

MDC Trilogy Wholesale Yield Fund I



MURRAY
DARLING
CAPITAL

10.00% P.A.¹ Paid Quarterly

¹September 2024 net distribution rate annualised. Past performance is not a reliable indicator of future performance. Rates are variable.

Investment report: October 2024

Overview

Funds Details²

Investment Type	Wholesale Unit Trust
APIR	APIR SPC8913AU
Launch	September 2022
Distribution Frequency ³	Quarterly See Information Memorandum (IM) for details
Minimum Initial Investment	\$250,000
Unit Price ⁴	\$1.00
Withdrawals	See IM for details
Management Fee	Nil. Additional fees are charged to the Trust relating to the assets; see IM for details
Performance Fee	Nil
Entry and Exit Fees	Ordinary Units - Nil. Other fees and costs apply and you should read the IM for details
Risks	This product carries capital, distribution and other risks
Platforms	<ul style="list-style-type: none"> Netwealth Premium Wholesale Menu

Independent Research Ratings⁶



Portfolio Owner Details

Portfolio Owner	MDC Trilogy Property Management I Pty Ltd
Properties Under Management (PUM) ⁵	~4,050 (as at 31 October 2024)
Geographical Spread NSW	Inner West Sydney Northern Beaches Sydney
Geographical Spread Qld	Toowoomba Rockhampton
Investment Manager	MDC Trilogy Investment Management I Pty Ltd

Investment Strategy and Performance

Investment Strategy

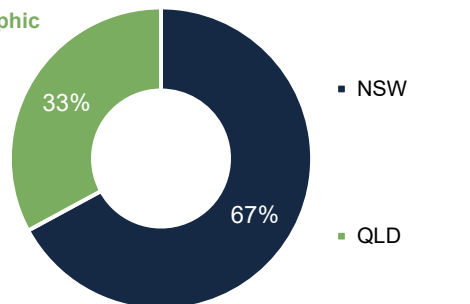
The Fund will subscribe for Secured Loan Notes issued by MDC Trilogy Holdings I Pty Ltd (MDC Trilogy Holdings). MDC Trilogy Holdings will in turn use that money to acquire property management assets through subsidiaries, predominantly consisting of residential management assets (e.g., tenancy management agreements, rent rolls) (Assets) in Australia.

Historical Performance⁷

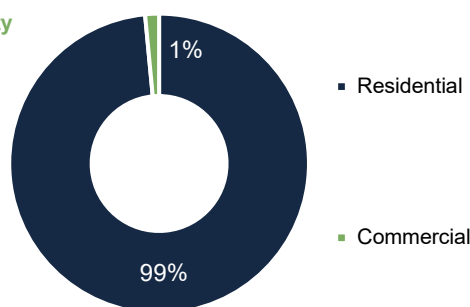
1 Quarter	2 Quarters	3 Quarters	Past Year	Since Inception PA
2.5%	5.0%	7.5%	10.0%	10.0%

Underlying Portfolio Snapshot

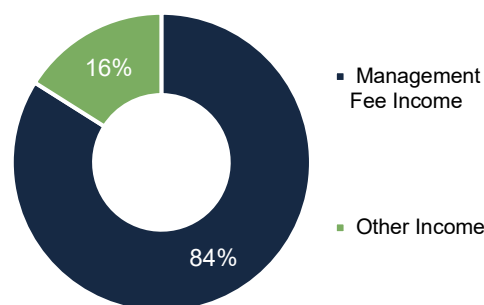
Geographic Spread



Property Type



Income Source



2. This summary has been provided for illustrative purposes only. All terms and conditions contained herein are subject to the MDC Trilogy Wholesale Yield Fund I's (Fund) Information Memorandum which should be referred to for further details. This summary is not an offer or solicitation to purchase interests in the Fund. Such interests are only offered to investors who meet the definition of a wholesale investor as defined in the Corporations Act 2001 (Cth), pursuant to the terms of the Information Memorandum, which should be reviewed carefully prior to investing.

3. See IM for details. Whilst distributions are intended to be quarterly, neither the amount or timing is guaranteed by the Portfolio Owner or Investment Manager.

4. While the unit price is expected to remain unchanged, capital losses can occur in circumstances where an asset of the Fund incurs a capital loss. Past performance is not a reliable indicator of future performance.

5. These properties are managed by MDC Trilogy Property Management I Pty Ltd and do not comprise assets of the Fund. There is an interposed entity between the Fund and MDC Trilogy Property Management I Pty Ltd, MDC Trilogy Holdings I Pty Ltd, who is the equity note issuer.

6. The rating contained in this document is issued by SQM Research Pty Ltd ABN 93 122 592 036 AFSL 421913. SQM Research is an investment research firm that undertakes research on investment products exclusively for its wholesale clients, utilising a proprietary review and star rating system. The SQM Research star rating system is of a general nature and does not take into account the particular circumstances or needs of any specific person. The rating may be subject to change at any time. Only licensed financial advisers may use the SQM Research star rating system in determining whether an investment is appropriate to a person's particular circumstances or needs. You should read the product disclosure statement and consult a licensed financial adviser before making an investment decision in relation to this investment product. SQM Research receives a fee from the Investment Manager for the research and rating of the managed investment scheme.

7. Historical performance reflects most recent periods stated. Past performance is not a reliable indicator of future performance.

Fund Commentary

The Fund continued to raise capital during the month for the Portfolio Owner to match against an active acquisitions pipeline. The Portfolio Owner and MDC Trilogy have progressed several material acquisitions with sale agreements being drafted. Due diligence continues on several rent-roll assets identified in New South Wales and Queensland.

Portfolio Owner Commentary

The MDC Trilogy investment team (investment team) have progressed the drafting of sale contracts for the acquisition of rent-roll assets in both Sydney and Queensland. It is anticipated the contacts will be finalised and exchanged in the near future, with planning for the integration of assets well progressed. The Portfolio Owner believes that the acquisitions will provide scale and market share in their respective geographies and provides an opportunity to leverage resources already deployed and create further economies of scale.

During the month, the investment team progressed due diligence on several rent-roll portfolios in Sydney and Queensland to assess their suitability for future acquisition into MDC Trilogy's existing portfolio. Due diligence on portfolios is extensive and typically includes an analysis of historical portfolio performance, composition and geographical spread, as well as engagement and interviews with the vendors and support staff. Portfolios are further assessed on their ability to strengthen market share in their respective geographical areas and provide commensurate returns with the existing portfolio.

During October, the portfolio average management fee, represented as the percentage of rent charged as a fee for managing the property, remained stable at c.6.3%. We believe the portfolio continues to benefit from rental repricing, with the average monthly rent per property increasing by approximately 14% during the last twelve months.

Vacancy Trends

CoreLogic¹ released a report indicating that the national rental vacancy rate for October was in line with capital city and regional averages at 1.8%. The national average vacancy rate has eased by 0.4% since reaching a trough in October 2023, with commentary from CoreLogic attributing this to a reversal in the COVID trend towards smaller household sizes, a peaking of net overseas migration and an increase in new investors leading to a higher number of rentals in the market.

The report further compared the current vacancy rate against the five-year pre-COVID average and noted that vacancy rates in all markets have tightened, except for Hobart and Canberra. The national vacancy rate is currently 1.5% lower than the five-year pre-COVID average, Sydney 0.9% lower, Melbourne 0.4% lower and Brisbane 2.1% lower. State and Territory regional areas have seen tightening of vacancy rates of between 1.2% to 5.4% compared to the five-year pre-COVID average.

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The MDC Trilogy Wholesale Yield Fund I's Information Memorandum (IM) dated 7 September 2023 issued by the Specialised Investment and Lending Corporation Ltd ACN 149 520 918 (AFS licence number 407100) (Trustee) is available. Prospective investors should carefully consider the contents in the IM in full and seek professional advice prior to making any decision regarding an investment in the Fund. The Trustee, the Investment Manager and its affiliates expressly disclaim any responsibility and shall not be liable for any loss, damage, claim, liability, proceeding, cost or expense arising directly or indirectly and whether in tort (including negligence), contract, equity or otherwise out of or in connection with or from the use of the information in this document.

Government Policy Updates

In November² Treasurer Jim Chalmers announced a new \$900 million government fund that would give grants to states and territories if they enact productivity-enhancing policies, including the reduction in 'red tape' associated with housing construction. This announcement follows several recent attempts by the federal government to influence housing construction using funds and grants to achieve the five-year target of 1.2 million new homes.

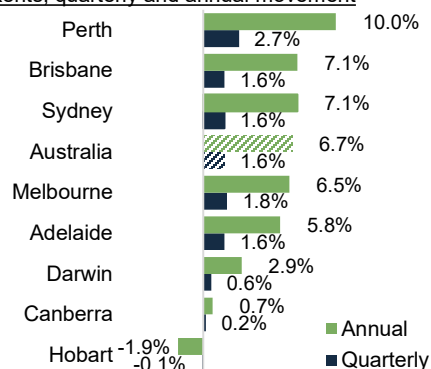
The West Australian government is reportedly looking to implement a scheme to attract tradespeople from Australia's east coast by offering \$10,000 cash payments, in a bid to address skilled labour shortages and encourage new apartment development. This comes after the WA property council showed that new apartments represented c.12% of home completions in FY24. The scheme is intended to incentivise labour migration from the East coast to directly combat the housing crisis, with some groups stating that large government infrastructure projects have exacerbated labour and materials shortages.

Rental Rates

In October, the Australian Bureau of Statistics⁴ (ABS) released the September 2024 statistics showing that rents nationally rose 1.6% on average during the quarter and 6.7% annually, with all capitals except for Hobart having experienced increases. For context, the increase in rents has far outpaced the national CPI movements that were reported at 0.2% and 2.8% for the quarter and year respectively.

The ABS reported that the increase in rents this quarter were moderated by changes to Commonwealth Rent Assistance program (CRA) that reduces the out-of-pocket rental cost for recipients. The CRA increased by as much as 10% and came into effect in late September having the overall impact of offsetting the rent increase for the quarter. Without the CRA the increase in September 2024 quarter rents would have been 1.8% instead of the 1.6%.

Rents, quarterly and annual movement



1. CoreLogic Monthly Housing Pack November 2024
 2. <https://www.abc.net.au/news/2024-11-13/new-fund-to-encourage-states-to-slash-housing-red-tape/104590500>
 3. <https://www.afr.com/politics/federal/perth-s-plan-to-entice-tradies-west-for-10-000-cash-20241108-p5kp3e>
 4. <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/latest-release>

The Information Memorandum (IM) and reports issued by SQM Research is available on the Fund webpage [here](#).
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