

CANNON HILL OFFICE TRUST NOTICE TO INVESTORS – 3 SEPTEMBER 2025

We appreciate your investment in the Cannon Hill Office Trust (the Trust), and we are committed to providing clear and timely updates as we finalise the winding up process.

The Cannon Hill Office Trust's asset at 38 Southgate Avenue, Cannon Hill, was sold on 15 August 2025. We would like to take this opportunity to share a summary of the asset and Trust's performance throughout the life of the investment, as well as next steps regarding wind-up of the Trust.

2017: Launch and acquisition

The Cannon Hill Office Trust was launched on 17 May 2017, to raise capital for the acquisition of 38 Southgate Avenue, Cannon Hill. At the time, the property was considered a high-quality commercial office building supported by strong pre-COVID-19 fundamentals.

The property was fully leased on acquisition, secured by three well-regarded tenants: Compass Group (43% of NLA), Orica Australia (37% of NLA), and GM Holden (20% of NLA) and with a healthy weighted average lease expiry (WALE) of 5.05 years by income. It offered 55 metres of prime street frontage within the Southgate Corporate Park, a precinct that provided immediate access to major transport links including the Gateway Motorway, Brisbane Airport, the Port of Brisbane, and Brisbane's Central Business District.

An initial \$10.45 million drawdown was made on a loan facility and \$14.70 million was raised in equity from investors.

The asset was acquired on 8 September 2017 for \$22.65 million, with \$1.40 million in acquisition costs, including stamp duty, legal and property registration fees. An additional \$1.1 million in trust establishment costs included asset origination, PDS preparation, legal and accounting fees, research and valuation fees and working capital of \$200,000.

At an initial asset value of \$22.65 million and debt of \$10.45 million, the initial loan-to-valuation ratio was 46%.

2017 - 2020: Pre-COVID-19 performance

From October 2017 until late 2019, the Trust, and the asset, performed as expected. During this time, the Trust delivered the 7.25% p.a. target distribution consistently each month.

In late 2019, an original tenant, GM Holden, vacated their tenancy, exercising an early termination clause in their lease. GM Holden's departure did not immediately impact distributions. The Trust continued to deliver the 7.25% p.a. target distribution every month until October 2020 – 36 months after the first distribution.

We launched a campaign to fill the tenancy and commenced negotiations with the remaining tenants regarding possible expansions to their tenancies.

2020 - 2022: Pandemic conditions hit office markets

The first case of COVID-19 was documented in Australia on 21 January 2020. On 29 January 2020, the Queensland Government declared a public health emergency. Subsequently, on 6 February 2020, the Public Health (Declared Public Health Emergencies) Amendment Bill passed, giving the Chief Health Officer and other authorities the power to restrict people from leaving their homes and / or moving about in the community.

On 2 April 2020, the Queensland Chief Health Officer issued the Home Confinement Direction, requiring individuals to remain in their homes except for essential shopping, medical, health or caregiving and restricted exercise. Work that could be conducted remotely was required to be conducted from home. This ushered in an expansive and swift shift in the way white collar work is carried out, with most white collar workers working from home. This slashed

Brisbane office utilisation rates to 51% of pre-COVID-19 levels in April 2020.

Between 2020 and 2022, office utilisation rates fluctuated with various COVID-19 variant waves, and associated Government directives. At its worst, Brisbane office utilisation slumped as low as 13% of pre-COVID-19 levels.

Generally, office tenants continued to pay rent during this period, despite the underutilisation. However, market-wide underutilisation meant that landlords had to compete more aggressively to fill vacant space or renew leases.

With the Orica lease scheduled to expire in December 2020, there was a need to accumulate capital to meet the 40% incentive rate that was standard in the market at the time.

In October 2020, Trust distributions were reduced from 7.25% p.a. to 5.00% p.a. to further facilitate capital accumulation. This enabled the retention of Orica as a tenant, albeit at a significantly reduced effective rent due to the subsisting market conditions.

The distribution rate was further reduced to 3.00% p.a. in May 2021, where it remained for 41 months, reflecting weaker market conditions and the need to accumulate further capital to assist with filling the vacancy left by GM Holden.

In December 2021, we successfully leased part of the space vacated by GM Holden to Compass Group, another original tenant. Given market conditions at the time, the incentives associated with the new lease amounted to 39%.

2022 - 2023: Post COVID-19 tightening

Since COVID-19, the suburban office market has followed a very different trajectory to pre-pandemic years. The unforeseen implications of the COVID-19 pandemic triggered structural shifts in workplace dynamics. The adoption of remote working, while initially a reaction to Government health directives, proved to have lasting implications on tenant demand and, therefore, office sector performance.

This structural change in tenant demand coincided with the development of oversupply conditions in Brisbane's fringe and suburban markets, with new office developments and refurbishments adding stock to these markets at an inopportune time.

Compounding these headwinds, in May 2022, the Reserve Bank of Australia commenced its most aggressive tightening cycle on record, lifting the official cash rate target from 0.10% to 0.35%. Over the course of that tightening cycle, the RBA would increase rates 13 times, peaking at 4.35% in November 2023.

This had three key consequences:

1. It increased the Trust's cost of servicing the debt, when hedging put in place at the beginning of the term rolled off into significantly higher interest rates.
2. It reduced investor appetite, as higher yields on lower risk investments such as term deposits were weighed against office and other commercial property investments which carry higher risks. In short, higher interest rates make lower risk investments more appealing relative to higher risk investments. The resulting movement of capital impacts asset valuations.
3. It increased the cost of capital, directly impacting valuations across all asset classes.

This was also the environment in which we were still campaigning to lease the remaining area vacated by GM Holden. In June 2023, the remainder of the vacated space was leased to a new tenant, Mindray Medical. It involved \$116,000 of fit out costs and a 24% rental abatement.

2024 - present: Structural reset

Effectively, office as an asset class has repriced, with suburban office particularly exposed.

Vacancy and supply pressures mean tenants now hold strong negotiating leverage. Incentives, which include rent-free periods, fit-out contributions, or discounted effective rents, are at historically high levels:

In Brisbane's fringe markets specifically, reported incentive rates in Q1 2025 were:

- South Brisbane: 40%
- Inner West: 45%
- Fortitude Valley: 39%

These elevated incentive levels compress effective rents and reduce cash flows, directly impacting net operating income, distributions and asset values.

These headwinds compounded the impact that the RBA's unprecedented tightening cycle had on the cost of servicing debt against the asset. As a result of these financial challenges, the distribution rate was reduced in October 2024 to 0.50% p.a.

2025: Asset sale

On 15 August 2025, sale of the Trust's asset settled at a final sale price of \$22,000,000. Although this outcome is below the original 2017 purchase price, it is notably higher than the most recent independent valuation of \$18,000,000 recorded in September 2024.

Wind-up processes are still underway, and the associated costs will affect the final amount of capital available for distribution. At this stage, we estimate \$8,996,089 will be returned to investors, though this figure may change as the wind-up progresses.

The final unit price of the Trust will be determined once all wind-up costs have been taken into account. Based on initial capital raised of \$14,700,000 and the current estimated return of \$8,996,089, the unit price is estimated to be:

$$\mathbf{\$8,996,089 \div 14,700,000 \text{ units} = \$0.6120}$$

The chart and table below illustrate how acquisition and establishment items, capital works, management and leasing activities, and disposal considerations have impacted the estimated capital available for return to investors. The chart also highlights the total cents per unit distributed to investors over the life of the investment.

Impact on return over the 8 year investment term



Impact on investor capital

	Impact on capital raised	Impact on unit price over Investment Term
Inception	\$14,700,000	\$1.00
Asset acquisition	(2,482,529)	(0.17)
Stamp Duty on Acquisition		
Asset Acquisition Fee		
Professional Fees		
Capital expenditure, asset management & leasing costs	(2,179,998)	(0.15)
Capital works		
Incentives / Tenant Rental Abatement		
Rental guarantees		
Asset Disposal, Associated Costs & Trust Wind Up Costs	(\$1,041,383)	(\$0.07)
Loss on sale price		
Sales commission		
Other adjustments & wind-up costs		
Estimated net assets for distribution to investors	\$8,996,089	\$0.61

**Estimates only. Every effort has been made to ensure these numbers are accurate.*

We will continue to keep investors informed as further information becomes available and final calculations are confirmed.

Next steps

With the sale of the asset now settled, our focus shifts to finalising the affairs of the Trust. Sale proceeds will first be applied to repay debt and meet immediate obligations, including settlement and transaction costs.

When a trust of this nature closes, capital is typically returned in two or three tranches. In the case of the Trust, we expect the first tranche to represent most of the remaining investor capital (57 to 59 cents per unit), and to be distributed within the next 7 to 10 business days. The balance will be retained to meet wind-up costs, regulatory filings, and statutory obligations, including audit and tax requirements. This will involve the preparation of the Trust's final accounts, a six-monthly audit, and the completion of the 2026 tax return and associated investor tax

statements.

Subject to these processes, we expect to pay the second and final tranche prior to the end of the 2025 calendar year. However, while our aim is to conclude all wind-up processes by the end of the year, if elements extend into the 2026 calendar year, we will remain obliged to complete the necessary statutory filings, including a full year audit, before paying a third and final tranche.

We want to thank you for your patience and support throughout the life of the Trust. Despite actively managing the asset through COVID-19 and the prolonged impacts it has had on the market, we acknowledge the outcomes are disappointing.

We remain committed to transparency and will continue to keep you informed as we finalise the remaining steps.

For further information, please contact the Trilogy Funds Investor Relations team on 1800 230 099 or via investorrelations@trilogyfunds.com.au.

Yours sincerely,

Trilogy Funds Management Limited