

NOTICE TO INVESTORS - TRUST UPDATE MILTON OFFICE TRUST

Thank you for your investment in the Milton Office Trust. We recognise it has been some time since our last update, and during this period we have been working extensively to navigate challenging market conditions and achieve the best possible outcome for investors. We are now in a position to share an important development: the asset at 16 Marie Street, Milton, is under an unconditional sale contract. In this update, we'll outline the details of the sale and provide context on the Trust's performance and the factors that led to the sale outcomes.

2018: Launch and acquisition

The Milton Office Trust was launched in September 2018 to raise capital for the acquisition of 16 Marie Street, Milton, a six-storey commercial office building located in Brisbane's Park Road fringe precinct.

The Trust acquired 16 Marie Street with an occupancy rate of 89%, supported by a two-year vendor rental guarantee over the balance. The largest tenant, SuperConcepts, an AMP subsidiary, occupied two full floors, accounting for around 35% of the net lettable area.

The remainder of the building was leased to a diverse mix of professional tenants including Oniqua, Atira, MR Cagney, Ridgemill and Katestone, providing a well-spread income profile.

The gross income generated by the existing tenancy was sufficient to forecast distributions of 7.50% per annum.

The building itself was of high quality, holding a 4-star NABERS Energy rating and the Park Road fringe precinct is one of Brisbane's most tightly held office markets, where vacancy at the time was just 5.71%. This compared favourably to vacancy rates more broadly in the Brisbane fringe market, which had peaked at 14.5% in mid-2018, and was expected to fall.

The asset benefits from exceptional connectivity, with convenient access to Coronation Drive, Milton Road, Park Road, the Inner City Bypass, Milton Ferry Terminal, the Bicentennial Bikeway and Milton Train station.

Adding further weight to the investment thesis was the significant program of infrastructure investment in play, or proposed. The scale of investment provided tailwinds for the local economy and also promised significant connectivity improvements around the city. It included transformative infrastructure projects such as the \$3.0 billion Queens Wharf project, the \$5.3 billion Cross River Rail project, the \$1.0 billion Brisbane Metro, the \$2.0 billion Brisbane Live proposal, and the \$1.0 billion International Cruise Ship Terminal.

The tailwinds facing Brisbane's economy and office market were attracting a lot of attention at the time, with the local fringe office market turning over \$535 million in transactions taking place across the prior 12 months.

Together, these fundamentals formed a compelling case for stable income and potential capital growth.

The Trust acquired the property for \$25.5 million, in line with the valuation received at the time, funded through equity raised from investors and a debt facility with an initial loan-to-valuation ratio of approximately 50%.

2018 - 2019: Early performance

In its early years, the Trust performed in line with forecasts, delivering the targeted 7.50% p.a. distribution. Tenants met their obligations and occupancy remained stable.

When the Katestone and Ridgemill leases expired in 2019, both tenants were retained on new leases with 20 to 25% incentives. While incentives have a negative effect on net rental income, these incentive rates were favourable compared to market rates at the time. Leasing campaigns were also undertaken to backfill space, supported by the vendor rental guarantee.

2020 - 2021: Pandemic conditions and structural shifts

The onset of the COVID-19 pandemic had significant impacts on the national office market, including the Milton precinct. With the widespread adoption of work-from-home arrangements, tenant demand declined sharply and leasing activity slowed, shifting bargaining power towards tenants in lease negotiations.

By late 2020, the Oniqua and Atira leases had expired, coinciding with the end of the rental guarantee provided at acquisition.

In early 2021, Trilogy Funds Asset Management Pty Ltd (the Investment Manager), a related party to the Responsible Entity, advanced \$320,000 as an interest free loan to the Trust to support the LVR position and maintain covenant compliance with Suncorp.

Leasing campaigns were undertaken to re-let the Oniqua and Atira spaces, which were not filled until the second half of 2021 and required incentives of 47% and 43% respectively, broadly in line with market rates for similar assets.

During this period, distributions were reduced to 3.00% p.a., as incentives, marketing costs and high vacancy weighed on net income.

To further preserve cashflow, the Responsible Entity ceased charging management fees.

2022 - 2023: Rising interest rates and valuation impacts

From May 2022, the Reserve Bank of Australia commenced its most aggressive tightening cycle on record, lifting the official cash rate from 0.10% to 4.35% across 13 consecutive hikes. This created several challenges for the Trust.

Debt costs rose sharply as the fixed-rate facility expired and was reset at higher market rates. Valuations also declined, reducing headroom on loan covenants. Investor demand for office assets weakened materially during this period, with higher yields available from lower-risk alternatives such as term deposits.

In late 2022, following three months of unpaid rent, we terminated MR Cagney's lease and initiated the process of refitting the premises and securing a new tenant. In August 2023, MR Cagney entered voluntary administration, and we subsequently pursued the outstanding amounts owed as a creditor through that process. These challenges coincided with the expiry of the Ridgemill and Katestone leases. To stabilise the Trust, a number of proactive measures were taken.

The Ridgemill tenancy was renewed with a 25% incentive. Extensive leasing campaigns secured new tenants, including Blue Apache, which occupied the space previously covered under the rental guarantee, and COHO Group, which took over roughly one-third of Katestone's former tenancy. Both new leases required incentives of around 40%.

As a result of these efforts, occupancy was rebuilt to approximately 90%, with a WALE of around four years.

Towards the end of 2023, however, the distribution rate was reduced to 0.50% p.a. to preserve capital.

2024 - 2025: Market stabilisation and current status

With the termination of MR Cagney's lease in late 2022, and the expiry of the AMP lease in 2024, new tenants Homefront and CMP Engineers were secured to occupy those spaces. Both leases required incentives of 44%, reflecting prevailing market conditions.

In the first half of 2024, the Investment Manager provided a further \$480,000 loan to the Trust to support capital needs and address LVR covenant breaches. Throughout this period, the Responsible Entity also continued to work closely with Suncorp, maintaining a constructive relationship.

In mid-2025, the distribution rate was reduced to 0.00% p.a. Around this time, the Investment Manager advanced an additional \$300,000, bringing the total loan support to \$1.1 million. This facility has since been forgiven by the Investment Manager, and repayment will not be sought.

The Trust is currently around 90% occupied, with leasing campaigns underway to address the remaining ground floor vacancy. The asset retains its 4-star NABERS rating and continues to benefit from its strong location close to the Brisbane CBD and major transport links.

Suncorp has extended the Trust's loan facility to early 2026, providing sufficient time to position the asset for sale under more favourable market conditions.

2025: Asset sale

Colliers and Knight Frank were appointed to run a formal marketing campaign which concluded in July 2025. After several offers were received, the Investment Manager negotiated with the highest bidder to agree to the current offer.

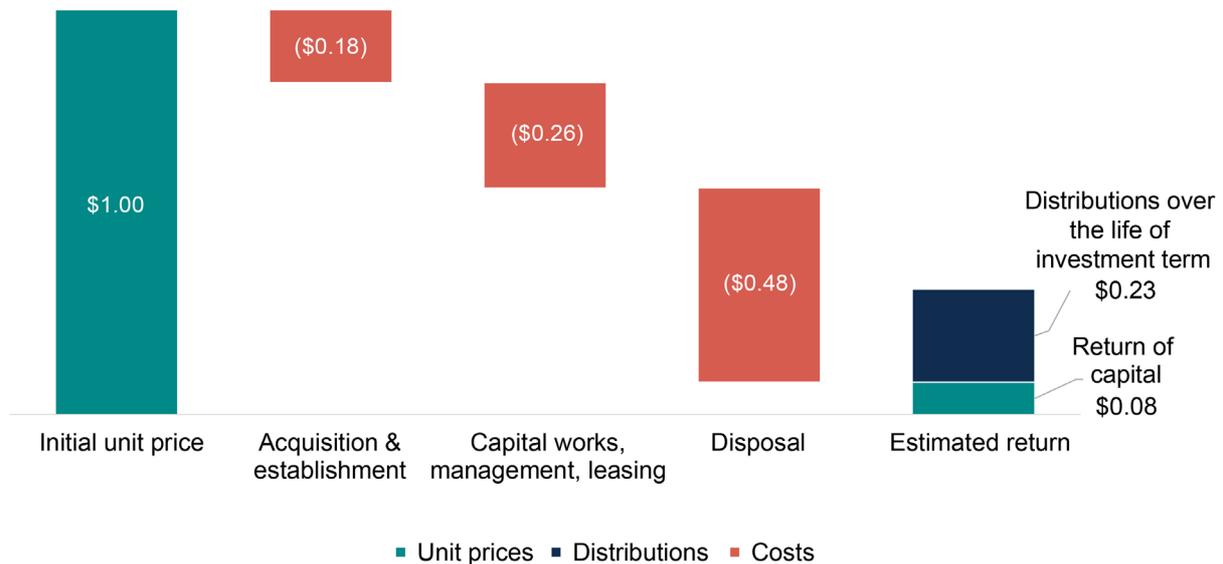
A Contract of Sale for \$19,686,155 pre-adjusted for outstanding incentives, rental guarantee and capital expenditure requirements, went unconditional in November. The transaction is scheduled to settle in mid-December.

The final unit price of the Trust will be determined after the sale is complete, the debt facility has been closed and once all wind-up costs have been taken into account. Based on initial capital raised of \$15.5 million and the current estimated return after the settlement of Suncorp's \$14.0 million debt facility, the unit price is estimated to be:

$$\mathbf{\$1,307,831 \div 15,555,000 \text{ units} = \$0.08}$$

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 seven year investment term



Impact on investor capital over life of ownership

	Impact on capital raised	Impact on unit price over Investment Term
Inception	\$15,555,000	\$1.00
Asset acquisition:		
<i>Stamp Duty on Acquisition</i>		
<i>Asset Acquisition Fee</i>	(\$2,780,153)	(\$0.18)
<i>Professional Fees</i>		
Capital expenditure, asset management & leasing costs:		
<i>Capital works</i>		
<i>Incentives/Tenant Rental Abatement</i>	(\$3,999,690)	(\$0.26)
<i>Rental guarantees</i>		
Asset Disposal, Associated Costs & Trust Wind Up Costs		
<i>Loss on sale price</i>		
<i>Sales commission</i>	(\$7,467,326)	(\$0.48)
<i>Other adjustments and wind-up costs</i>		
Estimated net assets for distribution to investors	\$1,307,831	\$0.08

*Estimates only. These figures are based on information available at the time of preparation, but may be subject to change.

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

Next steps

Our focus now shifts to finalising the sale of the asset and winding up the affairs of the Trust.

After settlement, 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, should this sale proceed successfully, we would expect the first tranche to represent most of the remaining investor capital (0.08 cents per unit), and to be distributed within the next month after settlement. 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.

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 230 999** or via investorrelations@trilogyfunds.com.au.

Yours sincerely,

Trilogy Funds Management Limited

This communication has been prepared by Trilogy Funds Management Limited (Trilogy Funds) ABN 59 080 383 679 AFSL 261425 as issuer of units in the Milton Office Trust (Trust) ARSN 618 676 074. This Trust is closed for new investment. This advice is general advice only and does not consider your objectives, financial situation or needs. You should consider whether the advice is suitable for you and your personal circumstances and we recommend that you seek personal financial product advice on your objectives, financial situation or needs before making any investment decision. You should understand the risks and seek personal advice from a licensed financial adviser before making an investment decision. The Trust is not a bank deposit and Trilogy Funds does not guarantee its performance. Past performance is not a reliable indicator of future performance.