Trilogy Industrial Property Trust

This report has been prepared for financial advisers
and wholesale clients only

Superior

August 2024

INTRODUCTION

Key Principles

SQM Research considers (but is not restricted to) the following key review elements within its assessment:

1. Business profile - product strategies and future direction
2. Marketing strategies and capabilities, market access
3. Executive Management / Oversight of the investment management firm
4. Corporate Governance / fund compliance / risk management
5. Investment team and investment process
6. Fund performance, investment style, market conditions, investment market outlook
7. Recent material portfolio changes
8. Investment liquidity
9. Investment risks
10. Fund/Trust fees and expenses

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Report Date: 22 August 2024

Star Rating	Description	Definition	
4½ stars and above	*Outstanding*	***Highly suitable for inclusion on APLs*** *SQM Research believes the Fund has substantial potential to outperform over the medium-to-long term. Past returns have typically been very strong. Product disclosure statement (PDS) compliance processes are high-calibre. There are no corporate governance concerns. Management is extremely experienced, highly skilled and has access to significant resources.*	*Highest Investment Grade*
4¼ stars	*Superior*	***Suitable for inclusion on most APLs*** *SQM Research considers the Fund has considerable potential to outperform over the medium-to-long term. Past returns have tended to be strong. PDS compliance processes are high-quality. There are no material corporate governance concerns. Management is of a very high calibre.*	*High Investment Grade*
4 stars	*Superior*	***Suitable for inclusion on most APLs*** *In SQM Research's view, the Fund has an appreciable potential to outperform over the medium-to-long term. Historical performance has tended to be meaningful. PDS compliance processes are strong. There are very little to no material governance concerns. Management is of a high calibre.*	*High Investment Grade*
*3¾ stars**	*Favourable*	***Consider for APL inclusion*** *SQM Research concludes the Fund has a moderate potential to outperform over the medium-to-long term. Past performance has tended to be reasonable. Management is experienced and displays investment-grade quality, however they may not be yet fully tested. As a result the manager/product may have higher risks attached compared to peers.*	*Investment Grade*
*3½ stars**	*Acceptable*	***Consider for APL inclusion*** *In SQM Research's view, the potential for future outperformance in the medium-to-long term is uncertain. Historical performance has tended to be modest or patchy. Management is generally experienced and displays investment-grade quality, however they may not be yet fully tested. As a result the manager/ product may have higher risks attached compared to peers. SQM Research has identified material weaknesses which need addressing in order to improve confidence in the Manager. There might be some corporate governance concerns.*	*Low Investment Grade*
3¼ stars	*Caution Required*	***Not suitable for most APLs*** *In SQM Research's opinion, the potential for future outperformance in the medium-to-long term is very uncertain. Historical returns have tended to be disappointing or materially below expectations. PDS compliance processes are potentially substandard. There might be material corporate governance concerns. Management quality is not of investment-grade standard.*	
3 stars	*Strong Caution Required*	***Not suitable for APL inclusion*** *In SQM Research's opinion, the potential for future outperformance in the medium-to-long term is unlikely. Historical performance has tended to be unacceptable. There could be material corporate governance concerns. SQM Research has a number of concerns regarding management.*	
Below 3 stars	*Avoid or Redeem*	***Not suitable for APL inclusion*** *SQM Research has multiple material concerns surrounding the Fund.*	

Event-driven Rating	Definition
Withdrawn	*The rating is no longer applicable. Significant issues have arisen since the last report was issued, and investors should avoid or redeem units in the fund. The manager, after agreeing to be reviewed, has pulled out of the process and/or has not responded to our questionnaire.*
Hold	*Rating is suspended until SQM Research receives further information. A rating is typically put on hold for a period of two days to four weeks. Dealer groups should not be making further investments into this fund until SQM has completed its additional investigations.*

* *It is strongly recommended advisers conduct additional due diligence over and above base requirements when considering such rated funds..*

CONTENTS

SQM Rating ★★★★½

Superior. Suitable for inclusion on most APLs.

Trust Description	
Trust Name	Trilogy Industrial Property Trust
APIR code	TGY1928AU
Asset Class	Direct Property
Management and Service Providers	
Property Manager*	SPFM No. 2 Pty Ltd ATF SPFM No. 2 Unit Trust
Responsible Entity	Trilogy Funds Management Limited
Trust Information	
Trust Inception Date	Jan 2018
Trust Size	$152.0 mil NAV and $276.1 mil AUM as of Jun 2024
Return Objective (as per PDS)	To provide stable and regular monthly income and the opportunity for capital growth over the long term
Internal Return Objective	Not Applicable
Risk Level (per PDS)	Does not specify the level of risk. Kindly visit the "risk" section in the PDS
Internal Risk Objective	Not Applicable
Benchmark	Benchmark unaware
Number of stocks/positions	15 direct property assets as of Jun 2024
Gearing	48.6% as of June 2024 (on the trust)
Top 10 Holdings Weight	81.09% of total capital value
Investor Information	
Management Fee	0.50% p.a. of the GAV
ICR – latest	2.56% as of 30 June 2024
Performance Fee	15.00% of the portion of the outperformance of the Trust over an IRR of 9.00% p.a.
Property Origination Fee	2.00% + GST of the property's purchase price
Disposal and Administration Fee	1.00% of the Disposal Price or the Surplus Funds, whichever is the lesser
Estimated Expenses	0.27% p.a. of the Trust's GAV
Minimum Application	$20,000
Redemption Policy	Illiquid The Responsible Entity intends to make Withdrawal Offers once every four years. At the date of this report, the last withdrawal event occurred in March 2022, approximately four years after the inception of the Trust. The Responsible Entity intends to offer Interim Withdrawal Offers on an annual basis, generally commencing on 1 February and closing on 28 February each year, unless otherwise advised by the Responsible Entity. As of the date of this report, the last interim withdrawal event occurred in February 2024
Distribution Frequency	Monthly
Investment Horizon (per PDS)	Not Applicable
Valuation Frequency	Director valuation every 6 months with a third party valuation at least once every 24 months for each property

** The term **"Property Manager"** has been used as per the PDS. Readers are advised to refer to the term equivalent to "Trust Manager" or "Investment Manager."*

Trust Summary

Description

The **Trilogy Industrial Property Trust (the "Trust")** will acquire and hold a diverse portfolio of **industrial properties** located in key Australian regional and metropolitan precincts. Industrial assets included warehouses and manufacturing, logistics and distribution centres. The Trust targets industrial properties that have the potential to provide **long-term cash flows** to investors and could offer the opportunity of **value-add**.

The Trust aims to provide investors with stable and regular income and the opportunity for capital growth over the long term, and withdrawal offers are intended every four years.

The Trust's investment strategy is to seek property assets with the potential for value-add, such as an expansion of the lettable area, refurbishment and improvement works. This may either be led by Trilogy Funds or the respective tenant(s).

The Trust will also consider development opportunities, bringing fresh stock to the portfolio and enabling the Trust to secure long-term leases with new tenants.

The Trust's primary objective is to maximise potential investor returns diversified by both geographical location and the industries in which the tenants operate.

The Trust currently holds fifteen industrial property assets, ten in Queensland, one in South Australia, two in NSW, one in the Northern Territory and one in Victoria.

The Trust should be considered **illiquid**. Investors may only exit upon a Withdrawal Offer from the Responsible Entity. The Responsible Entity intends to make Withdrawal Offers every four years from the settlement of the purchase of the Initial Property Portfolio, which occurred on 12 April 2018.

The Responsible Entity intends to offer **Interim Withdrawal Offers** on an annual basis, generally commencing on 1 February and closing on 28 February each year, unless otherwise advised by the Responsible Entity. Interim Withdrawal Offers act as a secondary and limited mechanism for Investors to withdraw from the Trust. The amount made available for withdrawal during an Interim Withdrawal Offer is at the discretion of the Responsible Entity, but as per the PDS Sep 2023, the intention is that it will not exceed 3% of the Net Asset Value of the Trust at the relevant time.

Target gearing is a Loan-to-Valuation Ratio (LVR) of 50% or below. However, the Trust may borrow over 50% of LVR from time to time in order to make further acquisitions.

The **Trilogy Industrial Property Trust** is an open-ended, unlisted unit trust registered with ASIC as a managed investment scheme.

Trust Rating

The Trust has achieved the following rating:

Star Rating	Description	Definition	Investment Grading
4.00 stars	Superior	Suitable for inclusion on most APLs	High Investment Grade

Previous Rating: 4.00 stars (Issued Aug 2023)

SQM Research's Review & Key Observations

About the Manager

SPFM No. 2 Pty Ltd ATF SPFM No. 2 Unit Trust (SPFM), a related party of Trilogy, is the investment manager (property manager) of the Trust.

Its role is to seek property investment opportunities and oversee the day-to-day management of industrial property assets. This role includes tenant management, maintenance, capital expenditure, development/ expansion opportunity assessment and implementation and leasing.

SPFM's fees for these services are paid by Trilogy from the Trust. In addition, SPFM may be retained to carry out further functions in respect of the Properties, such as lease negotiations, project management and sales and marketing services, for which it will be remunerated from the Trust assets.

Trilogy Funds Management Limited ("TFML" or "Trilogy Funds") is the Responsible Entity.

Investment Team

The investment management team comprises four members who have, on average, over 17 years of experience. The team is headed by **Mr Clinton Arentz,** and the Fund is managed by Laurence Parisi.

Most of the investment team has been with Trilogy for a moderate time. The average tenure at the firm is 2.8 years. The investment team is supported by the senior and experienced staff from across Trilogy.

The investment management team is split between Sydney, Melbourne and Brisbane, with research analysts located in Brisbane and the property asset management personnel and back-office support personnel located in the Sydney office.

A Property Investment Committee is responsible for overall asset allocation and whether an acquisition/ disposal will proceed.

SQM Research observes that the levels of investment experience are strong across the entire investment team. The levels and nature of staff turnover are not an issue of concern, in SQM's view.

The ***key person risk*** of the Trust is deemed to be modest.

1. Investment Philosophy and Process

Investable Universe

The Trust will invest only in the **Industrial** property sector.

Trilogy may invest excess funds within the Trust or into other income-earning managed investment schemes, including managed investment schemes operated by Trilogy. Investment into managed investment schemes operated by Trilogy is limited to 20% of Gross Asset Value.

This is not intended to be a long-term, permanent strategy of the Trust. These schemes are the Trilogy Enhanced Income Fund, which invests directly and indirectly in a portfolio of bonds, cash, cash-style investments, and other financial assets, and the Trilogy Monthly Income Trust, which invests in loans secured by registered first mortgages to residential, commercial, retail, development sites and industrial properties.

Potential property construction and expansion will generally only be undertaken where it is a fund-through structure, **tenant-led, or a tenant pre-commit** to minimise risks associated with property **construction** and **development.**

SQM notes that the investments held in the Trilogy Enhanced Income Fund and the Trilogy Monthly Income Trust can increase diversification, provide liquidity, and enable capital to be invested while direct property investments are being sourced.

Philosophy / Process / Style

There is no specific target return. The Trust aims to provide investors with **stable and regular income** and the opportunity for **capital growth** over the **long term**. The Trust seeks to maximise the potential investor returns by diversifying by both geographical location and the industries in which the tenants operate.

The Trust will invest in **industrial** assets such as warehouses and manufacturing, logistics and distribution centres that provide consistent income and the potential for capital growth over the medium to long term.

The Manager believes that the returns and demand for industrial assets are usually driven by the logistics, manufacturing, resources and agricultural sectors. Investors are attracted to this style of property as returns are often correlated with economic growth and the provision of infrastructure.

Further, industrial property often features long leases with fixed rental increases, providing a level of income certainty over the investment term.

Trilogy has a **top-down** approach to this sector and seeks to identify those locations that are most likely to benefit from strong economic activity but are still able to be acquired at reasonable prices and tenancies. Upon inception of the Trust, there was a focus on mining activities and mining services facilities, with northern Queensland seen as a region that best met the ideal criteria. As the resources sector winds back, the Trust is and will continue diversifying the portfolio into areas that support logistics and manufacturing activity.

Trilogy has an **active management style** encompassing renegotiation of the current lease terms and facilitating potential tenant-led, value-add opportunities.

2. Performance & Risk

Return Objective

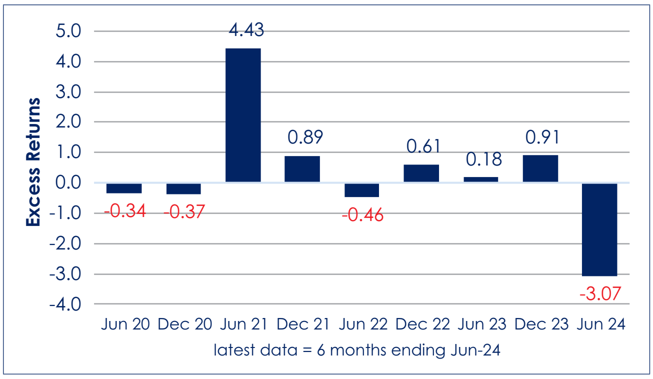
The return objective stated in the PDS is: "The Trust aims to provide stable and regular monthly income and the opportunity for capital growth over the long term."

There is no specified target return or benchmark.

Note: SQM Research notes that there is no relevant industry benchmark for the Trust.

For the purposes of quantitative analysis, SQM uses the internal rate of return (IRR) of 9.00% p.a. as a reference index to provide context on the relative performance of the Trust.

Trust Excess Returns %: Half-yearly (net of fees)



Length of Track Record

The Trust has a history of 6.3 years (or 78 months) as of June 2024.

Observations and analysis of returns will have a moderate statistical meaning as a result of the sample size of observations.

Risk Objective

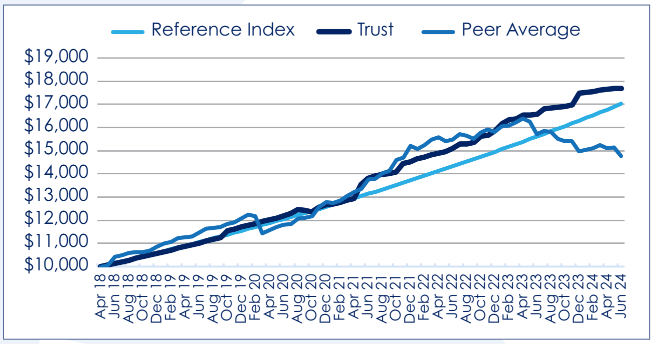
The Trust's PDS states that the Trust is subject to risks.

Advisers/Investors should read the 'Risks' section of the" PDS" to understand those risks.

Trust Performance to 30 June 2024 (% p.a.)							
Total Return	**1-Month**	**3-Month**	**6-Month**	**1-Year**	**3-Year**	**5-Year**	**Inception**
Trust	0.14	0.38	1.33	6.71	8.65	9.93	9.70
Reference Index	0.72	2.18	4.40	9.00	9.00	9.00	9.00
Peer Average	-2.44	-3.27	-1.70	-5.33	1.89	3.68	5.36
Alpha	-0.58	-1.80	-3.07	-2.29	-0.35	0.93	0.70

With distributions reinvested. Returns beyond one year are annualised. Return history starts May 2018
Reference Index: 9.00% p.a.

Growth of $10,000



Strengths

- Trilogy has a track record of over 26 years in the property investment industry. The Trust is managed by an experienced team with an average of over 19 years of industry experience
- Eleven properties out of the total fifteen properties within the Trust as of 30 June 2024 are relatively small, with valuations ranging from $1.0m to $20m. This allows better geographic and scale diversity and is preferable to portfolios with a single large-value asset, which may be more difficult to re-lease or sell
- The lease expiry profile has over half of the leases expiring beyond five years, and the next one-year Withdrawal Offer period
- The properties are all relatively new. CAPEX requirements for industrial properties are expected to be low
- The Trust has made consistent distribution payments since its inception
- The Trust displays substantial defensive characteristics in the face of extreme Australian equity tail risk
- The Trust has not experienced any leasing vacancies since its inception

Weaknesses of the Trust

- A potential conflict of interest in having both the Responsible Entity and the Investment Manager being part of the same parent group
- Multiple additional fees lead to high overall costs for investors. No high watermark for the performance fee
- There is a high exposure to the north Queensland property market, with the Trust locked into long leases, which elevates the geographic risk
- Single tenancy in 12 out of 15 properties increases tenancy risk

- Restricted liquidity, with withdrawal opportunities only once every year

Other Considerations

- The direct property funds sector is more dependent on macroeconomic variables like economic growth, unemployment and interest rates than on trading activity. Any significant deterioration in these variables can impact the local property market and the tenant's ability to pay rents
- The FUM of the Trust has been consistent and increased significantly since its inception
- There has been moderate turnover in the investment team in the last 2 years
- Fixed rental increases are typically set at 2.0% - 4.0% p.a., with over half of the income coming from leases that increase by the greater of the fixed amount and CPI. This facilitates a high-income growth rate
- The true overall risk level in direct property funds is determined by a range of risks, including (but not limited to) default/capital loss, liquidity, concentration and interest rate risk. Traditional risk metrics such as volatility have limited use as indicators of actual portfolio risk because the portfolio value is not frequently 'marked to market.'
- The Trust is permitted to hold investments in other income-earning funds, including up to 20% of the portfolio value in related party funds. While the use of these funds may change the yield profile, it can provide some interim liquidity and diversification benefits
- Investors should consider an investment in the Trust to be a long-term holding. The Trust is **illiquid** in that investors are unable to withdraw funds on a daily or monthly basis. Unitholders will have an opportunity to fully withdraw from the Trust every four years commencing from 12 April 2018 and once every four years thereafter. The next liquidity event is scheduled to occur in April 2026
- The relatively high exposure to QLD is a legacy of the Trust's origins and will be diluted as the Trust expands into other states. The Manager has advised that the low Capitalisation rate in NSW and VIC results in less allocation in those 2 states. The Manager intends to diversify geographically by allocating to other states
- Some of the key Portfolio Metrics of the Trust are: (as of June 2024)
  - 94.03% of the book is invested in industrial properties and 4.97% in cash
  - The Weighted Average LVR is about 48%
  - The Weighted Average Lease Expiry is 5.79 years
  - The current borrowing rate is 5.32%
  - The current yield is 6.56% p.a.
  - Interest rate type: split is 72% Variable and 28% on an active rate swap
  - No. of acquired properties: 15 as of 30 June 2024
  - Lease expiry: 0-1 years: 1.91%; 2 years: 5.30%; 3 years: 5.50%; 5 years: 25.68%; 5 - 1 0 years: 66.29%
  - The occupancy rate is 100%

Key Changes Since the Last Review

- The Responsible Entity intends to offer Interim Withdrawal Offers on an annual basis, generally commencing on 1 February and closing on 28 February each year, unless otherwise advised by the Responsible Entity. Interim Withdrawal Offers act as a secondary and limited mechanism for Investors to withdraw from the Trust. The amount made available for withdrawal during an Interim Withdrawal Offer is at the discretion of the Responsible Entity, but as per the PDS dated on Sep 2023, the intention is that it will not exceed 3% of the Net Asset Value of the Trust at the relevant time
- The sale of property at 21-27 Carrington Road, Torrington, Toowoomba, QLD, was settled on 1 May 2024. This asset was purchased in April 2022 with a short lease in place, with a strategy of either working with the existing tenant to renew the older buildings on site or redevelop the site should the tenant elect to relocate. During the time of holding the asset, the tenant elected to relocate, and the redevelopment feasibility became challenged by rising construction costs and increasing cap rates. Trilogy also received an off-market offer from an owner-occupier who was willing to pay above book value for the site due to its suitability for their operations. The offer was in the best interests of investors, and as such, the asset transacted at a sale price of $10,525,000, which compared favourably to the book value of $9,900,000

- David Bulbrook (Development & Asset Manager) and Suzanne Barber (Property Asset Manager) departed the team. Mitchell Whiteley (Asset Manager) joined the team in the last 12 months. The Manager has advised that they are planning to add additional resources to the team
- In June 2024, Laurence Parisi joined the team as Fund Manager. Mr Parisi joined Trilogy with over 22 years of senior experience within the property investment industry. Most recently, he served as Chief Executive Officer of Eildon Capital Limited, an ASX-listed fund manager. His background includes tenures at Goldman Sachs, Credit Suisse, Citi, and APN Property Group, providing him with expansive insights from both national and international perspectives
- The sale of the property at 11-21 Crichtons Road, Paget, QLD, was settled on 2 November 2023. This asset was purchased for $4,000,000 in April 2018 as part of the seed portfolio for the Trust. In 2023, Trilogy received an off-market offer of $4,900,000 for the asset, which was above the book valuation of $4,500,000. Trilogy determined that the sale of the asset was in the best interest of investors due to the price, the short lease and tenant risk, and the Trust's weighting in the Mackay region
- The Trust acquired 1 new property in May 2024 with a total current valuation of approximately $29 mil. The asset is leased to Modern Star Pty Ltd, a leading provider of educational equipment nationwide. The tenant has been at the site for over 20 years

Suburb	State	Acquisition Price	Acquisition Date	Current Valuation	Occupancy Rate	Number of Tenants	WALE (Years)
Brendale	QLD	$29,000,000	30/05/2024	$29,000,000	100%	1	5.00

Investment Process Diagram

Idea origination

↓

Due diligence

↓

Discussion at Investment Committee regarding potential acquisition

↓

Review of timeline/funding arrangements/ execution and settlement

↓

Property is added to Trust. Ongoing property management

Process Description

Investment Process

Investable Universe

The Trust will invest only in the **Industrial** property sector.

Price Range

Trilogy looks to invest in industrial properties generally in the range of $10 - $50 million in value.

SQM notes this segment of the market typically has less competition as it is often overlooked by the larger funds and usually out of reach of the smaller private investors and syndicates.

In addition, this price segment lends itself to more off-market acquisitions, which are potentially higher-yielding. Investing at this level also enables greater portfolio diversification by asset, location, and tenant.

Location

The Trust invests in established Australian industrial precincts in regional cities and metropolitan areas of capital cities.

As of 30 June 2024, the Trust has invested in industrial property assets located in QLD, NSW, VIC, NT and SA.

Suburb	State	% of GAV
Paget (Diesel Dr)	QLD	5.18%
Gillman	SA	6.69%
Carrara	QLD	6.03%
Paget (Bosso St - land)	QLD	0.40%
Paget (Bosso St)	QLD	5.96%
Darra	QLD	5.84%
Carrum Downs	VIC	4.98%
Wellcamp	QLD	3.26%

Suburb	State	% of GAV
Coolum Beach	QLD	8.67%
Hexham	NSW	11.12%
Narangba	QLD	6.41%
Corbould Park	QLD	7.52%
Tomago	NSW	6.09%
Berrimah	NT	10.93%
Brendale	QLD	10.93%

Investment Process

Research and Portfolio Construction Process

Research

Trilogy undertakes its own research through its property analysts and connections to acquire assets. This is done in consultation with the investment committee and where investor feedback has indicated they see an investment opportunity.

The goal of the property team in undertaking research is to better understand the market, customers, and the country.

To understand the market, the team will track market transactions, key metrics for industrial property such as the e-commerce penetration rate, and the development supply pipeline.

Understanding tenant needs is also important, and to do so, the property team will track market leases, research market trends, and explore technologies and new amenities provided in new developments.

The property team also researches macroeconomic items such as population trends and the development of new infrastructure, which can have a significant impact on requirements for industrial assets.

Idea Generation

In terms of initial screening, properties are initially assessed based on cap rate, sqm rate, tenant covenant, lease profile, location, diversification benefit to the Trust, and asset quality.

Trilogy conducts financial modelling of properties using proprietary software. Typically, the adopted method is a combination of the market income capitalisation method and the DCF method. The Manager is not averse to using other approaches where appropriate.

Any new acquisition will be tested against the current distribution yield of the Trust, its current geographic make-up, and the strength of any new tenants. Key drivers are individual property fundamentals. If a property should be acquired but does not suit current open products, new specific funds may be considered should the opportunity exist for investor return.

The team members and directors of Trilogy are involved in identifying and researching suitable properties for acquisition.

If properties are assessed to meet the investment criteria objectives, they can then be examined for their strategic value within the portfolio as a whole.

Whilst no guarantee can be given that the due diligence process will eliminate an underperforming asset being acquired, it is designed to reduce this risk.

Due Diligence

In selecting which direct property investments to acquire, consideration will be given to their attributes and whether they are consistent with the objectives of the Trust.

The Manager employs a bottom-up approach to property selection to select the properties. Trilogy always obtains a valuation from an independent third party before any acquisition. During the due diligence phase, at the outset, a combination of proprietary modelling and available market data is used.

Investment Process

Research and Portfolio Construction Process

...continued

Due diligence focuses on the tenant type, strength of tenant covenant, funding appetite from the bank(s), technical third-party due diligence reports, valuations performed, legal due diligence by third-party firms, and discussions with valuers around the local market.

Management will also physically inspect the site before proceeding with due diligence.

Properties Acquired

Properties will be acquired and added to the portfolio incrementally.

The Trilogy Industrial Property Trust currently holds **15 industrial properties** as of Jun 2024 in Australian regional and metropolitan industrial areas.

Current holdings are listed below.

Address	Suburb	State	Acquisition Cost	Acquisition Date	Occupancy Rate	Current Valuation	Number of Tenants	WALE (Years)
33-41 Diesel Drive	Paget	QLD	$10,565,759	10/04/2018	100%	$13,750,000	1	7.08
113-117 Bedford Street	Gillman	SA	$14,383,390	13/12/2018	100%	$17,750,000	2	4.86
11 Elysium Road	Carrara	QLD	$12,782,749	13/12/2019	100%	$16,000,000	1	3.00
9-17 Bosso Street (Lot 70 and 71)	Paget	QLD	$619,833	20/12/2019	100%	$1,050,000	1	4.48
19-29 Bosso Street (Lot 73)	Paget	QLD	$13,186,921	20/12/2019	100%	$15,800,000	1	4.48
37 Gravel Pit Road	Darra	QLD	$12,602,474	16/10/2020	100%	$15,500,000	1	2.11
118 Colemans Road	Carrum Downs	VIC	$11,609,166	28/06/2021	100%	$13,200,000	1	4.08
8-14 Moorebank Road	Wellcamp	QLD	$9,154,663	30/07/2021	100%	$8,650,000	1	7.08
15/17 25 Dacmar Road	Coolum Beach	QLD	$23,380,447	31/08/2021	100%	$23,000,000	1	6.13
16 Galleghan Street	Hexham	NSW	$30,850,921	14/10/2021	100%	$29,500,000	2	5.53
16-22 Magnesium Street	Narangba	QLD	$17,906,029	9/12/2021	100%	$17,000,000	1	8.25
6 Ron Parkinson Crescent	Corbould Park	QLD	$21,868,883	10/06/2022	100%	$19,950,000	1	7.66
12-14 Martin Drive	Tomago	NSW	$17,047,365	12/09/2022	100%	$16,150,000	1	7.50
660 Stuart Highway	Berrimah	NT	$30,756,780	14/12/2022	100%	$29,000,000	4	7.19
45-53 South Pine Road	Brendale	QLD	$30,795,531	30/05/2024	100%	$29,000,000	1	5.00

Investment Risks

Trilogy aims, where possible, to actively manage risks. However, some risks are outside our control.

All investments in unlisted property trusts carry risk.

As this product invests in industrial property, it carries the **market, property and leasing risks associated with investing in property.**

Investors should be aware of the major risks in investing in this Trust:

- **Risk to Valuation**

The value of the properties and, hence, the income to investors may be adversely affected if tenants do not renew their leases or market rents decrease. Down-turns in the economy or specific sub-sectors may trickle down and impact the potential for rent increases when existing leases expire.

Investment Process

Research and Portfolio Construction Process

...continued

The value of real property assets can be volatile, and there is a risk that values may fluctuate from time to time. The value of the properties will reflect the prospects of the tenants' businesses or likely replacement tenants, which can be affected by competition, business cycle movements, returns on other asset classes, the prevailing interest rate structure and government policy developments.

SQM notes there is always a considerable degree of uncertainty over the final Valuation of the properties when it comes time to sell. While the environment for investing is currently favourable, with very low interest rates underpinning cap rates and demand, this may not be the case in four years' time.

In addition, the properties will be older and may need refurbishment. This risk is mitigated to the extent the Manager can upgrade the properties when required to avoid or minimise diminishing the quality of the assets.

- **Risk to Revenue**

The ability of the tenants to continue to meet rental obligations and to renew their leases depends on the continued viability of their business, which may be adversely affected by competition, changes in business demand or changes in infrastructure. Unforeseen risks such as COVID-19 can have an impact on a business's ability to pay rent and meet scheduled rental increases.

A decrease in income from the properties due to vacancy, rent-free periods, or tenant incentives could cause a breach of the interest cover ratio specified in the loan agreement. A breach of these loan covenants could lead to the imposition of penalty interest by the bank, thereby reducing distributions, a requirement to repay the principal with distributions suspended until this is done, or a requirement to repay the loan in full.

During the term of the loan, interest rates may rise, impacting the variable rate component of the loan and reducing distributions to investors.

- **Liquidity**

The Trust is an illiquid investment. The initial period in which no withdrawals are available is four years from the date on which the purchase of the initial property portfolio was settled.

The Trust aims to have a liquidity event every four years.

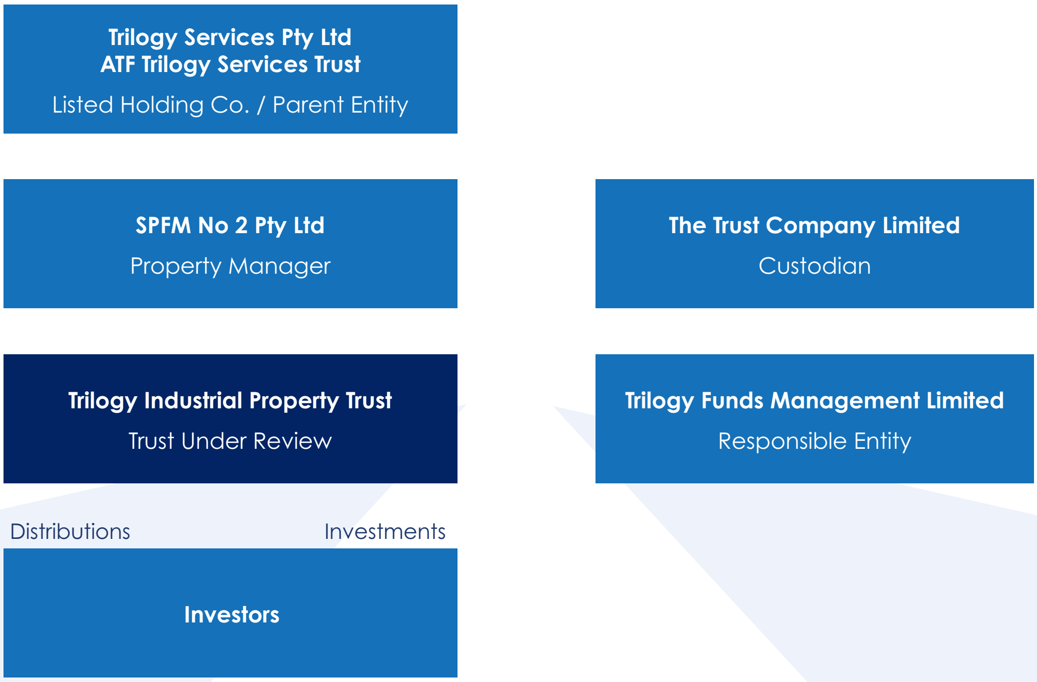
The Responsible Entity intends to offer Interim Withdrawal Offers on an annual basis, generally commencing on 1 February and closing on 28 February each year, unless otherwise advised by the Responsible Entity. Interim Withdrawal Offers act as a secondary and limited mechanism for Investors to withdraw from the Trust. The amount made available for withdrawal during an Interim Withdrawal Offer is at the discretion of the Responsible Entity, but as per the PDS dated on Sep 2023, the intention is that it will not exceed 3% of the Net Asset Value of the Trust at the relevant time.

Ultimately, it depends on the future property market conditions and other factors if there is sufficient liquidity available to meet investors' withdrawal requests. The liquidity of the externally managed funds in which the Trust invests is also monitored, and redemption requests are made from these underlying investments to meet the cash needs of the Trust.

It is important to note that there may be circumstances in which it is not possible to offer withdrawals at all or to only offer limited funds for withdrawal offers, resulting in pro-rata redemptions. There is no secondary market for the sale of units in the Trust.

Investment Process	
Research and Portfolio Construction Process ***...continued***	• **Diversification Risk** The Trust is exposed to asset-specific and geographical risk because of a lack of diversity in the portfolio. SQM notes that 61% of the Trust NAV is invested in Queensland. This implies the Trust will be exposed to the vagaries of the Queensland economy, noting that the fund has looked to take advantage of cap rate differentials across the country and has been diversifying its asset base. This situation is expected to remain while the Trust is still in a relatively early growth stage, with fewer asset holdings than when the Trust achieves greater scale. Trilogy has indicated it intends to diversify into other Eastern states where suitable opportunities present, that would dilute the overall exposure to QLD. **Material Risks** Material risks which are associated with the Trust include: **Legal and Regulatory Risk:** Changes to the regulatory environment relating to financial services, taxation, and other regimes affecting the Trust's operations may affect the portfolio and the Trust's performance. **Economic and Market Risk:** Changes in the economy and market conditions may affect asset returns and values, which, in turn, may result in a decrease in the portfolio's value or the Trust's returns. **Property Market Risk:** The nature of this investment is similar to a direct investment in industrial property, and accordingly, investors in the Trust should be aware of the risks associated with investing in industrial property, which is different to that of investing in a residential property. **Valuation Risk:** The value of real property assets can be volatile and may fluctuate in value from time to time. A significant fall in Valuation will mean an increase in the gearing ratio may trigger a breach of loan covenants and may impact the net asset backing of Units and the Unit Price. **Leasing Risk:** While leases impose legally enforceable obligations on tenants, it is possible for tenants to default on their obligations, and with a vacancy arising, the Trust could incur re-leasing costs that could diminish the income available to the Trust. **Refinance Risk:** When interest rates are variable, there is a risk that rates may fluctuate, and if rates increase, there is a risk that distributions to investors may decrease. Additionally, if the Responsible Entity is unable to refinance a loan from any source, then one or more properties may need to be sold. **Building and Construction Risk:** Any expansion of current properties or development of new facilities could lead to adverse effects on the returns of the Trust, or the project costs could be more than the forecast project costs, which could have an impact on the net asset value and the returns of the Trust.

Key Counterparties



Parent Company

Trilogy Group Holdings Trust is the holding Trust for the **Trilogy Funds Group (TFG)**, owned by executives of the company.

TFG can trace its origins back to 1998 when a Brisbane law firm, of which Philip Ryan was a partner, commenced a funds management business. This led to the formation of TFG in 2004, when Mr Bacon, Mr Barry and Mr Hogan resigned from their senior positions at Challenger following the merger of Challenger and CPH Investment Corporations.

Mr Ryan and Mr Barry are currently in management positions within Trilogy. David Hogan has recently retired from management but is still a member of a number of committees, including the Property Investment Committee and Chair of the Lending Committee.

TFG is headquartered in Brisbane, with an office also in Sydney and Melbourne.

Investment Manager / Fund Manager

SPFM No. 2 Pty Ltd ATF SPFM No. 2 Unit Trust (SPFM), a related party of Trilogy, serves as the investment manager (property manager) of the Trust.

SPFM's responsibilities include identifying property investment opportunities and overseeing day-to-day management tasks for industrial property assets. These tasks encompass tenant management, maintenance, capital expenditure, development/expansion assessment, implementation, and leasing.

SPFM is compensated for its services by Trilogy from the Trust's funds. Additionally, SPFM may be engaged for other functions related to the Properties, such as lease negotiations, project management, and sales and marketing services, for which it will be remunerated from Trust assets.

Trilogy Funds Management Limited ("TFML" or "Trilogy Funds"), the Responsible Entity, is an established Australian fund manager and financier of property-based investments. Founded in 1998 by Philip Ryan, Trilogy Funds operates various managed investment schemes, including property syndicates, a pooled mortgage fund, and a debt securities fund.

The company's co-founders, **Philip Ryan, Rodger Bacon, and John Barry**, remain actively involved in Trilogy Funds. Mr. Ryan serves as the Managing Director, Mr. Bacon as the Executive Deputy Chairman, and Mr. Barry as the Executive Director.

Trilogy Funds has a dedicated team of over 65 members with expertise spanning investment products, property acquisition, management, development, portfolio management, investor relations, treasury, marketing, finance, operations, and human resources.

The team operates from Brisbane, Sydney, and Melbourne.

Governance

Responsible Entity

The Board of Directors of the Responsible Entity (**Trilogy Funds Management Limited**) consists of **9** directors, **3** of whom are independent. SQM Research views the inclusion of independent members on the Board of Directors – it is a meaningful way to enhance governance and oversight. Board members have an average of **32.5** years of industry experience.

The Responsible Entity's **Compliance Committee** is composed of **3** members, **2** of whom are independent. The Chair is independent. SQM Research views independence in a RE oversight body such as the Compliance Committee as a strong and favourable factor in Fund governance. Compliance Committee members have an average of **39.5** years of industry experience.

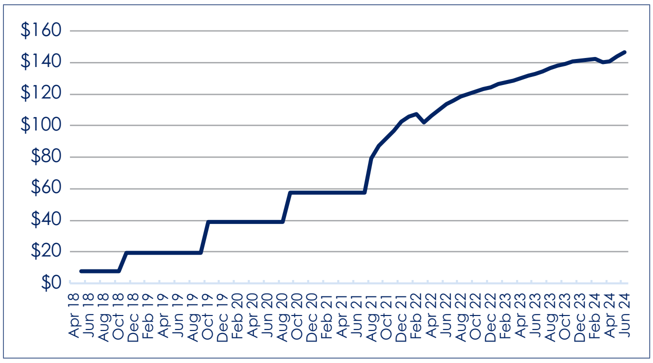
Management Risk

Funds management businesses rely on the operational capabilities of key counterparties. A critical element is the ability of the Responsible Entity to monitor operational performance and to meet the regulatory and statutory responsibilities required. For any investment fund, there is a risk that a weak financial position or management performance deterioration of key counterparties could temporarily or permanently compromise their performance and competency. This can adversely affect financial or regulatory outcomes for the Trust or associated entities.

Based on the materials reviewed, SQM Research believes that Trilogy and associated key counterparties are highly qualified to carry out their assigned responsibilities. Management risk is rated as low.

Funds under Management (FUM)

FUM for Trust under Review ($mill)



Distributions

Distributions occur on a monthly basis, subject to the availability of distributable income. In a scenario where the Trust's realised losses and expenses exceed income in a distribution period, the Trust may elect not to make a distribution during that time.

Distribution Date	Distribution CPU
Jul-23	0.67
Aug-23	0.67
Sep-23	0.67
Oct-23	0.67
Nov-23	0.67
Dec-23	0.67
Jan-24	0.67
Feb-24	0.67
Mar-24	0.67
Apr-24	0.67
May-24	0.67
Jun-24	0.67

Name	Responsibility / Position	Location	Years at Firm	Years in Industry
Clinton Arentz	Executive Director, Lending & Property Assets	Brisbane	7.2	36.5
Mitch Larkin	Assistance Property Analyst	Brisbane	3.4	3.4
Mitchell Whiteley	Property Asset Manager	Sydney	0.6	6.4
Laurence Parisi	Fund Manager	Melbourne	0.1	21.9

Investment Team

The investment management team comprises four members who have, on average, around 17 years of experience. The team is headed by **Mr Clinton Arentz**.

Most of the investment team has been with Trilogy for a moderate time. The average tenure at the firm is 2.8 years.

Mr Laurence Parisi was brought into the business to assist Mr Arentz in the management of the existing Trilogy syndicates as well as the Trilogy Industrial Property Trust.

Mr Ryan Mooney (Manager, Property Fund) is now moved from full time employee to contractor. The Manager has advised that he is involved in the same duties as before.

The investment management team is split between Sydney, Melbourne and Brisbane, with research analysts located in Brisbane and the property asset management personnel and back-office support personnel located in the Sydney office.

The three property asset managers liaise with the external managing agents, JLL, CBRE, Knight Frank and Colliers and undertake periodic visits to the properties.

The **Property Investment Committee** is responsible for overall asset allocation and whether an acquisition/ disposal will proceed.

Research is primarily driven by the Manager – Property Funds and the property analyst, who then work with the Financial Controller to model the impact of purchase on either an existing scheme, if it were to be added, or disposed of.

Meeting Schedule

The table below shows regular meetings that form an essential part of the overall process.

Meeting	Agenda	Frequency	Participants
Meeting 1	Investment Committee Meeting	Weekly	Investment, John Barry, Rodger Bacon, Phil Ryan, Justin Smart, Tyler Appleby, Henry Elgood, Ryan Mooney, Clinton Arentz
Meeting 2	Internal staff meetings	Weekly	Various attendants, meetings between some or all of the Property Team

SQM Research believes the practice of constant communication and the broad-based inclusion of team members in decision-making is a vital ingredient to the success of the process. Interactive peer review and collaboration across a tightly knit group of experienced investors will likely make the best use of their combined intellectual property and shared history.

Staffing Changes

Departures		
Date	**Name**	**Responsibility**
16-Apr-21	Peter Gillings	Senior Portfolio Manager
20-Oct-21	Mitchell Molloy	Investment Analyst
06-May-22	Sonia Harding	Portfolio Manager
17-Jun-22	Robert Scott	Property Asset Manager

Departures		
Date	**Name**	**Responsibility**
25-Aug-22	Miguel Dennis	Senior Portfolio Manager
01-Nov-22	Andrew Gillespie	Senior Portfolio Manager
18-Nov-22	Darren Martin	Senior Portfolio Manager
24-Feb-23	Samuel Herring	Investment Analyst
28-Apr-23	Jack Leamon	Senior Property Analyst
11-Jul-23	Rafferty Parer	Investment Analyst
05-Oct-23	Suzanne Barber	Property Asset Manager
15-Dec-23	Aidan Brassil	Investment Analyst

Additions / Hires		
Date	**Name**	**New Responsibility**
22-Mar-21	Scott Morgan	Senior Portfolio Manager
14-Feb-22	Genevieve Naughton	Portfolio Manager
17-Oct-22	Ralph Cullen	Senior Portfolio Manager
21-Nov-22	Troy Bauer	Senior Finance Analyst
23-Jan-23	Craig Jamieson	Senior Portfolio Manager
14-Jul-23	Mark Lamond	Lending Committee Member & Chair of Workout Committee
24-Jul-23	Callum McFaul	Transactions Analyst
09-Jan-24	Ai (Jeen) Yeoh	Investment Analyst
02-Jan-24	Timothy Munro	Transactions Analyst
23-Oct-23	Mitchell Whiteley	Property Asset Manager
1-Jul-24	Laurence Parisi	Fund Manager

SQM Research observes that the levels of investment experience and company tenure are strong across the investment team. The size and nature of staff turnover are not an issue of concern, in SQM's view.

Remuneration and Incentives

Key investment staff receive a **salary** and a **short-term (quarterly) incentive** based on a balanced scorecard approach. Staff development is supported over the long term by training initiatives for certain members and broader exposure for the different property personnel to the decision-making forums.

Trilogy Funds encourages long-term staff development through regular training and development, including interdepartmental training that is designed to give staff members a broad overview of the business and exposure to wider career opportunities within the business. Training is supplemented by annual staff reviews to ensure ongoing monitoring and assessment.

SQM Research believes remuneration in the form of firm equity and client-focused performance bonuses act as strong incentives for optimising staff engagement, retention, and productivity. The intention (and SQM believes the effect) is to align staff performance with client and shareholder objectives. It focuses on the customers' needs and medium to long-term results.

Fees and Costs	Trust	Peer Avg**
Management Fee % p.a.	0.55%	1.08%
Estimated Expense Recovery/Other Costs % p.a.	0.27%	–
Performance Fee %	15.00%	10.67%
Total Cost Ratio TCR % p.a. (as per ICR)	1.66%	1.52%
Buy Spread %*	0.00%	0.40%
Sell Spread %* (on redemption)	2.50%	0.40%

* This spread is the difference between the Trust's application price and withdrawal price and reflects transaction costs relating to the underlying assets.

** Peer average is based on data provided by SQM's data provider. SQM is not responsible for any errors or omissions.

Management fee:

- Expressed as a percentage rate per annum of the Trust's Gross Asset Value ("GAV")
- Including GST and the impact of RITC (Reduced Input Tax Credit)

Performance fee:

There is a performance fee charged as follows:

- 15.0% of the portion of the outperformance of the Trust over an Internal Rate of Return ("IRR") of 9% per annum ("IRR Benchmark")
- Including GST and the impact of RITC (Reduced Input Tax Credit)
- The fee is payable in the event of the disposal of property, revaluation of a property and on every fourth anniversary of the settlement date
- There is no high watermark
- The performance fee will be calculated for the performance fee period. There are a number of triggers (sale of property, reval, etc.) that can be used as a trigger for a new performance fee period. Trilogy waited 4 years to take the first performance fee but has now switched to annual

Other Costs:

- ***Asset Origination Fees***:
  - Up to 2.0% of the gross purchase price of any property acquired.
  - This fee is payable to Trilogy for its efforts involved in locating a Property, negotiating its purchase, undertaking due diligence and raising the required equity in respect of the property
  - This fee is payable upon completion of the purchase of the property from the assets of the Trust
- ***Disposal and Administration Fee:***
  - 1.00% of the Disposal Price (Note 1*), or the Surplus Funds (being the amount, if any, by which the Disposal Price exceeds the Acquisition Cost (Note 2*)), whichever is the lesser
  - This fee is payable to Trilogy as an incentive to maximise the sale proceeds of the property and is equal to either
  - This fee will be applied or waived at the discretion of the Responsible Entity from time to time
- ***Leasing Up Fees:***
  - Up to 15.0% of the first year's rental income is payable by the tenant or occupier of a property
  - The Responsible Entity is entitled to be paid a leasing up fee for its work in arranging for a Property to be leased
  - This fee is payable to the Responsible Entity within three Business Days after entering into the lease or licence for the relevant tenancy
- ***Property Management Fees:***
  - Trilogy is entitled to a property management fee, should the management be undertaken by the Responsible Entity itself and not a person engaged by the responsible entity as the property manager

- Equal to the greater of 8.00% of the gross annual rental income received from the tenants of the Properties and 4.00% of the gross annual market rent of that property if it were fully leased

- ***Project Management Fees:***
  - Up to 10.0% of the value of each progress payment for refurbishment, building and construction work
  - The Responsible Entity is entitled to a project management fee if it arranges works to be carried out on a Property.
  - The fee is payable from the asset of the Trust at the time each progress payment for the refurbishment, building and construction works is made

- ***Termination Fees:***
  - In certain circumstances, if Trilogy ceases to be a responsible entity, then it may be entitled to a fee in accordance with the Constitution

**Note 1: Disposal Price means the net proceeds of the sale of the Property asset (being the gross proceeds of sale less the costs and disbursements incurred in the sale, including agent's commission, legal fees, advertising and auction expenses).*

**Note 2: Acquisition Cost means the total cost of the Property asset to the Trust, including purchase price, commission, stamp duties and borrowing and financial costs in relation to the acquisition, and other costs and disbursements and expenses incurred or to be paid by the Responsible Entity in connection with the acquisition of that asset for the Trust.*

Expenses

These are the day-to-day operational expenses of the Trust and the out-of-pocket expenses and other costs that Trilogy is entitled to recover from the Trust, including but not limited to expenses incurred in acquiring, valuing, holding or disposing of investments, issuing Units, convening and holding Investors' meetings, amending the Constitution of the Trust and establishing and maintaining registers and accounting records.

This also includes expenses incurred by Trilogy in respect of external service providers and advisers, including compliance costs and audit, accounting and legal fees. Trilogy is entitled to be reimbursed from the assets of the Trust as and when Trilogy incurs the relevant expense.

Adviser service fees

Under the Corporations Act, certain commissions and other similar payments are prohibited in the Australian financial services industry. In particular, payments that could influence financial product advice to retail clients may be prohibited.

Certain payments remain permitted, including payments to or from financial services licensees and representatives under ongoing arrangements that were in place before the Future of Financial Advice reforms were made, commission payments that are fully rebated to clients or payments made by a client to their financial adviser (or dealer group) for advice or the sale of a financial product.

The Responsible Entity will not make payments to a financial adviser or dealer group where it is prohibited from doing so.

If a client's financial adviser charges a fee in connection with the advice they may provide about an investment in the Trust, the financial adviser must tell the client about this fee, including the amount as well as how and when it is payable in accordance with the financial adviser's fee disclosure obligations under the Corporations Act.

In certain circumstances, Trilogy may arrange to pay amounts from the Application Money to the financial adviser as an adviser fee if the client directs them to do so.

Professional services fees

Trilogy is entitled to pay or agree to pay to any person (including any third party or related parties) property management fees, facilities management fees, managing agent's fees, and leasing and selling fees relating to the property. All such fees will be at normal commercial rates.

In circumstances where property management fees form part of the outgoings of the property, the fees may be recoverable, in full or in part, from tenants under the terms of their leases and to the extent this occurs, there will be no net cost to the Trust.

Differential fees

Trilogy may negotiate special fee arrangements with Investors who are wholesale clients pursuant to the Corporations Act, under which it reduces or rebates fees to those Investors.

Such special fee arrangements will not adversely impact the fees that are paid by other Investors.

Transaction and operational costs

Transaction costs are costs incurred by the Trust in relation to the acquisition and sale of a Property. They include brokerage, stamp duty, legal and tax advice and property settlement costs.

Transactional costs are to be distinguished from “operational’ costs, which relate to the maintenance of the property and include property management fees, rates, land tax, other statutory outgoings, maintenance expenses and other general outgoings.

These operational costs are borne in full by the tenants of the property and, therefore, have no impact on the assets of the Trust.

Variation and waiver of fees

Trilogy may waive or defer payment of its fees and costs in whole or in part. If it waives any fees and costs payable from the Trust, the amount available for distribution to Investors will increase.

Except as referred to below, Trilogy may cease its waiver or deferral of fees to which it is entitled at any time.

As of Jul 2021, Trilogy has waived the following fees (stated below, exclusive of GST):

- A transfer fee of up to 5% of the value of the Units transferred
- An application fee of up to 2.00% of the application amount in respect of any application
- A redemption fee of up to 5.00% of the redemption price of the Unit unless Trilogy determines. The fee is deducted from the redemption price
- A switching fee payable to the Trust by the Unit holder not exceeding 5.00% of the redemption price of the Unit unless Trilogy determines otherwise. The fee is deducted from the redemption price,
- A finance origination fee of up to 1.50% of the amount of any borrowing
- An annual management fee of up to 1.50% of the GAV of the Trust (Trilogy will only charge a portion of this fee, as set out above)
- An asset origination fee of up to 2.50% of the purchase price (Trilogy will only charge 2.00% of the purchase price)
- An investment disposal fee equal to 1.00% of the Disposal Price

SQM Research observes that:

- ***The Fund management fee is 0.50% p.a., which is 58.0 basis points lower than the peer group average of 1.08% p.a.***
- ***The Total Cost Ratio (TCR) is 1.66% p.a., which is 14.0 basis points higher than the peer group average of 1.52% p.a.***
- ***There are multiple additional fees that are not directly related to the performance of the Trust and which will potentially significantly diminish returns to investors***

SQM Research notes that there is no relevant industry benchmark for the Trust.

For the purposes of quantitative analysis, SQM uses the internal rate of return (IRR) of 9.00% p.a. as a reference index to provide context on the relative performance of the Trust.

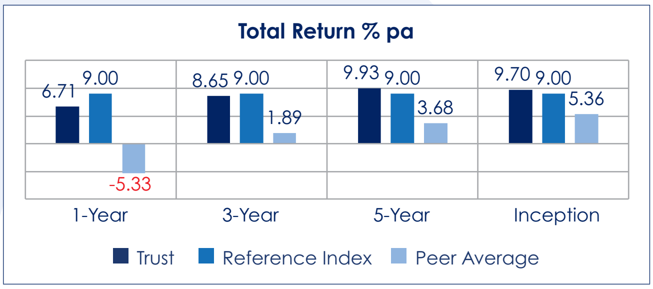
Risk/Return Data to 30 June 2024							
Total Return	**1-Month**	**3-Month**	**6-Month**	**1-Year**	**3-Year**	**5-Year**	**Inception**
Trust	0.14	0.38	1.33	6.71	8.65	9.93	9.70
Reference Index	0.72	2.18	4.40	9.00	9.00	9.00	9.00
Peer Average	-2.44	-3.27	-1.70	-5.33	1.89	3.68	5.36
Alpha	-0.58	-1.80	-3.07	-2.29	-0.35	0.93	0.70
Metrics				**1-Year**	**3-Year**	**5-Year**	**Inception**
Tracking Error (% p.a.) - Trust				2.80	2.45	2.96	2.67
Tracking Error (% p.a.) - Peer Average				11.44	11.18	10.56	10.10
Information Ratio - Trust				NM	NM	NM	NM
Information Ratio - Peer Average				NM	NM	NM	NM
Sharpe Ratio - Trust				NM	NM	NM	NM
Sharpe Ratio - Peer Average				NM	NM	NM	NM
Volatility - Trust (% p.a.)				2.80	2.45	2.96	2.67
Volatility - Peer Average (% p.a.)				11.44	11.18	10.56	10.10
Volatility - Reference Index (% p.a.)				0.00	0.00	0.00	0.00
Beta based on the stated Reference Index				.	.	.	.

Distributions reinvested. Returns beyond one year are annualised. Return history starts May 2018
Reference Index: 9.00% p.a.
*NM refers to "Not Meaningful

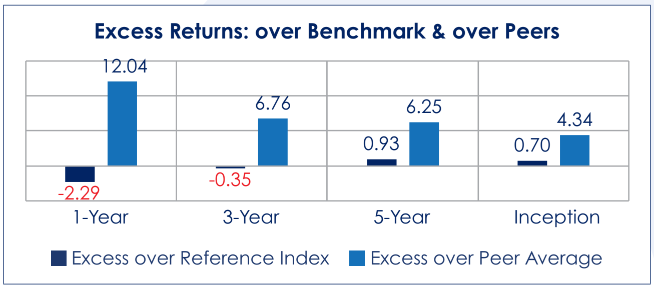
Quantitative Insight[1]

Note: Unless otherwise stated, all return and risk data reported in this section are **after-fees** and for **periods ending Jun 2024.**

Returns



Excess Returns (Alpha)



The Trust has displayed strong performance across all periods when compared with peers.

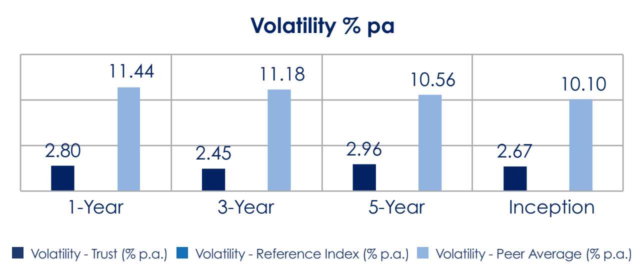
The Trust has underperformed against the reference index in 3-years and shorter periods. However, modestly outperformed in 5-year and longer periods.

The **return outcomes,** as described above are in line with the PDS objective and are consistent with SQM's expectations for the Trust relative to its fee level and volatility.

[1] **Note:** Sharpe and Information Ratios are not reliable comparison tools in periods where both the Trust and its peers/benchmark record a negative result

The Trust has moderately underperformed against the reference index in the last 1-year period, which contributed to the longer-term performance. SQM Research observes that the Trust has performed significantly well compared to the asset class performance.

Risk



The Trust's **volatility** (annualised standard deviation of monthly returns) has tended to be significantly lower than its peers.

The Ref Index has had zero volatility, as expected from inflation or cash-based indexes.

The significantly higher volatility of some of the funds in the peer group mix over the last 1-2 years has materially affected the volatility comparison figures (widening the gap between the Trust and the peer group) for all time periods.

SQM Research holds the view that the low volatility of returns often displayed by direct property funds should not be interpreted as implying that these funds have a low level of risk.

The low volatility of returns in this sector is an artificial construct caused by an absence of frequent mark-to-market valuation of a trust's assets and the accrual nature of these products.

Drawdowns

Drawdown Summary			
Drawdown Size (peak-to-trough)			
	Trust	**Ref Ind**	**Peers**
Average	-0.59%	–	-5.44%
Number	1	0	8
Smallest	-0.59%	–	-0.30%
Largest	-0.59%	–	-19.57%
Length of Drawdown (in months)			
	Trust	**Ref Ind**	**Peers**
Average	3.0	–	6.1

Length of Drawdown = time from peak to trough and back to the previous peak level

Average drawdowns have been materially better than the peer average.

The Ref Index has had zero drawdowns, as expected from inflation or cash-based indexes.

Correlation of Trust to Asset Classes

Market	3 years	Inception	Market Indexes
Aust Bonds	+43.2%	+22.1%	Bloomberg AusBond Composite 0+Y TR
Aust Equity	+31.5%	+19.3%	S&P/ASX 300 TR
Global Bonds	+34.1%	+19.3%	Bloomberg Global Aggregate Hdg AUD
Global Equity	+24.6%	+18.5%	MSCI World Ex Australia NR AUD

Correlation Key

Low	High	Description
0%	20%	low, weak
20%	40%	modest, moderate
40%	70%	significant, material
70%	90%	strong, high
90%	100%	substantial

Tail Risk

*(The analysis in the table below looks at the **tail risk performance relationship of the Trust to the ASX300**, a practice that SQM has set as common across asset classes in Trust reviews. This approach recognises that for the large bulk of financial planner clients, their key traditional asset class **risk** regarding **size** and **volatility** is to Australian equities. Exploring that relationship is useful regardless of the asset class of the Trust itself, as it is helpful to understand how a Trust has acted in times of Australian equity market stress in terms of softening or exaggerating the negative performance experienced at such times.)*

The table below details the **largest negative monthly returns** for the ASX 300 **since the inception of the Trust**. This is compared to the Trust's performance over the same months.

Extreme Market Returns vs Trust Return Same Month

Index: S&P/ASX 300 TR **From May-18 to Jun-24**

Rank	Date	Market	Trust	Difference
1	Mar-20	-20.83%	+0.67%	+21.50%
2	Jun-22	-8.97%	+1.07%	+10.04%
3	Feb-20	-7.76%	+0.67%	+8.43%
4	Jan-22	-6.45%	+0.74%	+7.20%
5	Sep-22	-6.29%	+0.40%	+6.69%
6	Oct-18	-6.16%	+0.71%	+6.86%
7	Oct-23	-3.80%	+0.11%	+3.91%
8	Sep-20	-3.59%	-0.15%	+3.45%
9	Dec-22	-3.29%	+1.21%	+4.50%
10	Apr-24	-2.92%	+0.05%	+2.98%
Totals		**-70.08%**	**+5.48%**	**+75.55%**

			No. of Months
Correlation	-28.7%	Positive Return	9
Capture	-7.8%	Outperform	10

Tail Risk Observations:

The data in the table above indicate that the Trust displays substantial **defensive characteristics** in the face of extreme Australian equity tail risk.

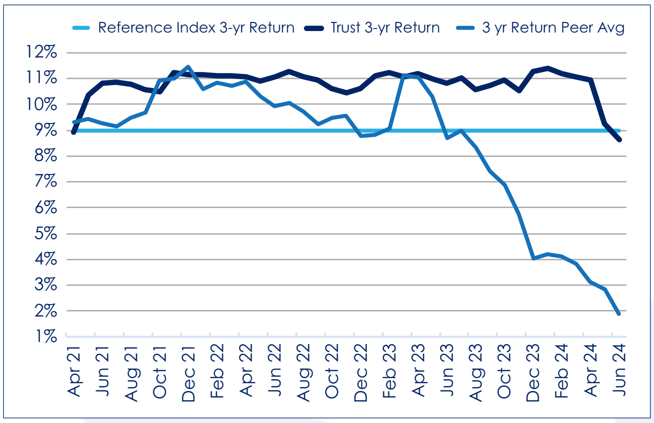
Annual Returns

Year	Trust	Reference Index	Peer Avg	vs. Bench	vs. Peers
2019	+10.69	+9.00	+11.26	**+1.69**	**-0.58**
2020	+8.27	+9.00	+5.63	**-0.73**	**+2.64**
2021	+14.59	+9.00	+19.20	**+5.59**	**-4.61**
2022	+9.15	+9.00	+4.02	**+0.15**	**+5.13**
2023	+10.14	+9.00	-5.37	**+1.14**	**+15.51**
Jun-24	+1.33	+4.40	-1.47	**-3.07**	**+2.80**

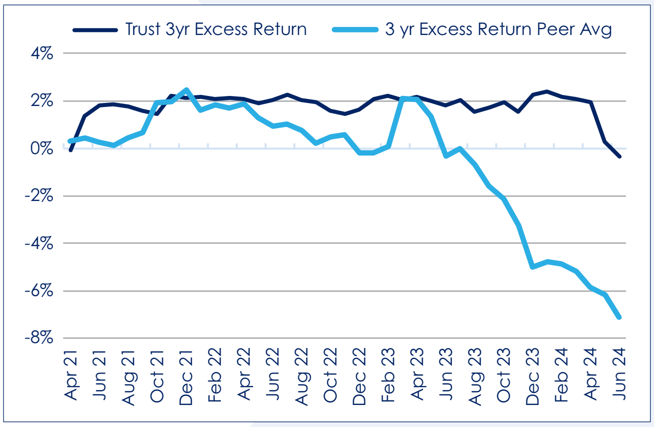
2024 data = 6 months ending Jun-24

Return and Risk

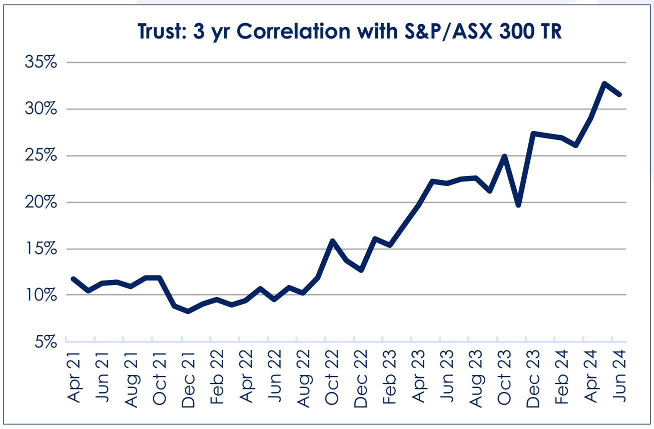
Rolling Returns



Rolling Excess Returns

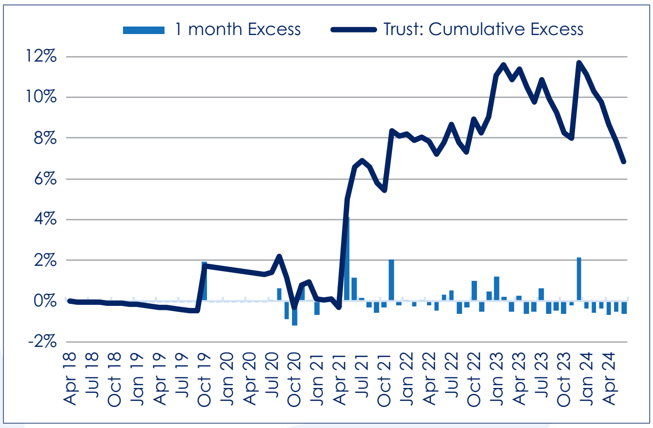


Rolling Correlation



Return and Risk

Cumulative Excess Returns



The table below outlines limits on the Trust's asset allocation and other risk parameters: -

Trust Constraints and Risk Limits	Permitted Range or Limit
Property Type	
Direct property allocation range	100%
Unlisted property trust allocation range	0%
Listed property allocation range	0%
Fixed interest allocation range	0%
Look-through cash allocation range	0%
Fund level cash allocation range	0%

Top 10 Tenants*

Top 10 Tenant Exposures	Weight (based on net lettable area)
Modern Star Pty Ltd	16.26%
Komatsu Australia	9.58%
Downer EDI Engineering Power	9.42%
Pantex	8.05%
Cougar Mining Group	6.47%
Tyremax Pty Ltd	5.73%
Mineral Technologies	5.50%
Amart Furniture Pty Ltd	5.38%
Stoddard Group	5.30%
Tempur Australia Pty Ltd	5.15%

* As reported to SQM on the return of the RFI – holdings will change over time.

Drawdown

A drawdown tracks the path of the Trust's accumulated NAV (with dividends reinvested). It is measured over the period of a peak-to-trough decline and the subsequent recovery back to that previous peak level. The total return over that entire period is, of course, zero. The metric of interest, the drawdown itself, is quoted as the percentage change between the peak and the trough over that period. Funds typically have multiple drawdowns of varying size and length over their lifetime. The table above shows how many drawdowns have occurred and their average peak-to-trough size.

Alpha

SQM defines **Alpha** as the excess return compared to the Benchmark and is calculated as

Alpha = Fund Return – Benchmark Return

A General Note on Distributions for Managed Funds

The Responsible Entity of a Managed Fund will provide for a regular schedule of distributions, such as monthly/ quarterly/semi-annual or annual. This is subject to the Trust having a sufficient distributable income. The official total distributable income available to pay to investors is determined for the period of that Fund's financial year. By distributing the net taxable income of the Trust to investors each year, a Fund itself should not be liable for tax on its net earnings.

If a Fund makes distributions more frequently than once over the financial year, those distributions will be based on estimates of the distributable income for that distribution period. The final total amount of distributable income available for passing on to investors can only be calculated after the close of the financial year based on the Trust's taxable income for that year.

If the total distributions a Fund pays out exceed total taxable income for that particular financial year, the excess amount may be treated as a return of capital rather than income. This will possibly have tax implications for the investor.

Due to the considerations outlined above, there may be periods in which no distributions are made, or a Fund may make additional distributions.

A Fund's ability to distribute income is determined by the performance of the Trust and general market conditions. Accordingly, there is no guarantee that a Fund will make a distribution in any distribution period.

Total Cost Ratio (TCR)

Managed Investment Schemes: The TCR for Managed Investment Schemes, Exchange Traded Products, and Investment Bond funds is an addition of the Investment Management Fees and Costs (including admin fees), Performance Fee Costs, and the impact of dollar-based fees.

Superannuation funds: The TCR for Superannuation and Pension funds is an addition of the Investment Management Fees and Costs (including admin fees), Performance Fee Costs, Administration Fees and Costs, the impact of dollar-based fees and a deduction of Super OTC Derivative Costs.

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