TRILOGY INDUSTRIAL PROPERTY TRUST

evergreenratings

JUNE 2024

CONTENTS

PREVIOUS RATINGS

Year	Rating
May 2023	Commended

RATINGS OVERVIEW

SUMMARY AND CONCLUSION

The Rating provided by Evergreen Ratings **(Evergreen)** is predicated partly on the information provided by the Manager. The rating is an assessment of the Fund and the Manager's capacity to operate it. The rating is not set in the context of the prevailing state of the respective market(s) in which it operates.

The Fund presents a diversified portfolio of industrial assets managed by a well-resourced and experienced team with a high regard for compliance, albeit with the capacity to hold a material investment in related party debt schemes.

COMMENDED

*Refer to the final page for a description of the Ratings scale.

Evergreen's rating is Commended.

STRENGTHS AND WEAKNESSES

Strengths

Fully leased portfolio with a reasonable WALE, diversified by geography, tenant and economic sub-sector exposure.

An uncomplicated property investment strategy with limited exposure to value-add development or other similar activity.

Weaknesses

While not uniform, and while the Fund has some levers, the industrial market is largely ex-growth and if LVR nears its covenant levels, valuation risk and the concomitant debt facility LVR breach risk is manifest, particularly with the CBA loan facility in this part of the market cycle.

TFML may invest up to 20% of Fund GAV in related-party mortgage Trusts, which, held beyond tactical durations to optimise cash, would represent a departure from strategy (notwithstanding the Manager's short-term hold intention and track record). The Fund currently does not hold any assets in related part trusts.

ABOUT THE INVESTMENT

As Responsible Entity, Trilogy Funds Management Limited (ABN 59 080 383 679) **(Trilogy, TFML or Manager)** is responsible for the issue of Units in the Trilogy Industrial Property Trust (**Trust** or **Fund**) contained in the Product Disclosure Statement dated 11 September 2023 (**Offer**).

The Responsible Entity is the entity ultimately accountable for the administration of the Fund and the best interests of unit holders. The Fund is an unlisted unit trust operating as a registered managed investment scheme with Units in the Trust issued under the auspices of an Australian Financial Services Licence (261425).

The Fund seeks to provide Unit holders with a relatively stable income with capital growth as a secondary objective. Liquidity events are scheduled to take place every four years, the next event being scheduled for circa March 2026 with an additional intention to make available for redemption up to 3% of Net Asset Value each February.

The Fund is made up of 15 industrial properties with a Fund value of $246.2 million.

The Investment Manager presents as competent, compliance-focussed and well resourced.

FUND OVERVIEW AT 31 MARCH 2024

KEY ELEMENTS	DESCRIPTION
Strategy	Create a portfolio of industrial properties located in key Australian metro and regional precincts with a primary focus on income stability with tax advantage and capital growth as additional considerations, including by active value-adding capital deployment such as expansion of lettable area or refurbishment. Excess cash may be invested into other Funds managed by Trilogy – permitted up to a maximum of 20% of the gross asset value (GAV) of the Fund. This would be a significant alternative investment and Evergreen believes that should this maximum be approached or reached for anything other than tactical cash-loading in preparation for an acquisition, additional disclosure should be and typically is provided to Unit holders and intending investors in the Manager's monthly Fund updates. Excess cash above 20% of the Gross Asset Value (GAV) may be invested in other income yielding investments such as other unlisted managed funds, index funds, income securities and fixed or floating rate debt securities that may be held directly or indirectly. The Manager does not undertake to rebalance the portfolio at any particular time.
Minimum Investment	$20,000 noting that the Manager may suspend applications at any time and has the discretion to accept applications for lesser amounts.
Offer Size	In July 2021, TFML transitioned from a closed to an open Fund, providing the capacity to accept and issue units monthly. To that end, as an ongoing equity raise, there is no minimum or maximum capital amount sought.
Distributions	Monthly in arrears paid only from 'funds from operations', not debt. The Manager retains the discretion to support any distribution by waiving and/or deferring some or all of its management fee to achieve a higher yield to Unit holders. The Manager has

KEY ELEMENTS	DESCRIPTION
	consistently paid monthly distributions since inception. The Manager will determine the distributions based on income attributable to investors. This may also include income from either realised or unrealised revaluation gains. When unrealised revaluation gains are considered as part of the income distributable to investors, there is a risk that this may reduce investor equity.
Distribution Profile to March 2024	1 year: 7.53% 3 years: 10.59% 5 years: 9.88% Inception (January 2018): 9.66%
Distribution Reinvestment	Active
Tax Advantaged position	89.4%
Current Net Asset Value (NAV)	Units are issued at the prevailing Unit Price plus any applicable buy spread on the date the Units are issued. The Unit Price is the prevailing NAV of the Trust plus the amortised value of acquisition costs divided by the number of Units on issue. Fund NAV (unit price) is $1.1251.
Unit Pricing	Monthly
Proposed Fund Duration	The absolute maximum duration of the Trust is set at law to be 80 years less one day. The Manager has not stipulated (nor is it obliged to stipulate) a proposed sunset date for the Fund. There is no minimum or maximum term during which Investors must retain their Units.
Property portfolio	Current portfolio is comprised of 15 property assets. The property portfolio is carried at a book value of $246.2 million. Evergreen notes that the Fund is acquiring an additional asset.
Fund Target LVR	Intended to sit at or below 50% LVR at a portfolio level. Although the Manager will tolerate a higher ratio temporarily to accommodate an additional acquisition(s) or the redevelopment of an asset subject to lending covenants.

KEY ELEMENTS	**DESCRIPTION**
	Total drawn debt was $114.2 million which matches the total facility limit meaning there is no scope in the current facilities to extend lending. The seven congruent facilities are sourced from Westpac Banking Corporation **(WBC)** and Commonwealth Bank of Australia **(CBA)**. The facility limit-weighted average interest rate is 5.33%. Facilities are interest only and the Manager employs interest rate risk management mechanisms to control 33% of total debt.
Prevailing Portfolio LVR	• 46.4% (drawn facility amount ÷ sum of external valuations). • WBC facility 44.1% (covenant 55%). • CBA facility 52.6% (covenant 55%).
Prevailing Interest Coverage Ratio	2.29x calculated on the basis of the ASIC Disclosure Principle definition of EBITDA for CBA and WBC. Based on the definition adopted in the Finance Facility, which is considered to be a more pragmatic definition, the interest cover ratio as at Mar-24 is 2.81x for CBA and 2.06x for WBC. The Finance Facilities respectively require interest cover ratios of no less than 2.0x and 1.9x.
Eligible Investors	Wholesale (s761G) / Sophisticated (s761GA)/Retail investors.
Proposed Liquidity	Quadrennial redemptions (on a best endeavours basis and subject to market conditions and the Unit holder best interests obligation) with the next window scheduled for circa March 2026 and each 4th anniversary thereafter. Limited redemption offers may be made in February each year not exceeding 3% of prevailing NAV. Other liquidity events may be offered at the Manager's discretion, if, for example, an asset is divested. There is no secondary market for Unit in this Fund. Investors should consider an investment in the Trust illiquid and should have no absolute expectation of any redemption at any particular time as the underlying nature of the Fund's assets is illiquid. Evergreen notes year to date net investor inflows of $7.1 million.
Fees & Expenses	• Management Fees: 0.50% of the Gross Asset Value of the Fund payable monthly. • Management Costs: 0.27% of Gross Asset Value, although this

KEY ELEMENTS	DESCRIPTION
	will likely vary monthly. • Based on FY23 • Transaction Cost 1.63% of GAV. • Based on FY23 • Performance fee is 15% above an IRR hurdle of 9.0%.
Fund ARSN	623 096 944
Fund APIR	TGY1928AU

MANAGER INVESTMENT STRATEGY

INVESTMENT THESIS

In February 2022, TFML expanded the investment strategy to facilitate active construction and development of new and existing assets, permitting the Fund to pivot towards the inclusion of a more active style.

INVESTMENT CRITERIA

CRITERION	DESCRIPTION
Subsector	Industrial assets - warehouses, showrooms, storage facilities, manufacturing, logistics and distribution centres.
Location	Industrial precincts in regional cities and metropolitan areas of capital cities in Australia.
Value-add	‘Tenant-led’ property construction and expansion is preferred to minimise risks.
Management style	Active management with periodic portfolio reviews to identify assets to divest to recycle capital and capture upside and dynamic lease management.
Lessees	Sound covenant.
Alternative investments	Up to 20% of gross asset value **(GAV)** may be invested into Funds controlled by the Manager including TMIT[1] and TEIF[2]. Any excess capital may also be invested in other income earning investments such as other unlisted managed funds (managed by TFML or not), index funds, income securities and fixed or floating rate debt securities that may be held directly or indirectly. This holding is temporary and used as a relatively liquid cash reserve to assist in future acquisitions. The Fund has not held an investment in either TMIT or TEIF since November 2022.

Notes

1. The Trilogy Monthly Income Trust **(TMIT)** invests directly into debt facilities (residential, office, retail, development sites, industrial properties, residual stock) secured by registered first mortgage over property across eastern seaboard states and territories.

2. The Trilogy Enhanced Income Fund **(TEIF)** invests directly and indirectly in a portfolio of cash, cash-style financial products and other financial assets such as a range of short to medium bank term deposits, bills of exchange, promissory notes, bonds, fixed or floating rate debt securities as well as income securities. Withdrawals from TEIF require a 30 days' notice period but while the fund is liquid, they may be processed and paid in a shorter time at the discretion of TFML.

Evergreen notes that the Manager is at liberty to depart from these guidelines if it considers that to do so would be in the best interests of Unit holders.

The premise of the investment is uncomplicated and conventional. It is part of the Manager's investment strategy to seek property assets with the potential for value-adding expenditure such as expansion of lettable area, refurbishment and/or improvement works. Diversification across geography is a consideration. An example is the recent practical completion of the capital works upgrade project at the Fund's Hexham asset. The $1 million project included upgrades to loading docks and refrigeration equipment for a cold storage facility, improving operational capacity and ultimately provided property value uplift. The quid-pro-quo was the execution of a new nine-year lease with the sitting tenant.

INVESTMENT PROCESS

The Property Investment Committee, a sub-committee of the TFML Board generally meets weekly to discuss the management of the Trust, and to review any potential acquisition opportunities. Analysts and the Fund Manager filter these opportunities, conduct provisional modelling on those which pass certain metrics which are then presented to the Investment Committee for discussion. The presentation would typically include asset overview, indicative financial modelling, and sector and geographical analysis. Questions arising from the Investment Committee are considered further for investigation and typically workshopped at future meetings. An expression of interest on an acquisition opportunity can only be made with Investment Committee endorsement following satisfactory initial due diligence.

Technical and legal due diligence is conducted in tandem with a market, leasing and valuation reviews. Income and capital expenditure forecasts are prepared and simulation of portfolio complementarity is conducted. Capital solutions to fund settlement are also explored and finalised. When a conditional offer becomes unconditional with Investment Committee endorsement and Board ratification, the property is folded into the portfolio management system.

Throughout the acquisition process, the Property Investment Committee receives regular reports from key stakeholders, including the Manager's property team.

The property acquisition process is conventional including consideration of:

- asset characteristics such as age, construction quality, site coverage and warehouse height.

- tenant covenant and any specialised equipment or tenant-supplied equipment likely to influence the tenant to renew its lease.

- locational attributes including transport connections , supply pipeline of competing stock and demographic metrics.

- leases including review structure, passing rents compared to market, tenant covenant and make-good obligations.
- opportunities to add value.

While the Manager will consider the acquisition of development sites without holding income, it would typically only be on a fund-through structure. Where no tenant has pre-committed to the construction of any new industrial facility, that construction and development cost should not exceed 10% of the Trust's GAV.

Property management is conducted by outsourced to five professional organisations with Colliers being allocated the largest proportion at 58% by value while asset management is conducted in-house. Monthly rental remittances are fed into the portfolio model which is integrated with the Fund accounts. Forecasts become actuals and the model produces dashboard reporting for presentation to the Board and updates to RG46 reporting. The Fund Manager and asset managers meet weekly to discuss asset strategies, tenants, income, operating and capital expenditure budgets and markets in general. The general strategy is to work with tenants with an expiring lease to extend on suitable terms, with a plan to deploy capital to increase value and income.

Evergreen notes that the Manager's industrial property market outlook is approximately eight months old at the date of this report and could be considered an optimistic review of a market which has seen cyclical deterioration including capitalisation rate decompression across the board. While occupier demand has shown significant resilience (demonstrated in robust rental growth), investor sentiment has diminished and capital values have, in general, flat lined or declined. The friction between these two competing metrics has resulted in a relatively stable Unit price over the past year. Nonetheless, the Manager actively monitors and analyses the market and believes buying opportunities remain.

FUND ANALYSIS

FINANCIAL ANALYSIS

The profit attributable to unitholders for FY23 totalled $7.78 million, down from a revised $8.49 million in FY22, revenue being derived primarily from rental income (net funds from operations of $5.7 million), including fair value gain on investment property of $0.52 million (FY22: $2.14 million). For the 2023 financial year, the indirect cost ratio was 4.98% including property acquisition costs. The scheme had no redemptions during the year ended June 2023.

Income risks are relatively moderate given the reasonable weighted average lease expiry (WALE) of 5.8 years and the reasonable diversification of tenants, economic sub-sector exposure and property locations. The largest single income exposure to one property is 13.9%. This supports the income yield proposition. Risks are mitigated through conventional rent repricing mechanisms.

As at 31 March 2024, the portfolio was reasonably fully deployed with 96.2% of the funds assets held in real estate, while 1.5% was in cash and 2.3% ($5.8 million) was in other assets largely comprised of three elements:

- Accounting Standards requirement to straight-line lease terms for the total value of the rental balance resulting in a technical asset to the Fund equating to $3.0m.
- Derivative Financial Instruments marking to market the value of the interest rate risk management mechanisms in place. These were 'in the money' to the equivalent of $1.3m.

- ICAM Investments – As part of the Fund's divestment of a property, it accepted as partial consideration in the transaction, units in the purchaser's fund rather than cash. TFML intends to redeem these Units in June 2024, but in the meantime represent a $0.8m balance sheet asset.

There are a small number of other items that form part of this balance such as Debtors and Creditors for the Fund and any other prepayments or working requirements of the Fund. Evergreen notes TFML's policy to exclude these 'other' items for the purposes of calculating the Unit price although they are included in the fair value calculation of net assets of the Scheme for financial reporting purposes.

When an external valuation is commissioned, it is the Manager's policy to adopt the current market valuation for NAV purposes.

GEARING AND DEBT FINANCE FACILITY

Debt is spread across a number of facilities with two institutional lenders, Westpac Banking Corporation and Commonwealth Bank of Australia. The debt facilities, mostly based on BBSY Bid interest rates, total some $114.2 million juxtaposed against a book value of $242.7 million, resulting in a portfolio average loan to value ratio of 46.4% based on book value, below the 55% covenant limit for all facilities across both Westpac and Commonwealth Bank. This ratio is considered between conservative and conventional for this type of managed investment scheme. However, the Commonwealth Bank facilities average LVR sits at 52.6%, much closer to the 55% covenant leaving a relatively uncomfortable margin to defend against value reduction. The facility limit-weighted average interest rate is 5.33%.

The running interest expense coverage ratio for the CBA Bank facilities is at 2.1x against a covenant of 1.9x leaving a small margin for the event that lessees vacate or cease payment of rent.

The Westpac Bank facilities are at 2.8x against a covenant of 2.0x which provide a larger safety margin leaving more room for tenants vacating or leases expiring without replacements.

Of the seven facilities, expiry dates range between October 2024 and December 2025. The largest facility of the seven (representing some 46% of total debt) falls due for renewal in five months from the date of this report. Notwithstanding short term refinancing risk which in turn creates near-term jeopardy of pricing risk and credit availability risk, Evergreen is confident in the Manager's capacity to refinance or roll over this facility in due course and on reasonable prevailing market terms.

The Manager employs interest rate risk management mechanisms (colloquially known as hedges) to control 33% of total debt as all seven facilities are struck on variable interest rate terms.

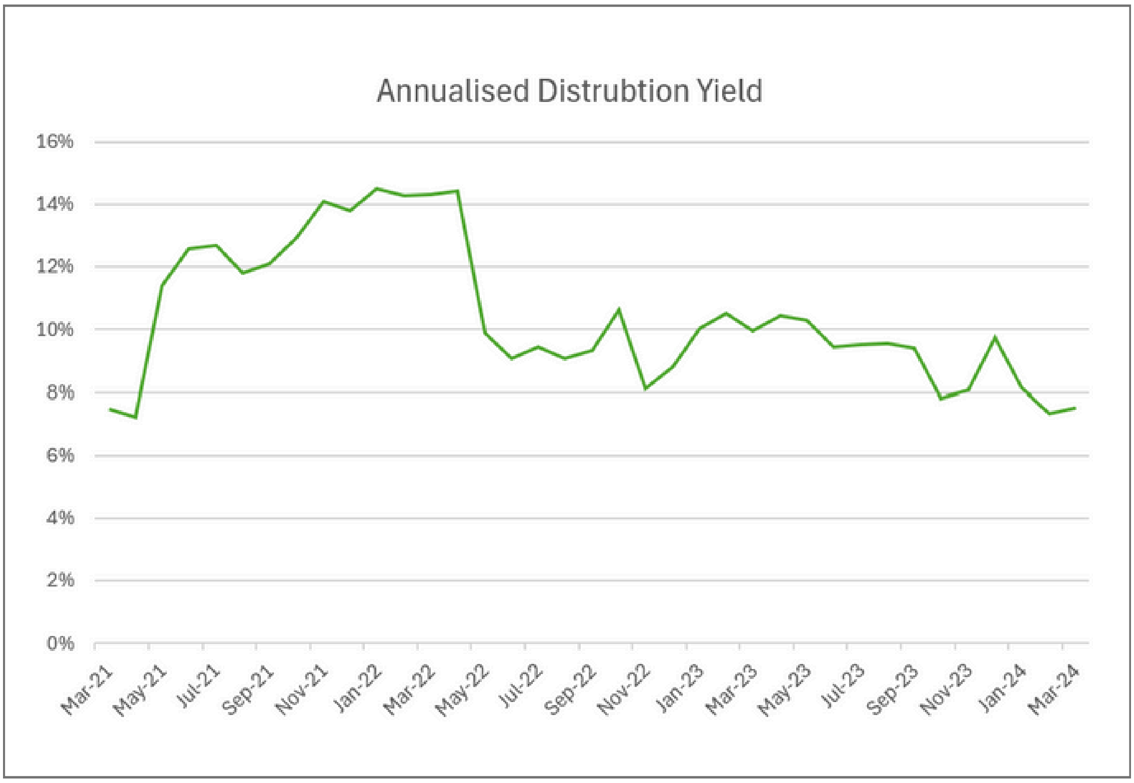
Evergreen notes that TFML has advised it is in compliance with both its ICR and LVR covenants.

FUND FINANCIAL ANALYSIS

The Fund's 31 March NTA was $1.03. On 30 June 2023, the Scheme changed accounting policy to measure investment properties at fair value, a change from a cost basis which will allow it to have regard to valuation increases, the outcome of which will be to increase the NTA. Net Asset Value is calculated by TFML at $1.1251.

The Fund's weighted average passing yield is 6.3%, dragged up by the acquisition in 2018 of the Diesel Drive asset which has increased in value by 90% in the six years since acquisition. The weighted average property value uplift (difference between book value and purchase cost) is 10.1% representing an indicated weighted compound annual growth rate of 1.5%, the latter being dragged down somewhat by negative capital growth (to book value) of four of the 15 assets.

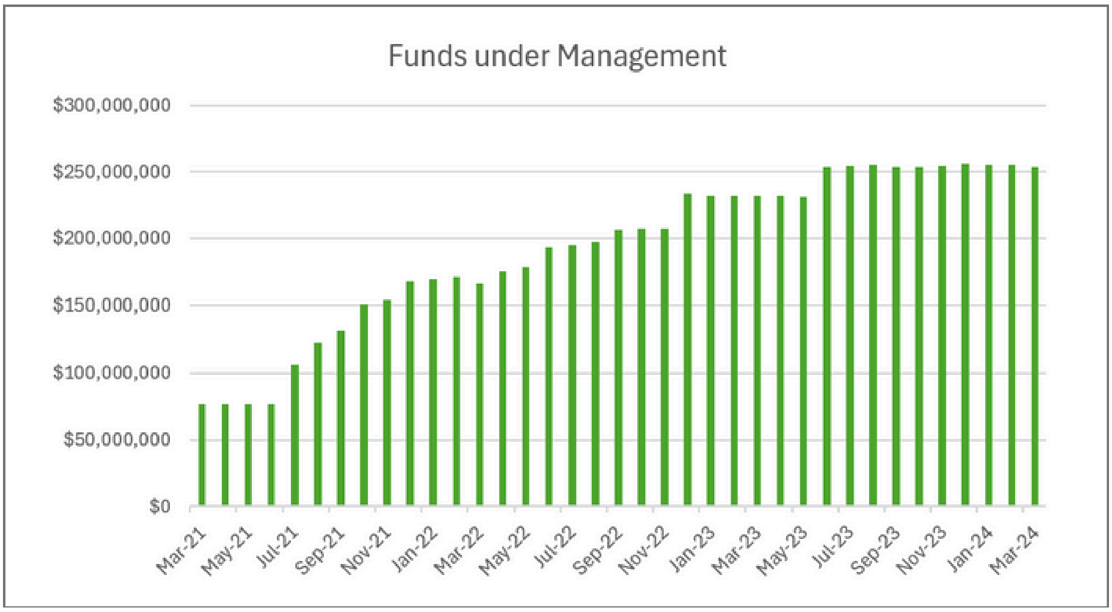
The prevailing annualised distribution yield (paid monthly in arrears) is 7.5% net of fees and costs. The since inception total return for the Fund is 9.7%. A chart showing the distribution yield profile for the past three years is set out below.



These yields apply to direct investments and do not take into account wrap platform fees which may dilute returns in Platform Units.

The Manager employs the Forbury fund management system which is a conventional and functional platform adopted by many of the Fund's peers.

The chart below outlines growth in Funds under Management (measure of gross asset value) for the past three years. Net investor inflows have been relatively steady with evidence also of semi-annual revaluations acting to adjust gross asset values.



THE PORTFOLIO

An overview of the carrying book value of the property portfolio is presented below.

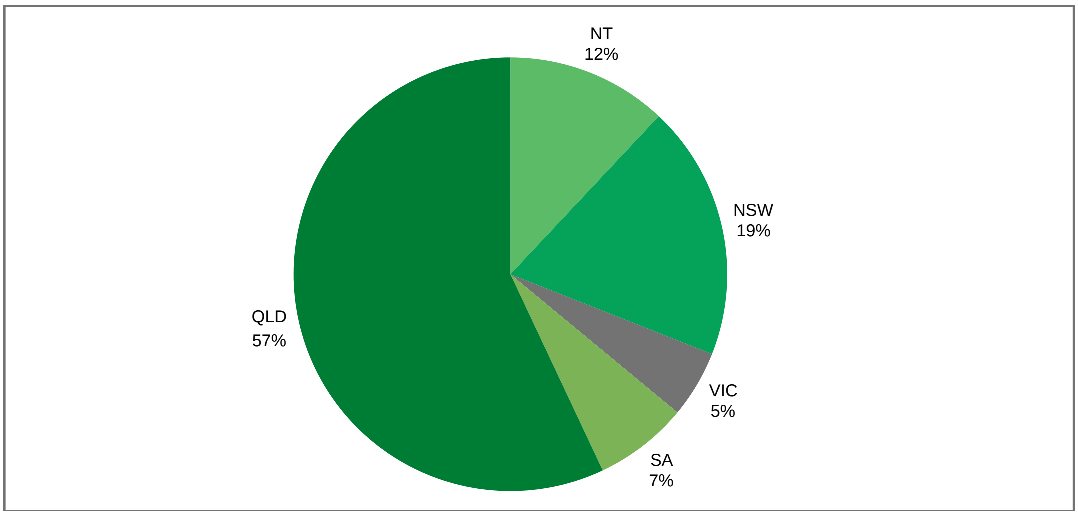
LOCATION	VALUE ($)	DESCRIPTION
Mackay, QLD	$13.75m	Circa 3,050 sqm two level office warehouse facility in Paget.
Darra, QLD	$15.50m	Located in an industrial corridor in South West Brisbane with good access to the Centanary Highway, the property is leased to the Stoddart Group, manufacturers of building products for over 60 years.
Gillman, SA	$17.75m	Large 8,869 sqm modern two level warehouse facility leased to Tyremax and Plasdene Glass.
Carrara. QLD	$16.00m	Substantial 6,180 sqm warehouse facility leased to a wholly owned subsidiary of Downer EDI.
Mackay, QLD	$1.05m	Land leased to Komatsu.
Mackay, QLD	$15.80m	Neighbouring site also leased to Komatsu.
Carrum Downs, Vic	$13.20m	Capital works of $1m completed in Oct-22 to extend the warehouse facilities for the existing tenant, Tempur Sealy International. Completion triggered a new lease over the newly constructed area and an extension of the existing lease, extending both leases to an expiry in Sep-28.
Wellcamp, QLD	$8.65m	Fully leased on a sale and leaseback arrangement with Australian Coil Services.
Coolum Beach, QLD	$23.00m	Two modern industrial warehouse and distribution facilities leased to Weir Minerals Australia.
Hexham, NSW	$29.50m	Warehouse facility incorporating ambient warehousing, cool room and office facilities. The tenancy is split between Downer EDI Engineering Power and Bega Dairy and Drinks. The Manager is completing a $1m refurb as part of a 9 year lease renewal. A property revaluation after refurbishment completion is expected to capture value uplift.
Narangba, QLD	$17.00m	Two industrial buildings, both providing warehouse and office accommodation with gantry crane amenities.
Torrington, QLD	$9.90m	Divested in May 2024.
Corbould Park, QLD	$19.95m	Two levels of office and amenities at the front of the building with a large warehouse at the rear in the Sunshine Coast Industrial Park, the region's largest industrial estate.
Tomago NSW	$16.15m	Leased to Cougar Mining Group.

Berrimah, NT	$29.00m	Large storage and showroom with a circa 9-year WALE 100% occupied by four national tenants.
TOTAL	**$246.20m**	

Evergreen understands that a new acquisition in northern metropolitan Brisbane is imminent – a $29 million, 100% occupied industrial warehouse with 5.5 years to run on a single lease.

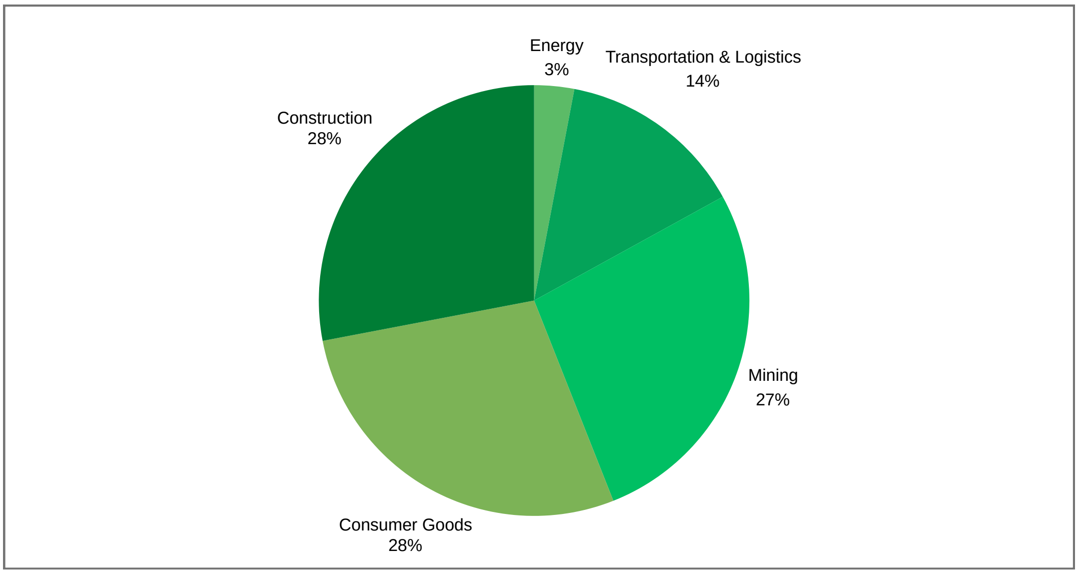
GEOGRAPHICAL DIVERSIFICATION

Geographical diversification of the current portfolio by value is set out in the chart below. While it shows a Queensland-heavy portfolio, the Manager will consider investment opportunities nationally which support with the Fund thesis although the current Queensland tilt does align with the Manager's personnel presence in that State and its strategy to invest in higher-yielding properties.



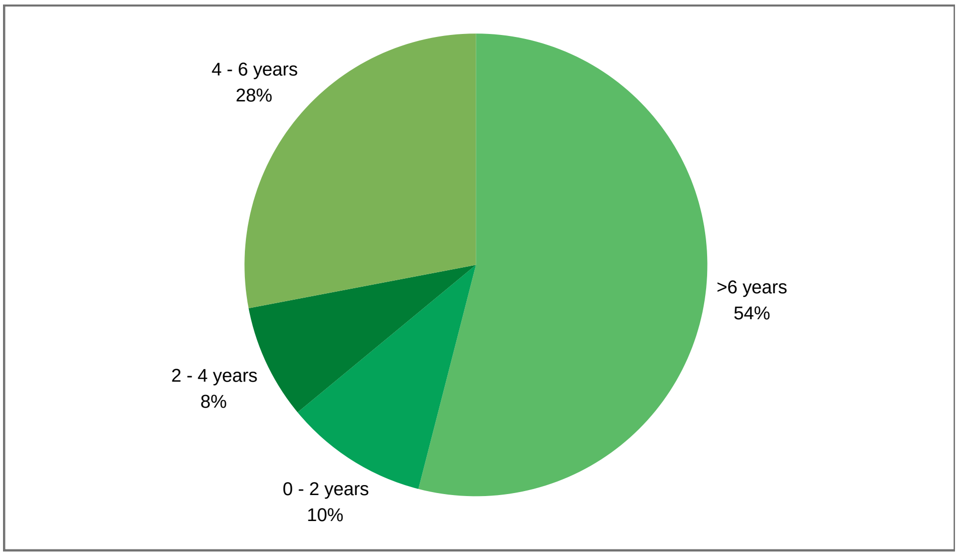
FUND INCOME - TENANT SECTOR

Income diversification is set out in the chart below and represents a reasonable spread of risk to economic sub sectors in the industrial ecosystem.



LEASE EXPIRY PROFILE

The lease expiry profile in number of years is set out in the chart below. The weighted average lease expiry is 5.8 years. It demonstrates a reasonable position for the Fund consistent with the market.



Occupancy is and always has been 100%, a healthy position reflective of the robust occupier market for industrial real estate that has prevailed since 2021 in particular, notwithstanding Evergreen's view that the market is now ex-growth with capitalisation rates likely to continue to decompress which would result in value declines, offset by increases in rental income. The cycle of decompression of capitalisation rates is considered to be coming to a close as the market prepares to enter a new phase which, absent new disruptive events, should see a stabilisation of capital values. Evergreen notes that approximately 44% of the leases in the portfolio have annual rental increases linked to change in inflation as measured by CPI, the balance being fixed.

At any time, the Manager may invest up to approximately 20% of the gross asset value (GAV) of the Fund in TEIF, a Fund which invests in a portfolio of cash, cash-style financial products and other financial assets or 20% of GAV in TMIT, a substantial mortgage fund which lends to construction and development projects in Australia against first mortgage collateral with a maximum 70% LVR at funding.

Additional capital above 20% of the GAV may be invested in other income earning investments. Unit holders should note that a holding of this magnitude, could be considered a material departure from the stated purpose of the Fund – to invest into industrial real estate rather than support other Funds controlled by the Manager. Such an investment may also materially alter the risk and return profile of the Fund. Notwithstanding the current holding in 'other' assets not part of the real estate portfolio is relatively minor at 3.8%, Evergreen considers this should be a consideration for prospective investors in the Fund. As these Funds are controlled by the Manager, this is considered a minor conflict of interest, albeit fully disclosed and with a reasonable commercial purpose of reducing the drag effect on Fund returns by limiting holdings in dilutive cash which is beneficial to Unit holders. These investments are considered by the Manager to be a convenient cash-storage facility to be redeemed as required to fund the purchase of additional properties, an example being the redemption of shorter term investments of $2.8m in TEIF and $2.5m in TMIT, both in September 2022 to assist with the funding of the acquisition of the Tomago asset.

Evergreen notes that at 31 March 2024, TIPT had no investment in either TMIT or TEIF with any periodic investments generally below 10% of Fund GAV. Access to that capital would be hampered if either TMIT or TEIF was to limit redemptions.

The portfolio is dynamic. The Manager is at liberty to recycle capital within the Fund by acquiring and divesting assets as it considers appropriate, at all times acting in the best interests of Unit holders.

INVESTMENT RISK

A non-exhaustive summary of investment risks is captured in the table below – which exclude many conventional investment property risks, acts of God, the effect of pandemics etc. It supplements the list of risks in the PDS. The overall portfolio risk profile is considered moderate; however, the systemic property market risk is moderate to significant given the stage in the cycle. The Fund is diversified by geography and occupier in the industrial property sub-sector, among the outperforming sub-sectors in the pandemic era however a particular underperformer in the post-pandemic era as the previous exuberant sentiment moderates. Notwithstanding this, the Fund's portfolio has remained reasonably resilient, as evidenced by the flat Unit price.

RISK	DESCRIPTION
Commercial property markets	While long-term data series would not support a prolonged capital value downturn, the new paradigm brought about by a systemically higher risk-free interest rate has resulted in softer capitalisation rates, thereby reducing capital values and threatening LVR covenants. It is improbable that the occupancy demand (and therefore robust rental increases) observed over the past three years is sustainable. Nevertheless, capital markets are now more likely to stabilise as downward pressure on capitalisation rates extinguishes and gives way to lower volatility – until the next cycle is sparked by another disruptive event.
Fund leverage	The Fund employs gearing. Any gearing will magnify any capital losses incurred by the Fund and in particular, any LVR ratio close to covenant may be at risk of breach in the event of a reduction in capital value. The interest rate and/or lender margin on any replacement debt at the expiry of any Facility may be higher than the Manager's current interest rate. This would undermine the distribution yield.
Insurance limitations	While the Manager is obliged to arrange insurance for fire, flood and other conventional risks affecting the asset and its operation, should an event not be covered or not provide full coverage for loss, the Fund will be exposed to capital loss on the occurrence of an insurance event. Such an event may also increase premiums for that and other situations. It is noted that the Fund does not carry insurance cover for mechanical breakdown (air conditioning etc). The Manager has a responsibility to update the sum insured as a consequence of each valuation outcome. A dispute over a loss claim can also be management intensive. Loss of income insurance may also not adequately compensate fully or for a full duration of loss. This risk is typical of real asset-based Funds and is not unique to this Fund.

RISK	DESCRIPTION
	Also, there is no certainty that insurance will continue to be available or that premiums will not rise, particularly for assets north of the 25th parallel (which accounts for 25% of the portfolio by value). This may affect the forecast income. Evergreen notes that the Manager does run a comprehensive ISR and Loss of Rent policy at Fund level with each situation incorporated into the policy.
Exit	Any economic or investment markets disruption (such as occurred as a consequence of the GFC or the onset of the Covid-19 pandemic for example) may negatively affect the value of any (or all) assets or may result in a significant delay in sale campaigns. The price achieved may not reflect the prevailing valuation and may result in a capital loss and a detrimental impact on an investor's total return outcome. In accordance with convention, the Trust has a technical lifespan of 80-years (minus one day). The Manager intends to effect a liquidity event each fourth anniversary at which time it endeavours to meet all redemption requests by the replacement of outgoing with incoming equity and/or the divestment of selected assets. The Trust may be wound up by resolution passed by at least 50% of the total votes which may be cast by Unit holders entitled to vote.

COMPLIANCE MANAGEMENT

The Manager has a suite of compliance processes supported by relevant documents. These processes are managed by an in-house compliance team and overseen by an experienced Compliance Committee. The suite, which includes a very comprehensive Compliance Plan, is considered suitable, fit for purpose and appears to be appropriately managed. A review of the Compliance Committee minutes revealed a high regard for governance and identifying and repairing system failures.

The Manager carries Investment Management Insurance to $5 million in aggregate. It operates a comprehensive and sophisticated IT and cyber security system with multiple service level providers and high frequency data backups. While it operates cyber insurance, there are no guarantees (in any enterprise from SME to federal government) that data is perfectly safe.

INSIDE THE FUND

STRUCTURE

The Trilogy Industrial Property Trust is a registered managed investment scheme created under the Corporations Act 2001 (Cth) **(Act)** suitable for retail investors (as defined by exclusion by s761GA of the Act. The Manager has elected the Fund to be an Attribution Managed Investment Trust (AMIT) under the Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016 (Cth). The Trustee has a fiduciary and regulatory responsibility to protect the best interests of unit holders. The Fund has a Custodian. Unit holders have no effective control of day to day operational or investment decisions.

Under a managed investment scheme,

investors' capital is pooled with the invested capital of other investors to facilitate larger scale investments. Investors hold units in the scheme which represent a proportional entitlement in the assets of the scheme based on the amount invested and the application price of the units at the time of entry to the scheme. No unit confers an interest in a particular part of the scheme or in any particular asset. The unit price reflects the value of the assets in the scheme and may increase or decrease over time with the value of the underlying assets.

The Fund's custodian is The Trust Company (Australia) Limited. The custodian holds title to the assets of the Fund in its name on behalf of the unit holders in the Fund.

Evergreen notes that parties associated with TFML operate the Fund's registry and investor relations services. In-house fund accounting, compliance, risk management, information technology, human resources, communications, marketing, treasury and distribution advice are also provided in-house.

TFML engages a related party to provide asset management services to administer daily operations and to advise the Manager of investment opportunities both within the portfolio for value-add purposes or new investments. On arm's length service level agreements which are subject to normal commercial terms, key performance indicators and pricing, these are not, in and of themselves unconventional or suboptimal as it allows the Manager to control and understand the portfolio more intimately. While there remains a risk that the inherent conflict of interest may divert expenditure inappropriately, the Manager's ultimate legal obligation is to the best interests of Unit holders, not itself.

The Constitution of the Trust is the primary document governing the operation of the Trust and sets out the rights, liabilities, obligations and responsibilities of both unit holders and the Trustee. Unit holders agree to be bound by the Constitution, which may be amended from time to time. The Trustee has reserved the right to amend the Constitution as it sees fit (which it has done in 2017) without approval of unit holders, although legal parameters limit the extent to which this is possible and any changes are not to be detrimental to Unit holders.

TAXATION

Unit holders should be assessed on their share of the net taxable income of the Trust as the Trust itself is tax transparent and will generally not be liable to pay income tax. The share is determined based on the attribution of income, considering distribution reinvestment or differences between income distributions and aggregate attribution.

The Fund carries a tax deferred element of 89.4% (as at 30 June 2023), relatively attractive for an established open-ended Fund, assisted by the costs associated with recent acquisitions.

DISCLOSURE

Evergreen notes that the PDS does not provide for portfolio-specific information which is, instead, carried in the semi-annual RG46 Report[1]. This is to minimise the frequency at which a supplementary PDS would need to be issued to cover portfolio updates. RG46 is a guide which sets out ASIC's benchmarks and disclosure principles for retail investors to assist in understanding and assessing unlisted property schemes. A prospective investor would be well advised to review the PDS, the periodic Fund performance reports and RG46 Report in order to understand the basic mechanics of the Fund and the nature and performance of the underlying portfolio, both of which are updated periodically on the Trilogy website.

[1] RG46 Unlisted Property Schemes: Improving disclosure for retail investors

FUND MANAGER

TFML is a privately held and somewhat vertically integrated property group first established (under a different name) in 1998. As at March 2024, it held approximately $1.1 billion of assets under management across seven different Funds, two of which are legacy Funds likely to be wound up in 2024. The two flagship Funds are this Industrial Trust and the $720m Trilogy Monthly Income (mortgage) Trust.

Alignment of interest between investors and the Investment Manager/Trustee comes from the exposure to a performance fee. Investment management fees are necessarily paid regardless of performance – in the conventional manner of such Trust arrangements.

Past performance is not a reliable indicator of future outcomes as each fund, and more particularly their respective underlying properties, associated investment strategies and investment acquisition and divestment dates, have their own unique attributes and are therefore affected by incongruent economic and investment market influences. Notwithstanding, TFML presents as a competent, well resourced, compliance-aware and experienced Fund Manager in its specialist area. This Fund has demonstrated a consistently positive distribution profile.

KEY INVESTMENT MANAGEMENT PERSONNEL - TFML

- ***Robert Willcocks - Independent Non-Executive Chairman***

Appointed in 2009, Mr Willcocks is a corporate adviser with more than 30 years' experience as a professional listed company director and chairman. He is currently a director of the publicly listed company Living Cell Technologies Ltd. He is a former senior partner of the law firm now known as King & Wood Mallesons.Mr Willcocks holds a BA, LLB and LLM.

- ***Rodger Bacon – Executive Deputy Chairman***

Prior to co-founding Trilogy Funds Management Ltd, Mr Bacon was an Executive Director at Challenger, where he assisted in the establishment of several ASX listed financial services companies, developed a $2.7 billion international property portfolio along with Mr Barry. He was also Chairman of the Credit Committee at Challenger. Prior to joining Challenger, Mr Bacon worked at the Schroder Merchant Banking Group for 15 years where he was involved in funds management including domestic and foreign fixed interest, direct property portfolios, management of equities, Research and analysis and corporate finance. Mr Bacon holds a B Com, is a Senior Fellow and Member of the Financial product development and also acts as Services Institute of Australasia and an Associate of the Australian Institute of Company Directors.

- ***Philip Ryan – Managing Director***

Mr Ryan oversees business compliance and General Counsel for Trilogy Funds. Mr Ryan has over 30 years of experience in the financial services industry, across financial planning and funds management. He was previously a partner in a Brisbane law firm, having been a solicitor admitted to the Supreme Court of Queensland and High Court of Australia for over 35 years. He is a Fellow of the Financial Services Institute of Australasia, with qualifications at a post graduate level in mortgage lending and financial services. Mr Ryan was a founding director of the funds management entity which evolved into Trilogy Funds. Mr Ryan holds an LLB and a Grad Dip in Legal Practice.

- ***John Barry – Executive Director***

Prior to co-founding Trilogy Funds, Mr Barry was involved in the establishment and, as an Executive Director and Head of Property, the operations of Challenger into a broadly based financial services company which included the $3.5 billion Howard Mortgage Trust and a $2.7 billion international property portfolio. Prior to Challenger, Mr Barry worked in corporate finance at Morgan Grenfell Australia and was an Executive Director of Rothschilds Australia. Mr Barry also established ABN AMRO's reverse mortgage product and headed its PPP social infrastructure division. Mr Barry has also been the Independent Non-Executive Chairman of Westpac RE Limited, a wholly owned subsidiary of Westpac Banking Corporation. Mr Barry holds a BA.

- ***Justin Smart – Executive Director & Chief Operating Officer***

Appointed to the role of COO in 2007, Mr Smart is responsible for managing the Group's operations, focusing on process improvement and automation. Among other roles, Mr Smart worked with Aussie Home Loans and QBE Insurance and also acted as the Financial Controller for the Australian Commonwealth Government's HIH Insurance Relief Scheme. Mr Smart holds a BA and is a Certified Practising Accountant with experience in financial services, technology, auditing, and strategic planning.

- ***Rohan Butcher - Non-Executive Director***

With more than 30 years' experience in construction (including as a registered builder) and property development, Mr Butcher brings experience in quantity surveying, estimating, project administration, development management, planning and project management. His key focus is the management of risk in the delivery of projects. Mr Butcher is a member of the Urban Development Institute of Australia. Mr Butcher holds a BSc (QS) and a Grad Dip PM.

- ***Patrice Sherrie – Independent Non-Executive Director***

Ms Sherrie brings over 35 years' experience in chartered accounting and commerce having held senior experience in listed and unlisted organisations across multiple industries including property, infrastructure, finance and government organisations. Current and previous appointments include QBANK, City of Brisbane Investment Corporation, Sunwater and Acumentis. Joining the Trilogy Funds Board of Directors in February 2024, Ms Sherrie holds a Bachelor of Business – Accounting, is a Graduate Member of the Australian Institute of Company Directors and is a Fellow of the Institute of Chartered Accountants in Australia.

- ***Henry Elgood - Institutional Capital and Chief Risk Officer***

Mr Elgood has been with Trilogy for over 8 years. Prior to moving into his current institutional capital role, Mr Elgood drove the development and expansion of Trilogy's legal, risk and compliance framework including the implementation of various regulatory requirements across business units and change management processes required to drive alignment between Trilogy's risk appetite and commercial objective. Mr Elgood is a member of the Australian Institute of Company Directors.

- ***Clinton Arentz - Executive Director & Head of Lending/Property Assets***

Mr Arentz has over 25 years' experience in asset and facilities management, property development, and project delivery, having joined Trilogy Funds in 2017. He has responsibility for Trilogy Funds' team of portfolio managers, overseeing the management of the construction loan portfolio, client and broker liaison and coordination, and new business development. Mr Arentz also oversees the management of Trilogy Funds' property assets, with respect to risk management, capital structuring, acquisitions and property syndications. Prior to joining Trilogy Funds, Mr Arentz provided project structuring and development delivery services on commercial, industrial and residential projects. He completed an MBA in 2019.

- ***Ryan Mooney – Manager, Property Funds***

Mr Mooney oversees the asset management and investment analyst teams in the active management of property assets. Since joining Trilogy Funds in early 2021, he has been instrumental in the management of Trilogy Industrial Property Trust. Prior to joining Trilogy Funds, he worked as a director of a development and project management consultancy, focusing on creative planning, design, and financial solutions. Mr Mooney holds a BE (Hons) and an MBA.

The following table outlines the members of the Manager’s various operating committees:

HOLDINGS	TREASURY	PROPERTY AND INVESTMENT	AUDIT & RISK	BOARD	COMPLIANCE
David Hogan		✔			
Philip Ryan	✔	✔		✔	
Rodger Bacon				✔	
John Barry	✔	✔	✔	✔	
Justin Smart	✔	✔	✔	✔	
Rohan Butcher				✔	
Henry Elgood	✔		✔	✔	✔
Robert Willcocks			✔	✔	
Clinton Arentz				✔	
Patrice Sherrir				✔	
Peter Starkey					✔
Campbell McCart					✔

Notes

1. Peter Starkey is the external chairman of the compliance committee. He is an Associate Member of the Institute of Charter Accountants and is a registered Company Auditor and Tax Agent who specialises in taxation and business services.

2. Campbell McCart is a Certified Practicing Accountant and holds a Bachelor of Administration (Marketing) and a Bachelor of Administration (Account/Commerce). Mr McCart specialises in taxation and business services.

3. The Executive Risk Committee comprises each head of department and is chaired by Henry Elgood.

FEES

A summary of fees charged by the Trustee is captured in the table below. Fees are a necessary element in the operation of a Managed Investment Scheme and cover a wide range of financial and governance obligations. It is the Manager's legal duty, and by extension, implicit in the operations of its authorised operatives, to act in the best interests of Unit holders.

The Manager charges the Fund fees for its operation and governance and for performance above a nominated threshold. The fees noted below are incorporated into the Fund's Management and related party agreements.

FEE DESCRIPTION	FEE CHARGED BY THE TRUSTEE
Management Fee	0.50% p.a. of GAV is calculated and accrued daily and are paid to TFML monthly in arrears.
Management Cost	For the 2023 financial year, this was calculated to be 0.27% of GAV. Management costs are deducted directly from the assets of the Trust as and when they are incurred. This is a rolling annual estimate and retrospective calculation.
Performance Fee	TFML is entitled to a performance fee of 15% of the portion of the outperformance of the Trust over an IRR of 9% p.a. Recognising the 2023 financial year, a performance fee of circa $208,000 was paid from Trust resources to TFML representing 0.16% of FY23 average GAV and accommodating the performance period incorporating the five years to 30 June 2023.
Transaction Cost	Deducted directly from the assets of the Trust as and when they are incurred, this represented 1.63% of GAV in the 2023 financial year, comprising 1.39% attributed to stamp duty on the acquisition of property during the year. This fee will vary from year to year depending on acquisition activity and respective rates of stamp duty in each State. The balance of costs can be a

FEE DESCRIPTION	FEE CHARGED BY THE TRUSTEE
Transaction Cost	attributed to asset origination (2% of acquisition price reflecting skill and time to conduct due diligence) and 1% for divestments.
Buy/Sell Spread	Nil
Exit/Withdrawal	Nil although Evergreen notes that a sell spread of 2.5% was applied to the exit price at the most recent Withdrawal Offer event in March 2022.
Property Management	TFML is entitled to a fee equal to the greater of 8% of the gross annual rental income and 4% of the gross annual market rent of that Property if it were fully leased.

The overall fee base is within expected industry parameters for a standard unlisted property fund and consistent with the management of a somewhat dynamic portfolio of assets.

ESG GOVERNANCE

While it is TFML's stated intention to provide services in an ethical manner, its investment criteria do not include explicit reference or commitment to such considerations, including environmental matters.

Despite the swelling concentration of focus on ESG dogma driven by both regulatory and institutional investor influence, the Manager generally adopts an over-riding obligation to prioritise asset quality and investment return. While the Manager's ESG policy provides for positive and negative screens, it only undertakes to consider them where investment outcomes are not materially compromised.

While there is not currently any regulatory compulsion on investment managers to recognise ESG-related matters in their investment activities, momentum suggests that it will, by proxy become relevant over the short to medium as lender and investor sentiment bends to the ideology and building pressure to accept ESG-related dogma. It is possible that this may most clearly manifest in mortgage lending requirements and its juxtaposition with lender's own ESG filters, liability insurance and reporting requirements.

Notwithstanding, the Manager appears to acknowledge the importance of the ESG philosophy and operates with cognisance of ESG principles. Evergreen notes for example that the Manager is involved in some charitable activities and sponsorships. Importantly, in the materials reviewed by Evergreen, it is noted that the Manager does not actively claim any particular 'green' credentials.

EXTERNAL SERVICE PROVIDERS

Custodian	Trust Company
Legal Adviser	Wily Legal & Consulting
Registry	RELM Australia (related party [1])
Asset Manager	SPFM (related party)
Property Manager	Panel of JLL, Knight Frank, Colliers, K2 and Cushman & Wakefield.
Trust Auditor	BDO Audit
Compliance Plan Auditor	BDO Audit

[1] RELM Australia Pty Ltd provides proprietary investor registry software and other back office operational process functionality to the Trust. It's fees are paid from Trust resources.

MANAGER DUE DILIGENCE MATERIALS REVIEWED

FEE DESCRIPTION	FEE CHARGED BY THE TRUSTEE
Product Disclosure Statement	11 September 3023
Annual Financial Report	30 June 2023
TMD	30 June 2023
Constitution	21 December 2017
Compliance Plan	1 October 2021
Benchmark & Disclosure Principles Report (RG46)	30 June 2023
Related Party Transactions Policy	February 2023
Conflict of Interest Policy	March 2024
IT Capacity/Disaster Recovery Statement	May 2023
Organisation Chart	February 2024
Trilogy Group Structure	January 2022

FEE DESCRIPTION	FEE CHARGED BY THE TRUSTEE
ESG Policy	March 2023
Administration and Registry Services Agreement	3 May 2022
Advertising & Marketing Policy v8	March 2024
Investment Management Insurance Policy	14 May 2023
AFSL	14 March 2024
Risk Management System Statement	November 2023
TIPT Performance Data	31 March 2024
Monthly Investor Report	March 2024
Breach Register	November 2023
Investment Committee meeting minutes	27 February 2024
Investment Committee meeting minutes	12 March 2024
Compliance Committee Meeting Minutes	November 2023
Compliance Committee Meeting Minutes	September 2023
Compliance Committee Meeting Minutes	March 2024

IMPORTANT NOTE

Evergreen Ratings has not inspected the properties contained in the portfolio. Relevant due diligence materials have been reviewed including, but not limited to those noted in the table above.

A number of meetings and conversations were held with executives and representatives of TFML wherein, questions were answered freely and fully. The Manager was transparent and diligent in its provision of information to enable the rating report.

Evergreen notes that a number of policies and related documents which were reviewed in the May-23 rating process which were unchanged, were not re-reviewed for the purposes of this rating report. These included (but not limited to): Unit Pricing Discretions Policy, Acquisition Process, Unit Pricing Policy, Interest Cover & Gearing Ratio Policy, Lending Manual & Valuation Policy, DDO Policy, Complaints Handling Policy, PDS Issue & Planning Memorandum, ICR/LVR & Interest Capitalisation Policy, Monitoring & Supervision of Representatives Policy, Training Programs for RMs, IT Capacity Statement & Disaster Recovery Plan.

RATINGS SCALE

HIGHLY COMMENDED

We have **high confidence** in this investment product.

This is a Fund or Investment Product that has scored consistently very well across all areas of Evergreen Ratings' research and analysis framework. As a result, we believe the Fund has a very high probability of meeting its objectives.

It is appropriately designed, with appropriate fees and has sufficient, high quality systems and resources, including risk management and corporate governance, to manage an appropriate outcome.

COMMENDED

We have confidence in this fund manager or investment product.

This is a Fund or Investment Product that has scored consistently well across most areas of Evergreen Ratings' research and analysis framework. As a result, we believe the Fund has a high probability of meeting its objectives.

It is reasonably well designed, with fees more or less in line with the nature of the product and its peers. The Manager has sufficient, quality systems and resources, including risk management and corporate governance, to manage an appropriate outcome.

SATISFACTORY

We have some confidence in this investment product.

While this is a Fund or Investment Product that has scored well in some areas of Evergreen Ratings' research and analysis framework, it did not score as well in other areas important to achieving a good investment outcome.

As a result, Evergreen Ratings believes it has a reasonable chance of meeting its investment objectives.

NOT APPROVED

We have little confidence in the investment product

This is a Fund or Investment product that did not score well across most areas of Evergreen Ratings' research and analysis framework. There is a lack of identifiable strengths across some or all of product design, fees, systems and governance, therefore placing doubt on the likelihood of the fund or product achieving its investment objectives.

NOT RATED

This fund manager or investment product has been screened out. Evergreen Ratings has either (i) conducted a preliminary review of the investment product and has identified material or structural flaws or (ii) the Manager has elected to not confirm some elements of the research process requisite in the ratings protocol to release the research report.

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Past performance is not an indication of future performance.

Evergreen Ratings has been paid a fee to produce this report. The report has been authorised by Angela Ashton on 12 June 2024.