TRILOGY

Milton Office Trust

BENCHMARKS AND DISCLOSURE PRINCIPLES REPORT FOR ASIC REGULATORY GUIDE 46

AS AT 30 MAY 2021

TRUST

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The following report describes each of the benchmarks and disclosure principles set by ASIC RG 46 – Unlisted Property schemes – improving disclosure for retail investors against which Trilogy Funds Management Limited ABN 59 080 383 679, AFSL 261425 (Trilogy) as the responsible entity of the Milton Office Trust ARSN 612 052 490 (Trust) must report on a regular basis.

PLEASE NOTE THAT ALL FINANCIAL DATA IS CURRENT AS OF 30 MAY 2021 (UNLESS STATED OTHERWISE).

The table refers to each benchmark and explains how and to what extent Trilogy satisfies it, as well as its disclosures against the disclosure principles. This report must be read in conjunction with the information in the product disclosure statement for the Trust dated 24 September 2018 (PDS).

IMPORTANT NOTE

In preparing the information contained in this Benchmarks and Disclosure Principles Report, Trilogy has not taken into account your particular investment objectives, financial situation or needs. You should consider the PDS and consider obtaining advice as to whether investing in the Trust is appropriate for you in light of your particular objectives, situation and needs before making a decision. Investment in the Trust is subject to investment risk as noted in the PDS. Past performance is not a guarantee of future performance.

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Benchmarks

The table below sets out:

- the benchmark; and
- how and to what extent Trilogy complies with the benchmark and if not, why not.

RG PARAGRAPH NUMBER	BENCHMARK 1: GEARING POLICY	TRILOGY MEETS THE BENCHMARK
46.31	The responsible entity maintains and complies with a written policy that governs the level of gearing at an individual credit facility level.	Trilogy has and complies with such a Gearing Policy. Its policy is that the level of gearing must not exceed 0.6.
	BENCHMARK 2: INTEREST COVER POLICY	**TRILOGY MEETS THE BENCHMARK**
46.36	The responsible entity maintains and complies with a written policy that governs the level of interest cover at an individual credit facility level.	Trilogy has and complies with such an Interest Cover Policy. The key points in this policy are that Trilogy: 1. maintain an interest cover ratio of not less than 1.1 times adjusted EBITDA in accordance with RG 46.71 formula; and 2. maintain an interest cover ratio of not less than 2.2 times unadjusted EBITDA in accordance with the finance facility.
	BENCHMARK 3: INTEREST CAPITALISATION	**TRILOGY MEETS THE BENCHMARK**
46.41	The interest expense of the scheme is not capitalised.	The interest expense of the Trust is not capitalised.
	BENCHMARK 4: VALUATION POLICY	**TRILOGY MEETS THE BENCHMARK**
46.45	The responsible entity maintains and complies with a written valuation policy that requires: a. a valuer to: i. be registered or licensed in the relevant state, territory or overseas jurisdiction in which the property is located (where a registration or licensing regime exists), or otherwise be a member of an appropriate professional body in that jurisdiction; and ii. be independent; b. procedures to be followed for dealing with any conflicts of interest; c. rotation and diversity of valuers; d. valuations to be obtained in accordance with a set timetable; and e. for each property, an independent valuation to be obtained: i. Before the property is purchased: a. For development property, on an 'as is' and 'as if complete' basis; and b. For all other property, on an 'as is' basis; and ii. Within two months after the directors form a view that there is a likelihood that there has been a material change in the value of the property?	Trilogy maintains and complies with a written valuation policy that requires: a. a valuer be a member of an appropriate professional body in the relevant state or territory in which the property is located, or otherwise be a member of an appropriate professional body in that jurisdiction and be independent; b. procedures to be followed for dealing with any conflicts of interest; c. rotation and diversity of valuers; d. valuations to be obtained in accordance with a set timetable; and e. for each property, an independent valuation be obtained before the property is purchased on an 'as is' and/or 'as if complete' basis as applicable and within two months after the directors form a view that there is a likelihood that there has been a material change in the value of the property. Trilogy complies with its Valuation Policy. A summary of the key points in the policy is in section 2.8 of the PDS. A copy of the Valuation Policy is available for Unit Holders on the Trilogy website www.trilogyfunds.com.au or for a printed copy contact Investor Relations.

RG PARAGRAPH NUMBER	BENCHMARK 5: RELATED PARTY TRANSACTIONS	TRILOGY MEETS THE BENCHMARK
46.53	The responsible entity maintains and complies with a written policy on related party transactions, including the assessment and approval processes for such transactions and arrangement to manage conflicts of interest.	Trilogy maintains and complies with its written policy on related party transactions. The key points are as follows: • Any transaction involving a related party shall be on terms and conditions no more favourable to the related party than those which it is reasonably expected would be the case if the benefit directly or indirectly was paid to a third party dealing at arm's-length in the same circumstances and on commercial terms. • Before any related party transaction is entered into, the Board will satisfy itself that the fees to be paid to the related party are approximately equivalent to what would be paid to a third party at arm's-length for the same goods or services. • The Board will also satisfy itself, and obtain legal advice if there is any doubt, that all the relevant factors in determining whether the proposed related party transaction falls within the 'arm's length' exception in the Corporations Act have been taken into account. The Board and the Compliance Committee for the Trust monitor Trilogy's compliance with its related party transactions policy and procedures. Please contact Investor Relations for more detail on Trilogy's related party transactions policy and procedures.

	BENCHMARK 6: DISTRIBUTION PRACTICES	TRILOGY MEETS THE BENCHMARK
46.57	The scheme will only pay distributions from its cash from operations (excluding borrowings) available for distributions.	The Trust only pays distributions from its cash from operations (excluding borrowings) available for distributions. .

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Disclosure Principles

The table below sets out:

- the disclosure principles; and
- the relevant disclosures of Trilogy.

RG PARAGRAPH NUMBER	DISCLOSURE PRINCIPLE 1: GEARING RATIO	TRILOGY'S DISCLOSURE
46.62	Disclose the gearing ratio for the scheme calculated using the following formula: *Gearing ratio = total interest-bearing liabilities / total assets* The liabilities and assets used to calculate the gearing ratio are based on the scheme's latest board-reviewed management financial statements which in this case is 30 May 2021.	The Trust's gearing ratio is calculated as follows: Total interest-bearing liabilities $12,750,000 ÷ Total assets $22,775,952 **Ratio 0.54** *Please note that interest-bearing liabilities exclude capitalised borrowing costs.*
46.65	What does the ratio mean in practical terms and how can investors use the ratio to determine the scheme's level of risk.	The gearing ratio is also known as the 'Debt Asset Ratio'. The ratio measures the extent to which the acquisition of assets has been financed by creditors. If the ratio is less than 0.5, then the majority of a scheme's assets are financed using investor's equity. If the ratio is greater than 0.5, the majority of a scheme's assets are financed using debt. It gives an indication of the potential risks a scheme faces in terms of its level of debt.
	DISCLOSURE PRINCIPLE 2: INTEREST COVER RATIO	**TRILOGY'S DISCLOSURE**
46.71	Disclose the scheme's interest cover calculated using the following formula which is based on the latest board-reviewed management financial statements which in this case is 30 May 2021: *Interest cover = EBITDA* – unrealised gains + unrealised Losses / interest expense* *EBITDA (earnings before interest, tax, depreciation and amortisation)	When using the formula prescribed by RG46 and unadjusted EBITDA, the Trust's interest cover ratio is 2.13. This formula does not require the EBITDA to be adjusted for fair value movement of the interest rate swap associated with the finance facility. The Trust's finance facility requires EBITDA to be adjusted by all other fair value movements recorded by the Trust when calculating the interest cover ratio. The interest cover ratio calculated in accordance with the finance facility is as follows: EBITDA $1,746,760 +/- Adjustments **$1,746,760** ÷ Interest expense $548,394 **Interest Coverage Ratio 3.19**

RG PARAGRAPH NUMBER		
46.74	What does interest cover mean and how can investors use the interest cover ratio to assess the scheme's ability to meet its interest payments?	Due to a change in interpretation of accounting standards, distributions are no longer included in the calculation of earnings. Earnings are reflected in the EBITDA and adjusted EBITDA. The interest cover ratio is a measurement of the number of times a scheme could make its interest payments with its earnings before interest and taxes. A high interest cover ratio means that a scheme is easily able to meet its interest obligations from profits. Similarly, a low value for the interest cover ratio means that a scheme is potentially in danger of not being able to meet its interest obligations.

DISCLOSURE PRINCIPLE 3: SCHEME BORROWING

46.78

Disclose:

a. for each debt that will mature in 5 years or less – the aggregate amount owing and the maturity profile in increments of 12 months;

b. for debts that mature in more than 5 years - the total amount owing;

c. the amount (expressed as a percentage) by which either the operating cash flow or the value of the asset used as security for the facility must fall before the scheme will breach any covenants in the credit facility;

d. for each credit facility –

i. the aggregate undrawn amount;

ii. the assets to which the facility relates;

iii. the loan-to-valuation (LVR) and interest cover covenants under the terms of the facility;

iv. the interest rate of the facility; and

v. whether the facility is hedged;

e. details of any terms within the facility that may be invoked as a result of scheme members exercising their rights under the constitution of the scheme; and

f. the fact that amounts owing to lenders and other creditors of the scheme rank before an investor's interests in the scheme.

TRILOGY'S DISCLOSURE

a. $12,750,000 (as at 30 May 2021)
The Trust entered into an interest only commercial bill facility with Suncorp-Metway Limited on 13 December 2018. The facility has a three-year term (expiry date of 30 November 2021 and comprises two interest components, being a facility margin and a variable Bank Bill Swap Bid Rate yield rate (all payable quarterly in arrears). To limit the Trust's exposure to interest rate fluctuations Trilogy entered into an interest rate swap arrangement on 13 December 2018 to fix the variable base rate for a term of 3 years (expiry date of 30 November 2021). Upon expiry of the three-year commercial bill facility Trilogy will seek to enter into a new commercial bill facility.

b. Not applicable.

c. The current LVR of the Trust is 54.72%. If the Trust's property value falls by 0.51%, the Trust will be in breach of the finance facility covenant. The value of the Trust's adjusted EBITDA (calculated as required by the finance facility) must fall by 24.96% in order for the Trust to breach its interest cover ratio covenant. The adjusted EBITDA reflects the movement in the value of the interest rate swap associated with the finance facility.

d. i. Facility One – $12,750,000

ii. The facility is secured by all the assets of the Trust which includes the property situated at 16 Marie St, Milton, QLD, 4064.

iii.
- LVR covenant = 55.00%.
- LVR = 54.72% (based on the facility limit and the most recent independent valuation approved by the Trust's financier, dated July 2020).
- Interest Cover covenant = 2.20.
- Interest Cover = 3.20 (refer to paragraph 46.71 for calculation).

iv. 4.35% (as at 30 May 2021)

v. The Trust does not have any designated hedging instruments in accordance with AASB 139 Financial Instruments: Recognition and Measurement, however as detailed in section 46.78 (a) Trilogy has entered into an interest rate swap arrangement to limit the Trust's exposure to interest rate fluctuations.

e. Not applicable.

f. The payment obligations to lenders and other creditors of the Trust rank before an investor's interest.

RG PARAGRAPH NUMBER		
46.79	Where debt and credit facilities are to mature within 12 months, disclose the prospects of refinancing or other possible alternative actions (e.g. sales of assets or further fundraising).	The Trust's finance facilities, Facility One and Facility 2, are not due to expire until 30 November 2021.
46.80	Explain any risks associated with the debt maturity profile, including whether borrowings have been hedged and if so, to what extent.	The maturity profile of the Trust's finance facility is considered low risk as both facilities will expire on 30 November 2021. There are no hedging derivatives.
46.81	Disclose information about breaches of loan covenants that is reasonably required by investors. Update any information about the status of any breaches.	The Responsible Entity is working through several covenant breaches with the financier, Suncorp-Metway Limited, with respect to the interest cover ratio and the occupancy rate of the building. The responsible entity has secured two new tenants which satisfies the leasing covenant breach and the interest cover ratio breach. A related party to the responsible entity has finalised an arrangement where the interest on the finance facility is provided for under an unsecured loan extended by an associate of the responsible entity. This facility has no interest rate payable and will gradually be repaid as the Trust's cashflow improves due to the two new tenancies. We continue to work hard on letting the remaining vacant space within the building and will update investors as developments occur.

DISCLOSURE PRINCIPLE 4: PORTFOLIO DIVERSIFICATION

46.87

Disclose the current composition of the scheme's investment portfolio, including:

a. properties by geographic location by number and value;

b. non-development properties by sector (e.g. development projects, industrial, commercial, retail, residential and development projects) by number and value;

c. for each significant property, the most recent valuation, the date of the valuation, whether the valuation was performed by an independent valuer and, where applicable, the capitalisation rate adopted in the valuation;

d. the portfolio lease expiry profile in yearly periods calculated on the basis of lettable area or income and where applicable, the weighted average lease expiry;

e. the occupancy rate(s) of the property portfolio;

f. for the top 5 tenants that each constitutes 5% or more by income across the investment portfolio, the name of the tenant and percentage of lettable area or

g. a clear description of any significant non-direct property assets of the scheme, including the value of such assets.

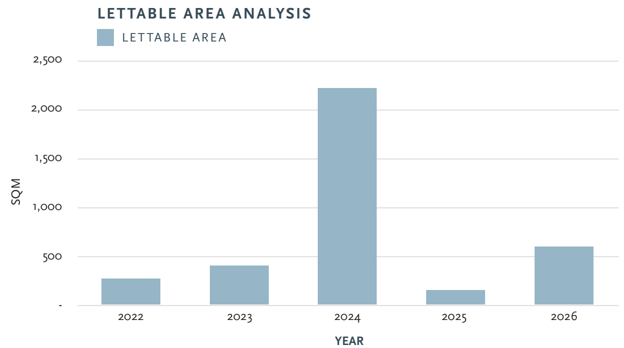
TRILOGY'S DISCLOSURE

a. The Trust's property portfolio consists of a single asset which is an investment property located at 16 Marie Street, Milton, QLD, 4064.

b. The property is an office space. At 30 May 2021 the property had a carrying value of $22,505,166, recognised at cost in accordance with AASB 116 Property, Plant and Equipment.

c. The most recent valuation of $23,300,000 was dated 10 August 2018 and was conducted by Jones Lang LaSalle.

d. The lease expiry profile as at 30 May 2021 in yearly periods, calculated on the basis of net lettable area (NLA) is shown as follows:



The Trust's weighted average lease expiry based on NLA is 2.62 as at 30 May 2021.

e. The occupancy rate is 92%. There are 7 tenants.

RG PARAGRAPH NUMBER

46.87 *(cont.)*

f. **TOP 5 TENANTS BY INCOME**

TENANCY	LESSEE	% OF GROSS INCOME
3 & 4	Superconcepts	44.99%
1.A	MR Cagney	16.00%
G.A	Veris Australia	10.47%
1.B	Katestone	9.75%
G.A	Ridgemill	6.41%

TOP 5 TENANTS BY NET LETTABLE AREA

TENANCY	LESSEE	% OF NLA
3 & 4	Superconcepts	34.71%
5	Veris Australia	15.05%
1.A	MR Cagney	11.35%
2.A	Blue Apache	10.73%
G.A	Katestone	9.80%

As disclosed in the 30 June 2019 Annual Report, a fire safety risk assessment identified the property's external cladding was deemed to have poor fire-resistant qualities which will necessitate that partial or full replacement of the cladding materials. The Responsible Entity continues to monitor local, state and federal guidance as well as consider the impact of any rectification works on the Trust, should they be required. An update will be provided to investors on Trilogy's website once this has been finalised.

g. None

46.88

Disclose the scheme's investment strategy on the above matters, including its strategy on investing in other unlisted property schemes, whether the scheme's current assets conform to the investment strategy and an explanation of any significant variance from this strategy.

The Trust is a closed-end, single property managed investment scheme. Trilogy aims to provide Investors with a predictable and sustainable income stream, which is partially tax deferred. Trilogy fixed the variable base rate of the Trust's current finance facility for a period of five years. A loan to valuation ratio of 50.00% reduces the Trust's exposure to increased funding costs.

Trilogy also seeks to increase the value of the Trust through hands-on management of the Property and a well-defined exit strategy aimed at unlocking maximum value.

The current tenancy rate of 92% conforms with the initial investment strategy. There is no current intention to invest in other unlisted property schemes.

RG PARAGRAPH NUMBER		
46.89	In relation to any property development, disclose: a. the project timetable with significant milestones; b. a description of the status of the development against the key milestones identified; c. funding arrangements; d. pre-sale and lease pre-commitments where applicable; e. whether the loan-to-valuation ratio for the asset under development exceeds 70% of the 'as is' valuation of the asset; and f. the risks associated with the property development activities being undertaken.	There are no development commitments at this time.
	DISCLOSURE PRINCIPLE 5: RELATED PARTY TRANSACTIONS	**TRILOGY'S DISCLOSURE**
46.98	Disclose the following on any related party transaction: a. the value of the financial benefit; b. the nature of the relationship (how the parties are related for the purposes of the *Corporations Act 2001*); c. whether the arrangement is on 'arm's length' terms; d. whether scheme member approval has been sought and, if so, when; e. the risks associated with the related party arrangement; and f. whether the responsible entity is in compliance with its policies and procedures for entering into related party transactions for the particular related party arrangement, and how this is monitored.	a. The total amounts of fees and costs paid, in accordance with arrangements, during the period ended 30 May 2021 was $21,950. b. As set out in Section 10.1(g) of the PDS, Trilogy has engaged the services of related parties. c. The arrangements Trilogy has with its related parties are on arm's length terms. d. Not applicable. These arrangements are on arm's length terms and were entered into before the issue of units and as such no member approval was obtained. e. Related party transactions and conflicts of interest risk are addressed by Trilogy in accordance with its Conflicts of Interest Policy. f. Trilogy complies with its policies and procedures as to related party transactions and conflicts of interest. The Board and the Compliance Committee monitor this compliance in accordance with the relevant policy.
	DISCLOSURE PRINCIPLE 6: DISTRIBUTION PRACTICES	**TRILOGY'S DISCLOSURE**
46.102	Where a scheme has made or forecasts to make distributions to members, disclose: a. the sources of the distributions (e.g. from cash from operations available for distribution, capital, unrealised revaluation gains); b. the source of any forecast distributions; c. whether the current distribution or forecast distributions are sustainable over the next 12 months; d. if the current or forecast distribution is not solely sourced from cash from operations (excluding borrowings) available for distribution, the sources of funding and the reason for making the distribution from these other sources; e. if the current or forecast distribution is sourced other than from cash from operations (excluding borrowings) available for distribution, whether this is sustainable over the next 12 months; and f. the impact of, and any risks associated with, the payment of distribution from the scheme from sources other than cash from operations (excluding borrowings) available for distribution.	a. Trilogy intends to fund distributions from cash from operations available for distribution for the remaining life of the Trust. b. Trilogy has not forecast the amount of any future distributions. c. Trilogy expects the current distribution rate to be sustainable over the next 12 months. d. See (a) above. e. See (a) above. f. The Trust will not pay distributions from sources other than cash from operations.

RG PARAGRAPH NUMBER	DISCLOSURE PRINCIPLE 7: WITHDRAWAL RIGHTS	TRILOGY'S DISCLOSURE
46.104	Are investors given the right to withdraw from the scheme? If yes, answer the following questions: a. whether the constitution of the scheme allows investors to withdraw from the scheme, with a description of the circumstances in which investors can withdraw; b. the maximum withdrawal period allowed under the constitution for the scheme (this disclosure should be at least as prominent as any shorter withdrawal period promoted to investors); c. any significant risk factors or limitations that may impact on the ability of investors to withdraw from the scheme (including risk factors that may impact on the ability of the responsible entity to meet a promoted withdrawal period); d. a clear explanation of how investors can exercise their withdrawal rights, including any conditions on exercise (e.g. specified withdrawal periods and scheme liquidity requirements); and e. if withdrawals from the Scheme are to be funded from an external liquidity facility, the material terms of this facility including any rights the provider has to suspend or cancel the facility.	There are no withdrawal rights in this Trust.

DISCLOSURE PRINCIPLE 8: NET TANGIBLE ASSETS

46.108 The Responsible Entity of a closed-end scheme should clearly disclose the value of the net tangible assets (NTA) of the scheme on a per unit basis in pre-tax dollars.

NTA = Net assets – intangible assets +/- any other adjustments / Number of units in the scheme on issue

The NTA calculation should be based on the scheme's latest board-reviewed management financial statements which in this case is 30 May 2021.

TRILOGY'S DISCLOSURE

Net tangible assets per unit is calculated as follows:

	Net assets	$9,109,350
	Adjusted for:	
	Impairment Adjustment	$2,445,849
	Straight-line	-$101,946
	Swap derivative liability	$706,500
	Adjusted NTA	**$12,159,754**
÷	No. of units	15,555,000
	NTA per unit (i)	**$0.78**

RG PARAGRAPH NUMBER		
46.110	The responsible entity should disclose the methodology for calculating the NTA and details of the adjustments used in the calculation, including the reasons for the adjustments.	Please note that the calculation above has been made using the independent valuation dated July 2020 as this reflects the current market value of the property.
46.111	The responsible entity should also explain to investors what the NTA calculation means in practical terms and how investors can use the NTA calculation to determine the scheme's level of risk.	It is important to note that the NTA represents an estimate of the per unit value at a particular point in time. The NTA includes estimates of certain costs which may vary.

Date of Issue – 30 May 2021