of both. The quarterly distributions have been as follows:

Distribution Metrics	31-Dec-21	31-Mar-22	30-Jun-22	30-Sep-22	30-Dec-22	31-Mar-23
Cost per Unit (cents)						
Ordinary Units	3.000	2.250	2.250	1.875	1.875	1.875

Source: HCW annual and half-yearly reports
Notes: March 2023 distribution declared but not paid.

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5 Evaluation of the Proposed Transaction

In evaluating the Proposed Transaction, we have used the concept of fair market value. Fair market value is commonly defined as *"the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm's length."* Fair market value excludes any special value. Special value is the value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

In particular, we have considered the following:

- Whether the Proposed Transaction incorporates the payment of a control premium.
- The future intentions of the HMC Affiliates if the Proposed Transaction is approved.
- Whether any further transactions are planned between the TRS Counterparty and the HMC Affiliates.
- The implications to HCW and the Non-Associated Unitholders if the Proposed Transaction is not approved; and
- The likely advantages and disadvantages relevant to the Non-Associated Unitholders.

5.1 Control premium

For the purpose of assessing whether the Proposed Transaction results in the payment of a control premium, we looked at the substance of the Proposed Transaction rather than the legal form. Although the HMC Affiliates may seek to acquire units at the prevailing market prices if the Proposed Transaction is approved, the TRS Reference Price would ultimately be the price paid per unit with the difference to prevailing market prices cash settled under the TRS[36]. In our analysis, we have considered the following:

- We have compared the TRS Reference Price of A$1.35 per unit with the trading prices of HCW after the Healthscope Hospital Portfolio Acquisition announcement (Quoted Security Price Method).
- We have analysed the terms and the process leading up to the Capital Raising determination of the issue price and any changes in circumstance of the business since then, at the start of this Report.
- We have analysed the premium/discount to NTA for control transactions and listed peers and compared them with the premium/discount implied in the TRS Reference Price.

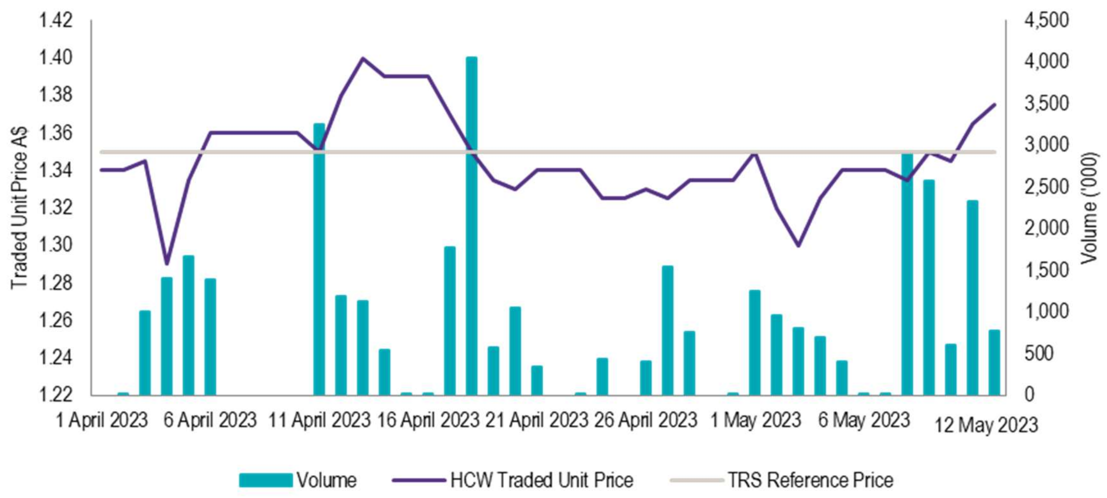
We note that our analysis in this section is strictly for the purpose of assessing whether or not a control premium is potentially paid as part of the Proposed Transaction. We have not formed a view on the underlying value of HCW units, which is beyond the scope of this Report. Whilst our assessment is primarily based on the traded unit prices of HCW, in our opinion, they may not represent the underlying value of HCW or the potential value of HCW units in a takeover scenario.

[36] This is assuming that the unwinding of the TRS and the acquisition of the units occurs broadly at the same time. If there is a material time difference, HMC will bear the price risk differential.

5.1.1 Quoted Security Price Method

For the purpose of assessing whether or not the Proposed Transaction incorporates a premium for control, we have compared the TRS Reference Price of A$1.35 per unit with the recent traded unit prices of HCW post announcement of the Healthscope Hospital Portfolio Acquisition as outlined in the graph below. This trading period reflects the circumstances of the business aligned with the potential timing for completion of the Proposed Transaction.

Unit prices analysis post-announcement



Source: S&P Capital IQ; GTCF Analysis

The unit prices of HCW, on a minority basis, have traded on or around the TRS Reference Price since the announcement. The Volume Weighted Average Price ("VWAP") over the period since announcement of the Healthscope Hospital Portfolio Acquisition is A$1.34 per unit which is substantially in line with the TRS Reference Price, as detailed below.

VWAP	Low	High	VWAP
After the announcement of the Healthscope Hospital Portfolio Acquisition (1)			
1 day	1.33	1.39	1.36
5 day	1.31	1.39	1.35
10 day	1.29	1.39	1.34
15 day	1.29	1.39	1.34
20 day	1.29	1.40	1.34
25 day	1.29	1.44	1.35
Announcement	1.29	1.44	1.34

Source: S&P Capital IQ
Notes: (1) From 1 April 2023 to 12 May 2023.

Before reaching our conclusion, we have also considered HCW's unit price movements compared with a group of listed comparable companies (further detailed provided in Section 5.1.3.1) since the announcement of the Healthscope Hospital Portfolio Acquisition to check if the movements in the HCW unit prices reflect changes in specific circumstances of HCW or general market conditions.

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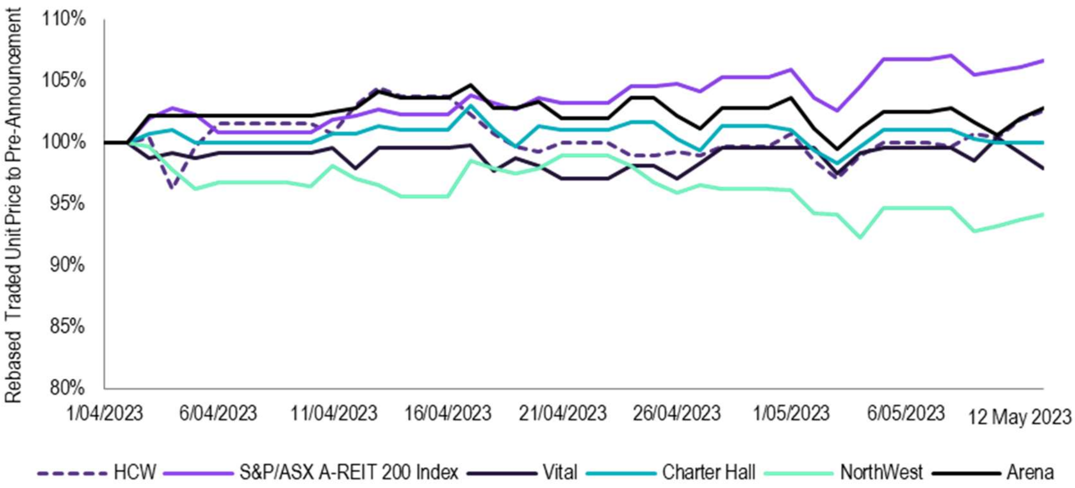
Traded Unit Price Analysis Post-Announcement (1 April 2023 – 12 May 2023)



Source: S&P Capital IQ, GTCF Analysis
Notes: Starting date of 1 April 2023 after completion of the institutional offer component of the Placement. All data periods since have been rebased to 1 April 2023 to represent the movement of traded unit price in percentage terms.

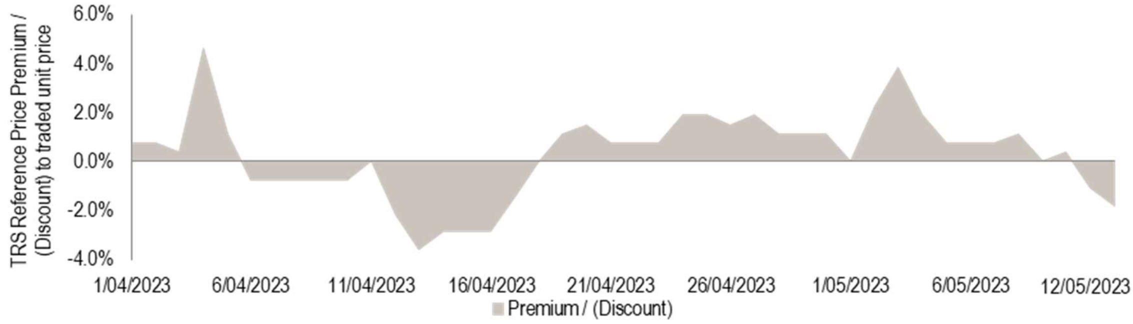
In relation to the graph above, the majority of the listed comparable companies, including the S&P/ASX A-REIT 200 Index, have experienced limited volatility in their traded unit prices since the announcement of the Healthscope Hospital Portfolio Acquisition. The S&P/ASX A-REIT 200 Index has increased the most since 1 April 2023 (6.6%) whereas NorthWest's traded unit price decreased the most (5.9%), potentially due to a joint venture progress update released to the market. Considering the market benchmarks, HCW units have remained relatively flat reflecting the issue price of the Capital Raising, which was at a discount to the prevailing trading prices.

Based on the above analysis on the trading prices, we conclude that no control premium is paid in conjunction with the Proposed Transaction upon acquisition of the Sub-underwriting Units due to the following:

- The TRS Reference Price is substantially in line with the trading prices following announcement of the Healthscope Hospital Portfolio Acquisition which reflect the value of HCW on a minority basis.
- Since the announcement of the Healthscope Hospital Portfolio Acquisition, the trading prices of HCW have moved substantially in line with the listed peers and the S&P/ASX A-REIT 200 Index.
- Control premiums paid for successful takeovers in Australia have ranged between 20% and 40% with an average of c. 35% and median of c.30%. Refer to Appendix F for details. Conversely, the TRS Reference Price is substantially in line with the trading prices without any premium being paid.

In any case, we note that units purchased on-market at the prevailing market price (whether from TRS Counterparty or third parties) would represent the price per unit on a minority basis.

Implied Premium / (Discount) of TRS Reference Price to HCW traded unit price



Source: S&P Capital IQ, GTCF Analysis
Notes: Starting date of 30 March 2023 (Healthscope Hospital Portfolio announcement).

5.1.2 Net Assets Approach

We have had regard to the discount of the TRS Reference Price to the NTA per unit of 22.2%[37] and compared it with the following:

- Listed comparable companies premium / discount to NTA on a minority basis and therefore not reflecting a premium for control; and
- Comparable transactions which incorporate a premium for control.

We note that as at the date of this Report, the prevailing trading prices are substantially in line with the TRS Reference Price, so the same analysis would apply if the units were purchased on market.

In determining the most comparable companies and transactions for the purpose of our analysis, we have considered the following characteristics:

- *Type of properties:* We have relied on those REITs with exposure to healthcare assets. We have considered but not relied on other REITs such as those in the office, industrial and retail sector as these sectors have different dynamics, particularly in a post-COVID-19 environment, around demand and supply, level of institutional capital, requirements of specialist management expertise and relative importance of tenancy.
- *Internally or externally managed:* We have mainly relied on externally managed REITs as internally managed REITs have a proportion of their value allocated to management platform which is not reflected on the balance sheet and HCW is an externally managed REIT.
- *Development opportunities*: The development pipeline is important to understand the implied valuation metrics as it represents latent value from a combination of the development profit and the valuation uplift on completion.

We have discussed the comparable companies and transactions in the sections below.

[37] TRS Reference Price of A$1.35 and HCW NTA of A$1.73

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5.1.2.1 Listed comparable company analysis

The following table sets out the selected listed comparable companies that we have considered in our analysis along with KPIs.

Comparable Companies Company Name	*Footnote* *Ref*	Internal/ External Management	Market Cap A$m[1]	Unit price A$	NTA[2] geared per share A$m	NTA[2] ungeared per share A$m	Premium / (Discount) to NTA[2]	Portfolio Size $m	Gearing Ratio[3]	WALE Yrs	WACR %	Distribution Yield LFY
HCW	*7*	External	774	1.38	1.73	2.22	(20.7%)	1,505	27.8%	12.5	5.1%	5.5%
Social Infrastructure REITs												
Northwest Healthcare Properties REIT	*4, 6*	External	2,144	8.86	16.14	33.00	(45.1%)	7,350	99.5%	13.6	4.7%	10.0%
Charter Hall Social Infrastructure REIT		External	1,079	2.93	4.09	6.06	(28.4%)	2,168	47.3%	13.6	n/a	5.9%
Vital Healthcare Property Trust	*5*	External	1,406	2.13	2.95	4.62	(27.7%)	3,218	56.0%	17.2	4.7%	4.2%
Arena REIT		Internal	1,266	3.61	3.39	4.40	6.4%	1,524	28.0%	19.5	n/a	4.4%
Average - Social Infrastructure REITs			**1,474**	**4.38**	**6.64**	**12.02**	**-23.7%**	**3,565**	**57.7%**	**16.0**	**4.7%**	**6.1%**
Median - Social Infrastructure REITs			**1,336**	**3.27**	**3.74**	**5.34**	**-28.0%**	**2,693**	**51.6%**	**15.4**	**4.7%**	**5.2%**

Source: S&P Global, GTCF Calculations, Publicly available information
Notes: (1) Market Capitalisation as at 12 May 2023; (2) NTA Calculated based off of most recent publicly available historical financials; (3) Gearing ratio is calculated as a ratio of Net Debt / Net Assets; (4) Figures are calculated in native base currency CND; (5) Figures are calculated in native base currency NZD; (6) This includes the pro-rata proportion of assets under management by NorthWest's funds management platform. It also includes Vital Healthcare's total assets as consolidated as the company has determined that pursuant to the accounting standards that VHP's operations are required to be consolidated; (7) HCW data is based on pro-forma data post Healthscope Hospital Portfolio where available.

Vital Healthcare Property Trust ("VHP")

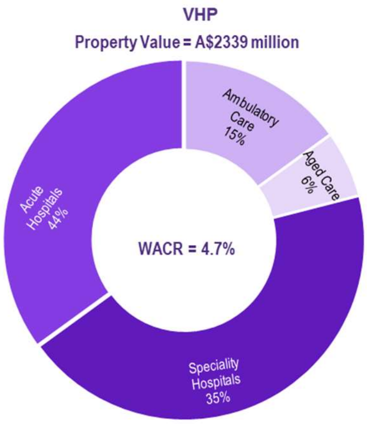
VHP is an externally managed REIT that invests in healthcare real estate, primarily hospital, out-patient, aged care and research facilities. It is a landlord to many of Australia and New Zealand's leading private healthcare operators.

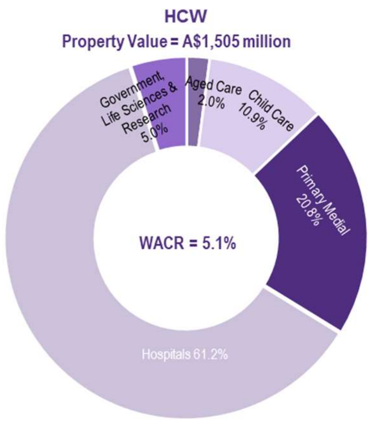
As at 31 December 2022, VHP owned 47[38] properties with a combined portfolio value of c. NZA$3.5 billion[39] with c. 70%[40] of the properties located in Australia and the balance in New Zealand. Circa 55% of VHP's portfolio was independently valued at 31 December 2022 which led to portfolio decrease of c. NZA$56.0 million (or 1.7%) compared to 30 June 2022 (FY22).

Based on the geographic presence of VHP and the properties held, we consider VHP to be the most comparable listed company to HCW. We have set out below a comparison between HCW's and VHP's portfolio of properties.

38 VHP 1HFY23 Investor Presentation.
39 VHP 1H FY23 Investor Presentation. A$3.2 billion based on NZD:AUD forex rate of 0.936.
40 Ibid.

Operational overview of VHP and HCW (pro-forma adjusted) as at 31 December 2022



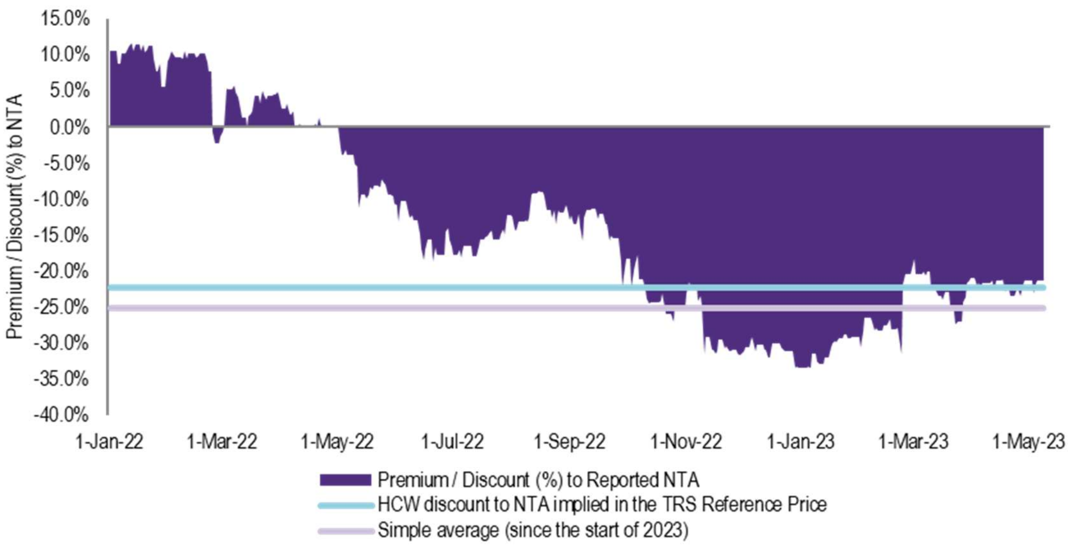


Source: VHP 1HFY23 Investor Presentation, HCW 1HFY23 Investor Presentation, Transformational Acquisition and Equity Raising Presentation
Note (1): Operational overview is allocated by property value; (2): VHP only includes the Australia portfolio (70.0% of the total portfolio). The New Zealand portfolio value includes Ambulatory Care – 22% and Acute Hospitals – 78%. The total value of the New Zealand portfolio is NZA$1.0 billion (A$935.7 million); (3): HCW value included pending acquisitions and joint ventures. HCW is based on pro-forma data.

Both trusts are externally managed, however VHP holds a slightly larger portfolio value with a WALE of 17.2 years compared to HCW of 12.5 years on a pro-forma basis. We note that HCW will have a gearing[41] of 27.8% on a pro-forma basis compared to VHP of 56.0%.

We have presented below the rolling premium / (discount) to NTA of VHP, which demonstrates the increased discount to NTA since the start of 2022, aligned with increasing interest rates:

VHP rolling premium / (discount) to the reported NTA[42]



Source: VHP Investor Presentations, VHP Quarterly Fund Updates, S&P Capital IQ

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41 Gearing calculated as Net Debt / Net Assets

42 To calculate the rolling premium / (discount) to Reported NTA, we have considered the reported NTA per unit on the day on which they are released to the market over the period analysed and compared the same with the closing unit prices. All comparisons are made in New Zealand dollars.

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As set out above, VHP's prices have traded at an average discount to NTA of c. 25.1% since the beginning of 2023 which is aligned with the discount implied in the TRS Reference Price of 22.2%.

Arena REIT ("Arena")

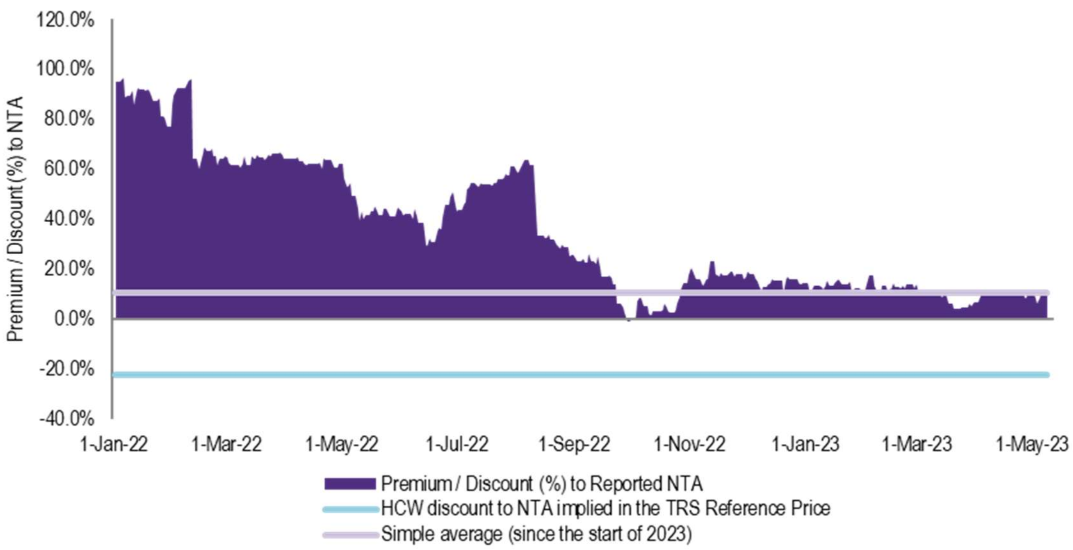
Arena is an internally managed REIT listed on the ASX and included in the S&P ASX 300 Index. Arena invests in sectors such as childcare, healthcare, education and government tenanted facilities leased on a long-term basis. As at 31 December 2022, Arena had a portfolio value of c. A$1.5 billion comprising c. 89% (by value) of early learning centres ("ELCs") with the balance of c. 11% being healthcare properties. As at 31 December 2022, the number of properties was 271 and the WALE was 19.5 years. Arena REIT is currently trading at a premium to NTA as at 31 December 2022 of c. 6.4%[43]. We are of the opinion that Arena REIT is not particularly comparable to HCW due to the following:

- Arena REIT is largely an ELC landlord and healthcare properties form a relatively small proportion of the underlying assets.

- Arena REIT is an internally managed REIT and as discussed earlier in this section, the value of the management platform is not captured on the balance sheet, which, all else equal would inflate the premium to net assets.

Whilst Arena REIT, differently from the other peers, is trading at a premium to NTA, we note that the magnitude of the premium has decreased materially since RBA started tightening base rates in May 2022 set out in the graph below.

Arena rolling premium / (discount) to the reported NTA



Source: Arena Investor Presentations, Arena Annual Reports/Interim Reports, S&P Capital IQ

Whilst Arena is not particularly comparable for the reasons outlined above, it is trading at a premium to NTA whereas the TRS Reference Price is at a discount to NTA which supports that no control premium is paid as part of the Proposed Transaction.

[43] Calculated as the closing unit price as at 8 May 2023 of A$3.61 compared with NTA as at 31 December 2022 of A$3.39.

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Charter Hall Social Infrastructure REIT ("CQE")

CQE is an externally managed ASX-listed REIT that is the largest Australian property trust investing in social infrastructure properties within Australia and New Zealand. As at 31 December 2022, it had a portfolio value of c. A$2.2 billion predominantly comprising investment in childcare properties with a WALE of 13.6 years. We note that as at 31 December 2022, 100.0% of the operational properties were externally valued, with a portfolio valuation increase of 0.8% compared to 1 July 2022. CQE is currently trading at a discount to NTA as at 31 December 2022 of c. 28.4%[44].

Other comparable companies

We have benchmarked NorthWest Healthcare as another listed comparable company, however VHP is a subsidiary of NorthWest Healthcare. On the basis that NorthWest is considerably larger (property value of c. A$7.3 billion) and operates globally, we have not relied on NorthWest.

5.1.2.2 Comparable transactions

The following table sets out the relevant metrics observed across the comparable transactions on a control basis.

Comparable Transactions Analysis Target companies	Transaction Date	Internal/ External Managed	Transaction Status	Deal value (A$m)	Premium / (Discount) to NTA	Total AUM (A$m)	Gearing Ratio[2]	Ex-Div Yield LTM
Australian Unity Healthcare Property Trust	Feb-21	External	Aborted	2,314	37.0%	2,329	26.0%	3.7%
Healthscope Acquisition	Jun-19	NA	Completed	1,200	+ / - 2%	1,200	NA	NA
Folkestone Limited	Aug-18	External	Completed	206	28.3%	1,609	4.0%	4.9%
Generation Healthcare Management	Jun-17	External	Completed	508	38.6%	589	32.8%	3.9%
Average				**1,057**	**34.6%**	**1,432**	**20.9%**	**4.1%**
Median				**854**	**37.0%**	**1,405**	**26.0%**	**3.9%**

Source: Publicly available information
Note (1): Data is based off the last available public data prior to the acquisition; (2) Gearing is calculated as a ratio of Net Debt / Net Assets

Acquisition of Generation Healthcare ("GHC")

GHC was a listed healthcare REIT that invested in medical centres, hospitals and aged care facilities and it was acquired by Northwest Healthcare around mid-2017. As at 31 March 2017, GHC had a portfolio value of A$515.5 million[45], an occupancy rate of 98.6% and a WALE of 12 years[46].

The premium to NTA implied in the GHC acquisition was c. 38.6%[47]. This was driven by the following circumstances at the time of the transaction:

- In a compressing capitalisation rate environment (as it was in 2017), a significant proportion of the portfolio had not been externally valued in at least six months before the transaction. A six month delay in property valuations are likely to create significant value uplift expectations which was considered in the offer price.

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44 Calculated as the closing unit price as at 18 May 2021 of A$3.27 compared with NTA as at 31 December 2020 of A$3.03.
45 As at 31 March 2017, the portfolio value of the developments was A$588.5 million. However, there is no breakdown of this portfolio value by the various asset types and therefore to preserve consistency, we have used the portfolio value of A$515.5 million as at 31 December 2016.
46 Target's Statement.
47 Calculated as the offer price of A$2.3 compared with the unaudited Reported NTA of A$1.66 per GHC unit as 31 March 2017.

- GHC had a high quality development pipeline which may justify some of the premium of the offer price over NTA.

Whilst the market conditions at the time of the GHC acquisition were vastly different, the transaction demonstrates that a control premium is not paid to as part of the Proposed Transaction given that is occurred at a premium to NTA.

Healthscope Hospital Portfolio

In January 2019, NorthWest Healthcare Properties REIT ("NorthWest") announced that it had entered into definitive agreements to acquire 11 freehold hospital property assets from Healthscope Limited for approximately c. A$1.2 billion as part of a sale and leaseback transaction. By value, the portfolio represented approximately c. 51% of Healthscope's total freehold property portfolio being sold, with the remainder being acquired by a third party investor, on substantially the same commercial terms. The portfolio was expected to generate initial annual rental income of approximately c. A$60 million resulting in a weighted average capitalisation rate of 5.0%. The portfolio was 100% occupied by Healthscope on an absolute quadruple net lease basis with the tenant responsible for all property costs including maintenance capital expenditures. The leases had a WALE of 20 years and were subject to fixed annual rent increases of 2.5% per annum. In addition, the portfolio had an initial brownfield development and capex opportunity of up to approximately c. A$525 million over 10 years, of which approximately c. A$50 million related to capital projects to be completed within 3 years. This pipeline was forecast to yield approximately 6% on completion representing a 100 basis point premium to the stabilised asset yields.Based on publicly available information, we understand that the offer price was substantially in line with book value of the NTA acquired without a significant portfolio premium being paid. We understand that the valuations of the 11 hospitals was prepared on an individual basis on or around January 2019 with the transaction being announced to the market in February 2019.

Australian Unity Healthcare Property Trust

NorthWest submitted a number of proposals to acquire a controlling interest in Australian Unity Healthcare Property Trust ("Australian Unity"). Australian Unity is a REIT domiciled in Australia that invests in a diversified portfolio of healthcare properties and related assets. Australian Unity held 66 properties with a WALE of 15.7 years and 98.3% occupancy as per 31 March 2021. The portfolio comprising hospitals c. 60%, medical centres c. 30%, aged care c. 8% and development sites c. 2%, as per 31 March 2021.

On 28 May 2021, NorthWest submitted their fourth proposal to acquire all the units for a cash consideration at a premium over the last reported NTA of c. 37.0%[48]. However, the transaction did not complete as the unitholders did not consider the offer price sufficient for a change of control transaction.

Conclusion on the comparable transactions

Based on the above, all the transactions for the acquisition or attempted acquisition of a controlling interest of the comparable companies occurred at a significant premium to net assets. Whilst market conditions and circumstances were materially different as all of them occurred during all times low interest rates and compressing capitalisation rates, they still provide evidence that the TRS Reference Price does not include a premium for control given that it is occurring at a 22.2% discount to NTA. This is in line with the trading metrics of listed peers on a minority basis.

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[48] Based on the latest financial accounts of Australian Unity at the date of the transaction and MergerMarket data

6 Sources of information, disclaimer and consents

6.1 Sources of information

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- Draft Notice of Meeting and Explanatory Memorandum.
- Annual reports/ consolidated accounts of HCW for FY22.
- S&P Global
- IBISWorld reports
- Other publicly available information.

6.2 Limitations and reliance on information

This Report and opinion is based on economic, market and other conditions prevailing at the date of this Report. Such conditions can change significantly over relatively short periods of time. Grant Thornton Corporate Finance has prepared this Report on the basis of financial and other information provided by HCW and HMC, and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Nothing in this Report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of HCW.

This Report has been prepared to assist the unitholders of HCW in considering the Proposed Transaction. This Report should not be used for any other purpose. In particular, it is not intended that this Report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the Proposed Transaction is in the best interest of the Non-Associated Unitholders.

HCW has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by HCW, which HCW knew or should have known to be false and/or reliance on information, which was material information HCW had in its possession and which HCW knew or should have known to be material and which did not provide to Grant Thornton Corporate Finance. HCW will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

6.3 Consents

Grant Thornton Corporate Finance consents to the issuing of this Report in the form and context in which it is included in the Notice of Meeting and Explanatory Memorandum to be sent to the HCW's Unitholders. Neither the whole nor part of this Report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and context in which it appears.

Appendix A – Valuation methodologies

Capitalisation of future maintainable earnings

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses.

This approach involves a review of the multiples at which units in listed companies in the same industry sector trade on the unit market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel unitholding in the company.

Discounted future cash flows

An analysis of the net present value of forecast cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model.

Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

Orderly realisation of assets

The amount that would be distributed to Unitholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to Unitholders.

Market value of quoted securities

Market value is the price per issued unit as quoted on the ASX or other recognised securities exchange. The unit market price would, prima facie, constitute the market value of the units of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of units, and does not reflect the market value offering control to the acquirer.

Comparable market transactions

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction.

Comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company. The risk attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.

Appendix B – Comparable companies

Company	Description
NorthWest Healthcare Properties Real Estate Investment Trust	NorthWest Healthcare Properties Real Estate Investment Trust (TSX: NWH.UN) (NorthWest) is an unincorporated, open-ended real estate investment trust established under the laws of the Province of Ontario. As at September 30, 2020, the REIT provides investors with access to a portfolio of high quality international healthcare real estate infrastructure comprised of interests in a diversified portfolio of 190 income-producing properties and 15.4 million square feet of gross leasable area located throughout major markets in Canada, Brazil, Europe, Australia and New Zealand. The REIT's portfolio of medical office buildings, clinics, and hospitals is characterized by long term indexed leases and stable occupancies. With a fully integrated and aligned senior management team, the REIT leverages over 200 professionals across nine offices in 5 countries to serve as a long-term real estate partner to leading healthcare operators.
Charter Hall Social Infrastructure REIT	Charter Hall Social Infrastructure REIT is the largest Australian ASX-listed real estate investment trust (A-REIT) that invests in social infrastructure properties. Charter Hall Social Infrastructure REIT is managed by Charter Hall Group (ASX:CHC). With over 29 years' experience in property investment and funds management, we're one of Australia's leading fully integrated property groups. We use our property expertise to access, deploy, manage and invest equity across our core sectors – office, retail, industrial and social infrastructure. Operating with prudence, Charter Hall as manager of CQE, has carefully curated a A$40 billion plus diverse portfolio of over 1,100 high quality, long leased properties. Partnership and financial discipline are at the heart of our approach. Acting in the best interest of customers and communities, we combine insight and inventiveness to unlock hidden value. Taking a long term view, our A$7.3 billion development pipeline delivers sustainable, technologically enabled projects for our customers. The impacts of what we do are far-reaching. From helping businesses succeed by supporting their evolving workplace needs, to providing investors with superior returns for a better retirement, we're powered by the drive to go further.
Vital Healthcare Property Trust	Vital Healthcare Property Trust is a real estate investment trust externally managed by Vital Healthcare Management Limited. The firm investments in health and medical related properties in New Zealand and Australia. It undertakes acquisition or development of medical or healthcare-related properties such as surgical and medical facilities, geriatric and continuing care facilities primary healthcare facilities, and health support facilities. The fund may invest in conjunction with other health service providers. It was formerly known as ING Medical Properties Trust and Calan Healthcare Properties Trust.
Arena REIT	Arena REIT is an ASX300 listed property group that owns, manages and develops social infrastructure properties across Australia. Our current portfolio of social infrastructure properties is leased to a diversified tenant base in the growing early learning and healthcare sectors.

Source: S&P Capital

Appendix C – Comparable transaction target company descriptions

Target company	Description
Australian Unity Healthcare Property Trust	Australian Unity is a REIT domiciled in Australia that invests in a diversified portfolio of healthcare properties and related assets. As at 31 March 2021 Australian Unity held 66 properties with hospitals representing c. 60% of total portfolio value GAV, medical centres at c. 30%, aged care at c. 8% and development sites at c. 2%2. Australian Unity Funds Management Limited was the responsible entity for the Trust.
Healthscope Hospital Portfolio Acquisition	Healthscope Limited provides healthcare services in Australia and New Zealand. The company operates through Hospitals Australia and Pathology New Zealand segments. It operates 43 private hospitals, including 30 acute hospitals, 7 mental health hospitals, and 6 rehabilitation hospitals with approximately 5,000 inpatient beds. The company also provides human pathology services under the Labtests, Southern Community Laboratories, and Northland Pathology brands; and veterinary and analytical pathology services under the Gribbles brand. The company was formerly known as Healthscope Hospitals Holdings Pty. Ltd. and changed its name to Healthscope Limited in July 2014. Healthscope Limited was founded in 1985 and is headquartered in Melbourne, Australia. As of June 6, 2019, Healthscope Limited was taken private.
Folkestone Limited	Folkestone Limited operates as a real estate funds management, investment, and development company in Australia. It operates through Property Development and Funds Management segments. The company invests in the office, retail, industrial, residential, and social infrastructure sectors; and provides real estate funds management services for private clients and institutional investors. Folkestone Limited is based in Sydney, Australia. As of October 23, 2018, Folkestone Limited operates as a subsidiary of Charter Hall Group.
Generation Healthcare Management	Generation Healthcare REIT is property fund launched and managed by ING Real Estate Investment Management Australia. The fund invests in the real estate markets across the globe. It primarily invests in healthcare related properties including hospitals, specialist medical office buildings, medical centres, rehabilitation facilities, residential aged-care, medical related laboratories, and other purpose-built healthcare facilities. The fund was formerly known as ING Real Estate Healthcare Fund. Generation Healthcare REIT is a domiciled in Australia. As of June 8, 2017, Generation Healthcare REIT operates as a subsidiary of NWH Australia Asset Trust.

Source: S&P Capital

Appendix D – Historical Financial Information (Pre-acquisition)

Financial performance

The table below shows HCW's audited statements of financial performance for FY22 and the interim six-month period ended 31 December 2022. We note that HCW was registered by ASIC as a managed investment scheme on 30 July 2021, and as such, do not have financial statements prior to FY22. The financial period presented in the financial statements for FY22 is for the period 30 July 2021 to 30 June 2022.

Consolidated statements of financial performance A$000's	FY22[1] Audited	1H FY23 Audited
Income		
Property Income	27,484	18,380
Other Income	1,647	-
Interest revenue calculated using the effective interest method	6	53
Net unrealised fair value gain/(loss)	35,132	(6,354)
Expenses		
Property expenses	(4,624)	(3,629)
Corporate expenses	(1,864)	(1,177)
Management fees	(3,530)	(2,369)
Acquisition and transaction costs	(1,323)	(609)
Finance costs	(3,316)	(2,753)
Profit for the period	**49,612**	**1,542**
Other comprehensive income	-	-
Total comprehensive income	**49,612**	**1,542**

Note 1: The financial period presented in the financial statements for FY22 is for the period 30 July 2021 to 30 June 2022.
Source: HCW annual and half-yearly reports

With regards to the financial performance of HCW, we note the following:

- HCW's primary source of income is generated through the leasing arrangements it has with tenants across the portfolio. On an annualised basis, property income has increased by 22.6% in 1H FY23.
- Other income recognised in FY22 relates to income guarantees to be received from HMC Capital for Armadale, GenesisCare Bundaberg, GenesisCare Ringwood and GenesisCare Urraween.
- The net unrealised fair value gain of c. A$35 million recognised in FY22 relates to the St Mary's Health Hub asset which was sold at a 71% premium and settled in July 2022.
- On an annualised basis, in the first half of FY23, property expenses have increased by 43.9%, corporate expenses have increased by 15.8% and management fees have increased by 23.0%.

Financial position

The table below shows HCW's audited statements of financial position as at 30 June 2022 and 31 December 2022.

Consolidated statements of financial position A$000's	Jun-22 Audited	Dec-22 Audited
Cash and cash equivalents	2,693	4,342
Trade and other receivables	2,053	3,537
Other assets	15,949	9,292
Assets held for sale	35,300	-
Investment properties	609,013	770,635
Investment in associate	28,589	11,554
Derivative financial instruments	-	9
Total Assets	**693,597**	**799,369**
Trade and other payables	9,892	14,922
Distribution payable	7,321	6,106
Borrowings	22,294	125,794
Lease liabilities	-	2,810
Total Liabilities	**39,507**	**149,632**
Net Assets	**654,090**	**649,737**
Contributed equity	628,870	629,080
Retained profits	25,220	14,550
Non-controlling interests	-	6,107
Total Equity	**654,090**	**649,737**
Key Performance Indicators		
Gearing Ratio	*3.2%*	*15.5%*
Units on issue (000's)	*325,400*	*325,600*
NTA per unit ($)	*2.01*	*2.00*

Source: HCW annual and half-yearly reports

In relation to the above, we note the following:

- Other assets consists primarily of property deposits.

- As at 30 June 2022, the assets held for sale of c. A$35.3 million represented a property at St Mary's, New South Wales that was contracted to be sold to a third party. In July 2022, the contract for the sale of the St Mary's Health hub became unconditional and the asset held for sale was settled in August 2022 for A$35.3 million.

- The value of the group's investment properties increased by A$160 million, anchored by acquisitions totalling c. A$150 million.

- Investment in associates relates to the following:

  - The George Trust with an ownership interest of 40.3% as at 30 June 2022 and 0.0% as at 31 December 2022. On 8 December 2022, HWC purchased an additional interest in The George Trust from HMC Capital for A$32.7 million. This transaction increased HWC's ownership interest to 91.5% and therefore this investment is no longer being accounted for using the equity method of accounting and is consolidated from that date. The remaining 8.5% interest is held outside the group and is presented as the non-controlling interest of A$6.1 million.

  - General Medical Precinct Trust with an ownership interest of 25.0% as at 30 June 2022 and 31 December 2022.

- Life Sciences Medical Precinct Trust with an ownership interest of 30.3% as at 30 June 2022 and 31 December 2022.

- Borrowings increased by c. A$100 million, noting that HCW's bank debt comprises a A$400 million secured debt facility expiring on 29 August 2024. It is noted that HCW has complied with the financial covenants during 1H FY23.

Cash flows

The table below shows HCW's audited statements of cash flows for the financial year ended 30 June 2022 and the interim six-month period ended 31 December 2022.

Consolidated statements of cash flows A$000's	FY22[1] Audited	1H FY23 Audited
Cash flows from operating activities		
Receipts from tenants (inclusive of GST)	32,706	17,909
Payments to suppliers (inclusive of GST)	(6,997)	(8,373)
Interest and other finance costs paid	(2,122)	(2,265)
Net cash from operating activities	**23,587**	**7,271**
Cash flows from investing activities		
Proceeds from disposal of investment properties	-	40,100
Payments for acqusition of investment properties and capital expenditure	(493,882)	(108,299)
Payments attributable to investment in joint ventures	(28,589)	(27,085)
Net cash used in investment activities	**(522,471)**	**(95,284)**
Cash flows from financing activities		
Proceeds from issue of units	520,000	-
Capital raising and IPO costs	(23,154)	(220)
Proceeds from borrowing	25,000	130,900
Repayment of borrowings	-	(28,000)
Borrowing costs paid	(3,628)	(21)
Distirbutions paid	(16,640)	(12,997)
Net cash from financing activities	**501,577**	**89,662**
Net increase in cash and cash equivalents	2,693	1,649
Cash and cash equivalents at the beginning of the year	-	2,693
Cash and cash equivalents at the end of the year	**2,693**	**4,342**

Note 1: The financial period presented in the financial statements for FY22 is for the period 30 July 2021 to 30 June 2022.
Source: HCW annual and half-yearly reports

In relation to the above, we note the following:

- On an annualised basis, net cash from operating activities has declined primarily due to increased interest payments and payments to suppliers.

- Acquisition of investment properties and capital expenditure slowed in 1H FY23, as the REIT acquired an initial portfolio comprising of 27 properties for c. A$555 million which included four contracted acquisitions for a fair value of c. A$59 million.

- Net cash inflow from financing activities decreased significantly in 1H FY23 as FY22 includes the 260 million units issued on IPO.

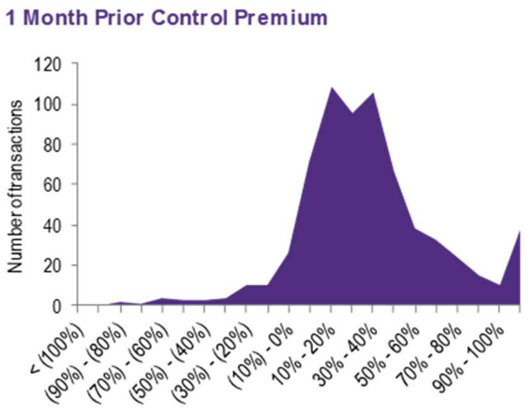
Appendix E – Control Premium

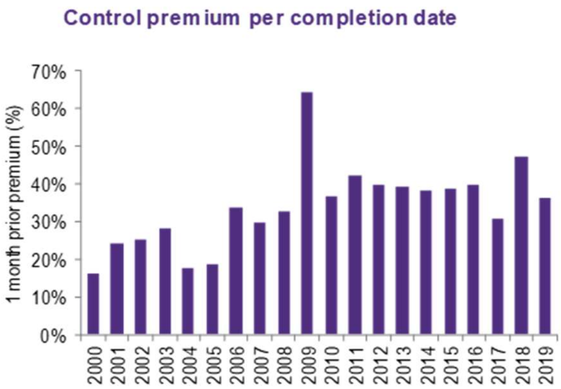
A control premium is defined as the additional consideration an investor would pay over a marketable minority equity value in order to own a controlling interest in the common units of a company.

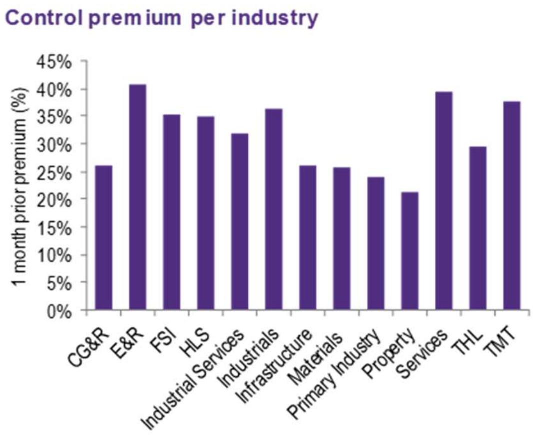
We have conducted a study of premiums paid in 667 Australian transactions completed between June 2000 and September 2019. We have sourced our transaction data from S&P Global and Mergermarket.

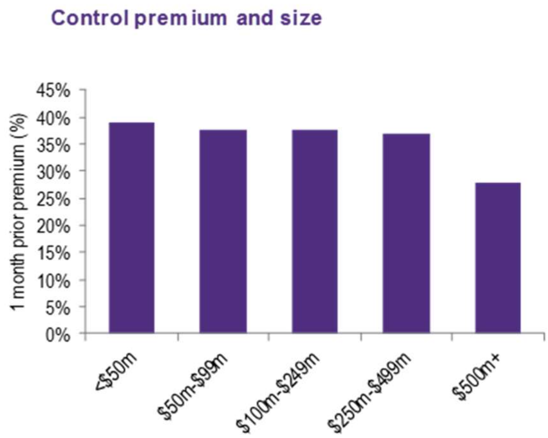
Our assessment of the premiums involve comparing the offer price to the closing price of the target company, one month prior to the date of the announcement of the offer. Where the consideration included units in the acquiring company, we used the closing unit price of the acquiring company on the day prior to the offer.

The following charts illustrates the premiums paid on transactions between June 2000 and September 2019.









Control premium study	
	1 month prior control premium (%)
Average	35.13%
Median	29.87%

Sources: S&P Global, Merger Market, GTCF analysis

Given the distribution of the control premiums in our study, we have assessed a range of 20% to 40% to be a reasonable representation of the market.

Appendix F – Glossary

A$	Australian Dollar
NZA$	New Zealand Dollar
1Hxx	The first half (i.e. the period 1 July to 31 December) of the financial year ending 30 June 23xx
Acquisition Fee	A$7.3 million owed by HCW to the Investment Manager as a result of completion of tranches 1 and 2 of the Healthscope Hospital Portfolio Acquisition.
APES	Accounting Professional and Ethical Standards
APES225	Accounting Professional and Ethical Standard 225 "Valuation Services"
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
Arena	Arena REIT
Australian Unity	Australian Unity Healthcare Property Trust
Bps	Basis points
Bonus Units	The Capital Raising includes the issue, to each eligible unitholder who was issued with new units in the Capital Raising, of up to 1 bonus unit for every 28 new units issued
Bonus Units Determination Date	30 October 2023
Cap rate	Capitalisation rate
CQE	Charter Hall Social Infrastructure REIT
Corporations Act	Corporations Act 2001
Capital Raising	The Placement and the Entitlement Offer
COVID-19	Coronavirus pandemic
Distribution yield	Distribution paid out per unit divided by the price per unit
DRP	Distribution Reinvestment Plan
ELC	Early Learning Centres
Entitlement Offer	The issued 1for 1.90 new units under a pro rata accelerated non-renounceable entitle
FFO	Funds from operations
FSG	Financial Service Guide
FYxx	12-month financial year ended 30 June 20xx
GAV	Gross Asset Value
GHC	Generation Healthcare
GTCF, Grant Thornton, or Grant Thornton Corporate Finance	Grant Thornton Corporate Finance Pty Ltd (ACN 003 265 987)
HCW	HealthCo Healthcare & Wellness REIT
Healthscope Hospital Portfolio	The 100.0% acquisition of 11 private hospitals leased to Healthscope Limited for c.A$1.2 billion
Healthscope Hospital Portfolio Acquisition	The structure of the acquisition being three tranches (Tranche 1 – four mental health/rehab hospitals, Tranche 2 – three acute care hospitals & Tranche 3 – four acute hospitals)
HMC	HMC Capital Limited
HMC Affiliates	HCDPL, HMC, Home Investment Consortium Company Pty Ltd (ACN 614 090 818) as trustee for the Home Investment Consortium Trust, Aurrum Holdings Investment Company Pty Ltd (ACN 614 090 603) as trustee for Aurrum Holdings Investment Trust, Mez Pty Limited ACN (166 758 032) as trustee for Di Pilla Family Trust and David Di Pilla.
HCDPL	Home Consortium Developments Pty Ltd
IER or Report	Independent Expert's Report
Independent Directors	The directors of HCW not associated with the Proposed Transactions
Investment Manager	HMC Investment Management Pty Ltd
Investment Management Agreement	Investment management agreement between the Responsible Entity and the Investment Manager
IPO	Initial Public Offering
Mater	Mater Misericordiae Ltd
NAV	Net asset value

Net Assets Approach	Net assets approach
NTA	Net Tangible Assets
NOI	Net Operating Income
Non-Associated Unitholders	HCW unitholders other than the HMC Affiliates and any of their associates
NorthWest	NorthWest Healthcare Properties Real Estate Investment Trust
Placement	The Institutional Placement raising proceeds of c. A$89.0 million with an issue price of A$1.35 per unit
Property Manager	HMC Property Management Pty Limited
Property Management Agreement	Property management agreement between the Responsible Entity and the Property Manager
the Proposed Transaction	In unwinding the TRS, HMC Affiliates may seek to replace the economic interest in the units referenced by the TRS with a direct holding
RBA	Reserve Bank of Australia
REIT	Real Estate Investment Trust
RG	Regulatory Guide
RG74	Regulatory Guide 74 “Acquisitions agreed to by unitholders”
RG111	ASIC Regulatory Guide 111 “Contents of expert reports”
RG112	ASIC Regulatory Guide 112 “Independence of experts”
Selective Buy-Back	HMC will buyback, for a nominal consideration, the Bonus Units pursuant to an off-market selective buy-back
Sub-underwriting Units	HCDPL’s sub-underwriting allocation under the retail Entitlement Offer of 31,912,867 units
Tranche 3 Equity Raising	Institutional fund raising by HMC for c.A$259.0 million
TRS	On 27 April 2023, the HMC Affiliates entered into the cash settled total return swap agreement with the TRS Counterparty in respect of the Sub-underwriting Units
TRS Counterparty	Macquarie Bank Limited
TRS Reference Price	The TRS can only be settled in cash at a price of A$1.35 per unit
Unlisted Fund	established unlisted fund for the purpose of the Proposed Transaction.
VWAP	Volume Weighted Average Price
VHP	Vital Healthcare Property Trust
WACR	Weighted Average Capitalisation Rate
WALE	Weighted Average Lease Expiry

HealthCo Healthcare and Wellness REIT
ARSN 652 057 639
HCW Funds Management Limited
ACN 104 438 100 AFSL 239882

LODGE YOUR VOTE

ONLINE
https://investorcentre.linkgroup.com

BY MAIL
HealthCo Healthcare and Wellness REIT
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

BY FAX
+61 2 9287 0309

ALL ENQUIRIES TO
Telephone: 1300 554 474 Overseas: +61 1300 554 474

PROXY FORM

I/We being a member(s) of HealthCo Healthcare and Wellness REIT and entitled to attend and vote hereby appoint:

STEP 1

APPOINT A PROXY

☐ **the Chair of the Meeting (mark box)**

OR if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chair of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Extraordinary General Meeting of HCW to be held at **11:00am (AEST) on Monday, 24 July 2023 at Level 7, Gateway, 1 Macquarie Place, Sydney NSW 2000** (the **Meeting**) and at any postponement or adjournment of the Meeting.

The Chair of the Meeting intends to vote undirected proxies in favour of each item of business.

STEP 2

VOTING DIRECTIONS

Proxies will only be valid and accepted by HCW if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒

Resolutions	For	Against	Abstain*
1 Approval of the Selective Buy-Back	☐	☐	☐
2 Amendments to Investment Management Agreement to permit the issue of Units to the Investment Manager in lieu of cash payments for fees	☐	☐	☐
3 Acquisition of relevant interest by the HMC Affiliates	☐	☐	☐

* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3

SIGNATURE OF UNITHOLDERS – THIS MUST BE COMPLETED

Unitholder 1 (Individual)	Joint Unitholder 2 (Individual)	Joint Unitholder 3 (Individual)
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

This form should be signed by the unitholder. If a joint holding, either unitholder may sign. If signed by the unitholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

HOW TO COMPLETE THIS UNITHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on HCW's unit register. If this information is incorrect, please make the correction on the form. Unitholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your units using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chair of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chair of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a unitholder of HCW.

DEFAULT TO CHAIR OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chair of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chair of the Meeting will be voted according to the instructions set out in this Proxy Form.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your units will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of units you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning HCW's unit registry or you may copy this form and return them both together.

To appoint a second proxy you must:

(a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of units applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and

(b) return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either unitholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" must be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from HCW's unit registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **11:00am (AEST) on Saturday, 22 July 2023 ,** being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:

ONLINE

https://investorcentre.linkgroup.com

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, unitholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).

BY MOBILE DEVICE

QR Code

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link **https://investorcentre.linkgroup.com** into your mobile device. Log in using the Holder Identifier and postcode for your unitholding.

To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.

BY MAIL

HealthCo Healthcare and Wellness REIT
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

BY FAX

+61 2 9287 0309

IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE EXTRAORDINARY GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU. THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.