Core Property
Fund Research & Ratings
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Unlisted Property Fund Report

MPG Regional Cities Property Trust

August 2021

Regional property fund with diversified portfolio of essential government and social infrastructure tenants, targeting 7.0% p.a.+ distributions

MPG Regional Cities Property Trust

Contents

About Core Property Research

Core Property Research Pty Ltd was established in July 2017 to provide market leading and insightful research on the property funds sector for its clients and investors. Our ratings and research cover sector level research, ratings and recommendations on listed and unlisted property funds, and is built upon the extensive research experience of its staff.

The Core Property team collectively, has over 50 years' experience across property, financial services and investment markets. The team has also evaluated over 500 different funds across multiple sectors and a range of investment structures over the last decade.

IMPORTANT NOTICE

For further information, please refer to the Disclaimer & Disclosure notice at the end of this document.

MPG Regional Cities Property Trust

August 2021

The MPG Regional Cities Property Trust ("the Trust") was established in February 2018 by MPG Funds Management Limited ("the RE" or "the Manager") which was established in 2002 and has over $850M of property assets under management.

The Trust provides an opportunity to invest in a portfolio of properties leased to essential government services and social infrastructure tenants. The Trust aims to provide regular income distributions to investors from properties located in regional Australian cities that are benefitting from improved infrastructure and economic growth. The Trust's strategy has proven to be resilient with average distributions of 7.03% p.a. paid over the past three years. This is supplemented by capital growth in the unit price due to property valuation gains.

The RE is seeking to expand the portfolio by acquiring an additional property. The RE intends to raise $15M through the issue of 15M units at $1.00 per unit ("the Offer"). The proceeds will be used in combination with debt to acquire 101 Sturt Street, Townsville QLD ("the Property"). The Property is a fully leased two-storey A-grade office building located in the heart of Townsville with the majority of income sourced from government tenants.

The acquisition of the Property will boost the property portfolio to $139.6M, diversified across 15 properties with 100% occupancy. The tenancy profile is strong, providing a highly secure and predictable rental income to support distributions. Around 91.2% of the portfolio income is from government or government funded agencies with average rent increases of 3.1% p.a. across the portfolio. The portfolio has a weighted average lease expiry (WALE) of 4.4 years. Around 46% of rental income will fall due before June 2025. The Manager believes there is a high probability of tenants renewing leases and is working with tenants ahead of lease expiries to maintain high occupancy levels across the portfolio.

The Trust will also invest a total of $5.7M in units of the MPG Retail Brands Trust ("RBPT") a fund managed by the RE. The investment represents 3.9% of the Trust portfolio. The investment in RBPT is forecast to deliver a 7.25% p.a distribution yield for FY22. Core Property notes that the Trust's investment in RBPT is mainly to minimise the effect of lower returns from holding surplus cash (which delivers little or no return) and manage the Trust's working capital returns. The RBPT units are to be acquired from the McMullin Group (related party of MPG) at $1.00 per unit with an agreement to sell back to McMullin Group at the greater of $1.00 per unit or the NTA per unit.

The Manager has a conservative approach to debt. The Loan To Valuation Ratio (LVR) is estimated at 40% on settlement, within the Trust's target to be under 45% and well below the bank LVR covenant of 55%. Around 50% of debt is hedged, reducing interest rate risk.

Fees paid by the Trust are in line with industry peers and funds rated by Core Property.

The Manager is targeting distributions of 7.05% p.a. and 7.15% p.a. in FY22 and FY23 respectively.

Core Property estimates the Trust to deliver an Internal Rate of Return (IRR) of between 7.6% - 10.4% p.a. (midpoint 9.0% p.a.) over the remaining four years of the initial term of the Fund. Our calculation is based on no additional acquisitions and a +/- 25bps of interest and capitalisation rates. The analysis includes the potential that investors may receive a capital gain or loss, based on market conditions.

The Trust has four years remaining on its initial term, which ends in July 2025. At the end of the initial term, investors will be offered an opportunity to exit or extend the term of the Trust for a further seven years. Investors who wish to exit should be able to do so although this is contingent of the RE's ability to meet redemptions via new equity subscriptions or asset sales.

The RE maintains and complies with a written policy on related party transactions to manage conflicts of interest and satisfies ASIC's continuous disclosure requirements.

Investor Suitability

Core Property considers the Fund will appeal to investors seeking regular 7.0%+ p.a. distribution yield, supported by a portfolio of regional properties predominantly leased to government tenancies. Capital returns will be dependent on the RE's ability to maintain the strong tenancy profile of the portfolio as well as overall market conditions. The Trust is illiquid and investors should be prepared to remain invested until the expiry of the initial investment term in July 2025.

Recommended

See the Appendix for a description of our ratings. The above rating must be viewed in the context of comparable Funds and not across all products

Trust Details	
Offer Open:	1 June 2021
Offer Close[1]:	30 September 2021
Min. Investment:	$10,000, multiples of $5,000 thereafter
Unit Entry Price:	$1.00 per unit
Net Tangible Asset per unit:	$0.94 per unit[2]
Liquidity:	Illiquid
FY22 Forecast Distribution:	7.05 cpu[3]
FY23 Forecast Distribution:	7.15 cpu[3]
Distribution Frequency:	Quarterly
Investment Period:	4 years remaining to 1 July 2025

1. Indicative only. The RE has reserved the right to close the Offer early or extend the Offer.
2. Estimate pro forma including the acquisition of the Townsville QLD property.
3. Based on the RE's forecasts

Trust Contact Details

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Director
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Note: This report is based on the MPG Regional Cities Property Trust Product Disclosure Statement dated 1 June 2021, together with other information provided by MPG Funds Management.

Key Considerations

Management: The Trust is managed by MPG Funds Management, a specialist property fund manager which was established in 2002. MPG has a 19-year track record with more than $850M of property assets under management across 14 property trusts in six states of Australia. MPG originally evolved from the McMullin Group to leverage off their development expertise and pipeline of properties and now sources these opportunities independently.

Trust Term: The Trust has an initial term of 7-years, commencing in February 2018 until July 2025. The Trust will continue to acquire properties in the remaining three year period provided the acquisition is earnings accretive. At the end of the initial term, unitholders will be offered an option to redeem their investments or extend for an additional term of seven years.

Trust Strategy: The Trust invests in properties with essential government services and social infrastructure tenants. The Trust aims to provide regular income distributions to investors from properties located in regional Australian cities that are benefitting from improved infrastructure and economic growth.

The Offer and NTA: The Manager is looking to issue 15M new units in the Trust at an issue price of $1.00 per unit. Units will be offered to existing unitholders to ensure their interests are not diluted, as well as to new investors. Since inception, all units in the Trust have been issued at $1.00 per unit. New units in the Trust will also be issued at $1.00 per unit which provides all investors with an equal entry price. Assuming a full subscription of units under the Offer, the RE estimates the Net Tangible Assets to be maintained at $0.94 per unit reflecting the impact of stamp duty, Manager's fees, and issue costs.

Property Portfolio: The Trust will acquire the City Point building at 101 Sturt St, Townsville QLD for $26M. The Property is a 2-storey building providing 5,047 sqm of net lettable area, including office and retail space. The Property is 100% occupied with the majority of income from government entities, and a weighted average lease expiry (WALE) of 5.0 years. The acquisition will increase the investment portfolio to 15 properties valued at $139.6M, with robust property metrics: (1) 100% occupancy, (2) a WALE of 4.4 years, (3) 91.2% of income is sourced from government or government funded tenancies, and (4) average portfolio rent increases of 3.1% p.a. Investors should expect the portfolio metrics to change as further properties are acquired and expiring leases are renewed.

Debt Profile: The portfolio has a debt facility, with indicative terms to extend the facility to include the Townsville QLD property. The Loan to Valuation Ratio (LVR) on settlement is estimated to be 40%. This is below the Trust's target of less than 45% and provides a good buffer against the bank LVR covenant of 55%. The initial Coverage Ratio (ICR) of 5.3x is above the ICR covenant of 2.0x.

Distributions: The Manager is targeting distributions of 7.05% p.a. in FY22, increasing to 7.15% p.a. in FY23.

Fees: Core Property considers the fees to be in line with industry peers.

Total Returns: Core Property estimates the Trust to deliver an IRR of 7.6% - 10.4% p.a. (midpoint 9.0% p.a.) over the four years to July 2025 (the balance of the initial term of the Trust). The estimate is based on the Trust's sensitivities (+/- 25bps sensitivity to the cost of debt and capitalisation rates, see the Financial Analysis section).

Related Party Transactions: The Trust also invests in the MPG Retail Brands Property Trust, a related fund also managed by MPG. The RE has clearly defined policies and independent compliance committee to manage any conflicts of interest that arise. The Trust satisfies all of ASIC's six benchmarks and complies with ASIC's guidelines on continuous disclosure requirements.

Liquidity: The Trust does not have a withdrawal facility. Investors should consider an investment in the Trust to be illiquid and expect to remain fully invested at least until the end of the initial term expiry in July 2025. Approximately six months prior to the end of the initial investment term, investors will be given the option to exit or elect to extend the Trust for a further seven years. Investors who choose to exit the Trust will be given the option to do so, however this may take up to 3 years if an asset sale is required.

Investment Scorecard

Management Quality	★★★★☆
Governance	★★★☆☆
Asset Quality / Portfolio	★★★★☆
Income Return	★★★★☆
Total Return	★★★☆☆
Gearing	★★★★☆
Liquidity	★☆☆☆☆
Fees	★★★☆☆

Key Metrics

Fund Structure
A closed-ended unlisted property trust investing in a diversified portfolio of direct properties, unlisted property funds and cash. The Trust is a registered managed investment scheme with a strategy is to invest in properties leased to government and social infrastructure tenants in growing regional cities on the eastern seaboards of Australia.

Management
The RE, MPG Funds Management Ltd and parent entity McMullin Group have over 40 years of commercial property investment, management and development experience.

Property Portfolio	
Target allocation:	Government Services and Social Infrastructure Property: 90 - 100% Cash/ Fixed Interest and other MPG managed investments: 0 – 10%
No of Properties:	15 (following proposed acquisition)
Valuation:	$145.2M[1] (following proposed acquisition)
Property Location by value:	QLD (51%), VIC (30%), NSW (19%)
Property Sector:	Commercial / Retail / Childcare
Key Tenant by NLA:	Commonwealth of Australia (43%), QLD Govt, (35%) VIC Govt (9%), Think Childcare (4%)
Occupancy	100%
WALE:	4.4 years as of 1 July 2021

Note 1: Includes 5.7M of units in RBPT.

Return Profile	
Forecast Distribution:	FY22: 7.05 cents per unit (7.05% p.a) FY23: 7.15 cents per unit (7.15% p.a.)
Distribution Frequency:	Quarterly, in arrears
Tax advantage:	FY22: est. 63% tax deferred FY23: est. 57% tax deferred
Estimated Levered IRR (pre-tax, net of fees):	7.6% - 10.4% p.a. (midpoint 9.0% p.a.)
Investment Period:	4 years to July 2025 (Remaining Term)

Risk Profile	
Property/Market Risk:	Capital at risk will depend on a portfolio of 15 properties in VIC, NSW and QLD, which may change via acquisitions. Investors will be exposed to a potential capital gain or loss, based on market conditions.
Interest Rate Movements:	Interest rates are expected to be hedged for at least 50% of the debt in the Trust. Any change in the cost of borrowings may impact the distributable income in the remaining term of the Trust.
Property Specific Risks:	Property investments are exposed to a change in vacancy rates, prevailing market rents, and economic supply and demand.

For a more detailed list of the key risks, refer to the "Investment Considerations and Risks" section of the Product Disclosure Statement.

Fees Paid	
Entry Fees:	Nil
Exit Fees:	Nil
Contribution Fee:	2.0% of the amount invested in the Trust.
End Fee (Property Disposal Fee):	2.0% plus GST of the net proceeds of sale, provided the net sale proceeds exceed the purchase price of the asset.
Replacement Fee:	2.00% of the GAV of the Trust if the RE is replaced.
Management Fees & Overall Expenses:	• 0.55% of GAV as Management Fee • 0.20% of GAV as Expenses (est.)
Performance Fee:	A fee of 15% of the outperformance over a 10% p.a. Internal Rate of Return at the expiry of each term.

Note 1: The Trust Deed allows an Establishment Fee of up to 5% of the initial purchase price of the asset, however the RE has confirmed that it will charge a maximum 2.0% for the Trust.

Debt Metrics	
Current Debt / Proposed Debt/ Facility Limit[1]:	$49.5M / $55.8M / $74.2M
Loan Period:	Expiry May 2026
Current LVR / LVR following acquisition/ Loan Covenant:	43.6% / 40% / 55%
ICR / ICR Covenant:	5.3x / 2.0x

Note 1: Indicative terms

Legal	
Offer Document:	Product Disclosure Statement,1 June 2021
Wrapper:	Unlisted Property Trust
Manager & Responsible Entity:	MPG Funds Management Ltd (ACN 102 843 809) AFSL 227114
Custodian:	The Trust Company Limited (ACN 004 027 749)

Overview

The MPG Regional Cities Property Trust ("the Trust") was established in 2018 to provide an investment in a diversified portfolio of properties secured by government and social infrastructure tenants located in some of Australia's fastest-growing regional cities on the eastern seaboard.

The Trust's Responsible Entity is MPG Funds Management Ltd ("RE" or "MPG") which is owned by interests associated by the McMullin Property Group. Established in 2002, MPG is a specialist property funds manager with a 19-year track record and currently has more than $850M of property assets under management, across 14 property trusts in six states of Australia. MPG originally evolved from the McMullin Group to leverage off their development expertise and pipeline of properties and now sources these opportunities independently.

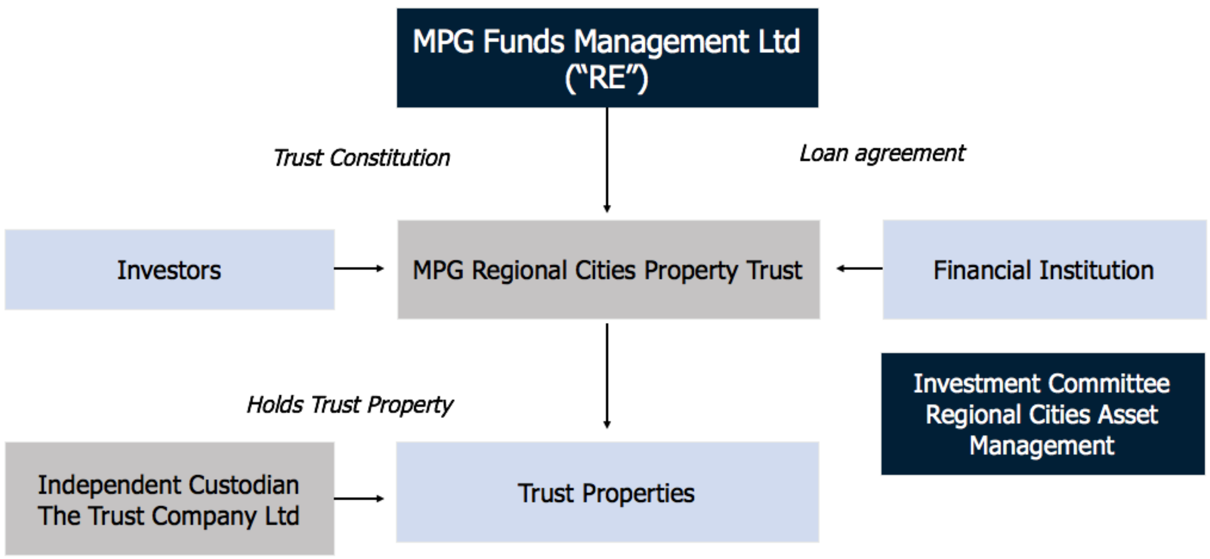
The Trust has an initial seven-year term, commencing in February 2018, with four years remaining to 1 July 2025. During the initial four years to July 2022 the Trust will look to acquiring properties anchored by government and social infrastructure tenants. The Trust will then manage the properties for the remaining three years to July 2025. At the end of the initial term investors will be provided an opportunity to exit the Trust or extend for a further 7-year term. Investors wishing to exit Trust at the end of seven years will be able to do so, however, if the Trust does not have liquidity to fund the repurchase of units, investors may need to wait up to an additional three years for the Trust to sell its assets.

The Trust currently holds $126.6M of assets, including 14 properties valued at $113.6M, a further $0.7M of units in a related fund, the MPG Retail Brands Property Trust ("RBPT") and $12.3M in cash.

The Trust is seeking to raise an additional $15.0M through the issue of 15.0M units at $1.00 per unit ("the Offer"). The proceeds will be used in conjunction with debt and existing cash, to acquire 101 Sturt Street, Townsville QLD for $26.0M ("the Property"). The Property will become the largest asset within the portfolio by value (18%). Following expected settlement in September 2021, the direct property portfolio will expand to $139.6M in size, with 100% occupancy and a WALE of 4.2 years (by income). Rental income is largely secured by government tenants, which comprise 91.2% of income across the portfolio.

The Trust will use a portion of the funds raised ($5.0M) to acquire an additional 5.0M units in the RBPT at $1.00 per unit. The total holding of $5.7M in RBPT will account for 3.9% of the investment portfolio. The units will be held by the Trust with the intention to be sold back to McMullin Group in order for the Trust to fund further acquisitions until July 2022. Core Property notes the Trust's investment in the MPG Retail Brands Property Trust is forecasted to provide a 7.25% p.a. distribution yield in FY22. This is currently above the Trust's own target distributions of 7.05% and 7.15% in FY22 and FY23 respectively.

Figure 1: Trust structure



Source: MPG, Core Property

Trust Strategy & Background

The Trust was formed from the MPG Property Fund which was established in October 2012. In February 2018 the Fund was restructured as the MPG Regional Cities Property Trust. Since February 2018 the Trust has raised a total of $78.9M in equity through the issue of 78.9M units at an issue price of $1.00 per unit. Distributions have been paid at an average of 7.0% p.a since September 2018. The initial net tangible asset backing was $0.86 per unit at establishment in 2018, and has increased to $0.94 per unit at June 2021.

The core investment objective of the Trust is to generate regular tax-advantaged income returns from a diversified portfolio of properties leased to essential government services and social infrastructure tenants. Social infrastructure properties are those that accommodate a social service which includes the sectors of Health, Education, Housing, Civic and Utilities, Public Transport and Corrections and Justice. Other assets comprise regional assets such as retail or office assets, as well as other MPG managed investments.

Properties will be located on the eastern seaboard of Australia in regional cities with a population in excess of 25,000 people and growing at greater than 1% p.a. The targeted regional cities will ideally have demonstrated government infrastructure spend, higher education facilities, transport and a growing local economy. The target portfolio allocations are set out in the table below.

Figure 2: Target portfolio allocation

Investment Class	Target Allocation
Essential Government Services and Social Infrastructure Property	90 – 100%
Cash / Fixed Interest / Other	0 – 10%

Source: MPG

The Existing Portfolio consists of $125.8M of assets, comprised of 14 direct properties valued at $113.6M, Cash at Bank of $12.3M and $0.7M of units in the MPG Retail Brands Property Trust (RBPT).

- Core Property notes the Fund holds $12.3M in Cash, as a result of prior oversubscriptions for units as well as units issued under the Distribution Reinvestment Plan. The Cash is expected to be deployed as part of the transaction to acquire the Townsville QLD property and acquire units in RBPT.
- The Fund currently holds $0.7M units in the RBPT and is looking to acquire a further $5.0M of units at $1.00 per unit. The Manager intends that the total investment of $5.7M will be held by the Fund and sold down to support further acquisitions through to the end of the investment term in July 2022. Core Property notes that the total investment in RBPT represents around 3.9% of the portfolio. The RBPT is targeting a distribution of 7.25% p.a. for FY22, which provides an attractive yield for the Fund compared to holding cash. The units in RBPT may be sold back to the McMullin Group at the Issue Price of $1.00 per unit or NTA, which the greater.

Unit Issue Price: The Trust currently has 78.9M units on issue, all issued at $1.00 per unit. New units in the Trust will be issued at $1.00 per unit which provides all investors with an equal entry price. Assuming a full subscription of units under the Offer, the RE estimates the Net Tangible Assets to be maintained at $0.94 per unit following the expected acquisition.

Future Property Acquisitions: The Manager has advised that any further acquisitions would require to fit the investment strategy, which targets social infrastructure properties up to $35M with each additional property capable of achieving comparable long term returns to the existing portfolio. Properties may be acquired by the Trust up until the end of the initial investment term in July 2022, and then held for the last three years of the initial term to July 2025. The Trust may also consider acquiring properties in the remaining three year period (July 2022 – July 2025) provided the acquisition is earnings accretive to the Trust beyond this point. Core Property expects any acquisitions may also require a further capital raising which would be undertaken on similar terms to the current Offer, to ensure an equitable allocation of acquisition costs to new investors. Core Property's review of the Trust is based on the properties identified in the current PDS.

Distribution Reinvestment Plan: The Trust currently operates a distribution reinvestment plan that allows unitholders to reinvest all or part of their distributions in the Trust through the issue of new units. The new units are issued at the prevailing Withdrawal Price on the payment date and is subject to a $1.00 minimum issue price.

Buy/Sell Spread: There is a buy/sell spread for investments and withdrawals from the Trust to meet costs associated with the proposed acquisition or selling of properties. The RE may introduce a buy spread for future offers that will apply to Application monies to reflect its estimate of the average cost of acquiring the investment in which it is mandated to invest.

Sources & Application of Funds

The PDS sets out the sources and application of funds under the terms of the Offer. Core Property notes the following:

- The Fund has existing cash of $12.3M which will be used in combination with new equity and debt to facilitate the transaction.
- Acquisition Costs of $1.7M consists mainly of stamp duty costs.
- The Fund intends to invest $5.0M of the proceeds in the related MPG Retail Brands Property Trust. The investment is intended to be a short-term investment, whilst the Fund seeks further acquisitions.

Figure 3: Source and Application of Funds

	$M	% of purchase price	% of total funds
Sources of funds			
Equity subscriptions	15.0	57.7%	44.6%
Cash on hand	12.3	47.3%	36.5%
Bank debt	6.4	24.5%	18.9%
Total sources of funds	**33.7**	**129.5%**	**100.0%**
Application of funds			
Purchase price	26.0	100.0%	77.2%
Acquisition Costs (incl Stamp Duty)	1.7	6.7%	5.1%
Debt Establishment Costs	0.3	1.1%	0.9%
Manager Fee	0.5	2.0%	1.9%
Issue Costs	0.1	0.4%	0.3%
Investment in unlisted funds (MPG Retail Brands Property Trust)	5.0	19.2%	14.9%
Total application of funds	**33.7**	**129.5%**	**100.0%**

Source: MPG, Core Property

Debt Facility & Metrics

The Fund has a target gearing to not exceed 45% for more than 12 months. The Fund's existing debt facility has a $50M limit, with $49.5M of drawn debt with a Loan To Valuation Ratio (LVR) of 43.6%.

The Manager has indicative terms to increase the facility to a $74.2M limit and intends to draw down an additional $6.4M on the facility to support the acquisition of the Property.

- The LVR is expected to reduce to 40.0%, providing a significant buffer to the bank LVR covenant of 55%. Core Property calculates the properties can withstand a 27.3% fall in value before the LVR covenant is breached.
- The Interest Coverage Ratio (ICR) is estimated to be 5.3x against a bank ICR covenant of 2.0x. Core Property calculates the Fund can withstand a 62.1% decline in income before it breaches the ICR covenant.

The Manager has confirmed the Fund has not breached any bank covenants to date.

It is also notable that the Trust has $0.7M of units in the MPG Retail Brands Property Trust, which is expected to increase to $5.7M by 30 September 2021. These units may be called upon to fund the purchase of additional properties or to pay down debt if required. The units were acquired from the McMullin Group with an agreement to be sold back at the $1.00 per unit issue price or NTA, whichever the greater.

Figure 4: Debt Metrics

Details	Metric
Bank	Commonwealth Bank of Australia
Security	First ranked mortgage secured against the directly owned properties, with general security agreement over all assets in the Trust.
Current Drawn Debt / Debt on completion of Acquisition / Debt Facility Limit	$49.5M / $55.8M / $74.2M
Loan Expiry	May 2026
% Hedged	50% (current and future)
Estimated all-in cost of Debt	3.0% p.a. (incl the hedging costs)
Current LVR / LVR following acquisition / LVR Covenant	43.6% / 40% / 55%
Initial interest covered ratio / ICR covenant	5.3x / 2.0x
Amount by which valuation will have to fall to breach LVR covenant	27.3%
Decrease in rent income to breach ICR covenant	62.1%

Source: MPG, Core Property

Liquidity / exit strategy

The initial term of the Trust is seven years, with four years remaining to 1 July 2025. The investment should be viewed as a medium-term investment, with investors unable to apply for withdrawal unless an offer is made by the RE. The RE has advised that they are under no obligation to make a withdrawal offer throughout the term. Full liquidity will be provided to unitholders at the end of the current term.

At the end of the current term: When approaching the end of the investment term, July 2025, the RE will issue a Term Extension Proposal Letter whereby Unitholders will be given the opportunity to sell their Units or extend the term of their investment. As a result of this first right of refusal it may take up to 12 months from the date of the Term Extension Proposal Letter to exit the Trust. The RE's determined price per Unit will be based on Net Asset Value of the Trust from an independent valuation, less estimated selling costs determined by the RE.

- If 100% of investors wish to exit the Trust, the Trust will be wound up, its assets realised, and the net proceeds will be distributed to Unitholders.
- If all investors wish to remain in the Trust, then the Trust will continue for an extended seven-year period. Investors who do not respond to the Term Extension Proposal will be deemed to have elected to remain in the investment for the extended period.
- If some investors wish to remain and some investors wish to exit the Trust, then the following process will be undertaken:
  - Investors who wish to withdraw will have their units offered to other existing unitholders in proportion to their existing unit holdings. Existing unitholders will have 60 days to respond to the offer.
  - If the units are not fully subscribed by the existing unitholders, the remaining units will be offered as a Secondary offer to existing unitholders on a "first come, first served" basis. Unitholders will have 60 days to accept the offer.
  - If the Secondary Offer is not fully subscribed, the RE may invite applications from other parties. As a result of this process, it may take up to 12 months from the date of the term Extension Proposal Letter to exit the Trust (or longer if the Trust must be wound up as described below).
  - If any units remain unpurchased after six months from the date of the Secondary Offer, the RE will resolve to wind up the Trust and distribute proceeds to unitholders. The RE has two years to realise the assets (or longer if reasonably necessary). As such, it may take up to three years (or longer if necessary) from the date of the Withdrawal Offer contained in the Term Extension Proposal to the realisation of the assets.

There is no other means of providing liquidity in the Trust and investors should treat the Trust as an illiquid investment.

Fees Charged by the Trust

Overall, Core Property considers the fees charged by the Fund to be in line with what is typically seen in the market.

- New investors in the Trust will incur a Contribution Fee of 2.0%. This Fee is deducted from amounts contributed to the Trust and represents the estimated impact of acquisition costs and debt establishment costs for the proposed acquisitions.
- Total Management Fees of 0.75% of GAV are at the low end of what Core Property has typically seen for similar funds (0.70% - 1.10% of GAV).
- The Performance Fee is calculated at 15% of the outperformance above an IRR of 10%. Core Property considers the Performance Fee to offer an appropriate incentive for the Manager to outperform. We note the Fee of 15% to be below what is typical for unlisted funds (20%) and the hurdle rate of 10% is at the high end of what we have seen for similar funds (8% - 10%).
- The RE has confirmed that it does not charge any additional fees on funds that it already manages. As such, there is no double counting of fees on the investment in the MPG Retail Brands Property Trust.

Figure 5: Summary of Fees charged by the Trust

Fee Type	Fee Charged	Core Property Comment
Entry/Establishment Fee:	Nil	
Exit/Withdrawal Fee:	Nil	
Contribution Fee:	2.0% of contributed amount[1].	This fee is deducted from amounts contributed by investors. The fee represents the estimated fees and costs associated with acquiring an asset and setting up the capital structure for the acquisition.
Management Fee:	0.75% p.a. of the Gross Asset Value of the Fund, comprising: • Base management fee of 0.55% p.a. of the Gross Asset Value (excluding investments in property trusts); and • Other costs and expenses estimated at 0.20% p.a. of GAV.	Core Property considers this to be at the low end of what we have typically seen in the industry (0.7% - 1.1% p.a. of GAV).
Performance Fee:	15% of the Fund's outperformance over a 10% internal rate of return at the expiry of each term.	Core Property considers the Performance Fee to be appropriate for the Fund.
End Fee (Disposal Fee):	A fee of 2.0% plus GST of the net sale proceeds of any asset, payable if the net sale price exceeds the purchase price of the individual asset.	Industry average is to charge 1.0% - 2.0% of the sale price of the property.
Replacement Fee:	A fee of 2.0% of the value of the Gross Assets of the Trust is payable to the RE.	Payable if the RE is replaced.

Note 1: The Trust Deed allows for a Contribution Fee of up to 5.0% of the purchase price, however, the RE has confirmed that it will charge a maximum 2.0% for the Trust.
Source: MPG, Core Property

All-in fee analysis

Core Property has analysed the fees that accrue to the RE over the term of the Fund as a percentage of all cash flow generated after deducting interest costs but before management fees. This analysis is based on the proposed portfolio as provided by the RE.

Core Property estimates that MPG is entitled to 7.0% of the total cash flow. Core Property considers the fees paid to the Manager to be low in comparison to similar products, which are typically around 7% - 9%.

In terms of the fees paid to the Manager, Core Property estimates that 29.2% of the estimated fee is paid upfront and the remainder relates to ongoing management fees.

Core Property stresses that these are estimates of how much investors will receive and not guaranteed amounts. For further details, please refer to the *Financial Analysis* section.

Figure 6: Fees in Perspective – over an estimated four-year period

Core Property estimates that for every $1.00 of equity invested the Fund can return:	**Amount per $1.00 unit**
Principal repayment to investors:	$1.00
Income and capital gains to investors:	$0.36
Total cash to investors:	**$1.36**
Acquisition fee:	$0.03
Base management fee:	$0.04
Disposal fee:	$0.03
Fees for the RE (excluding disposal/admin):	**$0.10**
Total cash generated by Fund:	**$1.46**
Fees = % of total cash generated (before fees)	7.0%
Up-front fee vs total fees	29.2%

Source: Core Property estimates

The Property

The Trust is looking to acquire its 15th direct property asset. Located at 101 Sturt Street, Townsville QLD, the Property is a two-storey A-grade office building with 5,004 sqm of NLA, on a 4,066 sqm site. The Property is being acquired for $26.0M with settlement expected by 30 September 2021.

In 2018, the Property underwent an extensive refurbishment and expansion, including the transformation of an existing cornerstone Woolworths and removal of the existing car park to create the Property's current configuration, which includes two separate buildings that provides five office tenancies, 3 ground floor retail tenancies with 106 undercover car parking bays.

The Property is 100% occupied, with the majority of lettable space leased to several Queensland State Government entities, including Queensland Police Service, Department of Housing and Department of Emergency Services. The remaining space (13%) is leased to the Commonwealth Bank of Australia and three food retail tenancies. The Property has a Weighted Average Lease Expiry (WALE) of 5.0 years.

Townsville is home to a large number of Federal and State government departments and employs around 19,000 persons, effectively acting as the 'government capital' for North Queensland. In addition, Townsville is also a strategic base for the Australian Defence Force with around 18,000 personnel. The Government sector is also well supported by the Education sector with the James Cook University catering to the needs of over 19,000 students.

The Property is located within the CBD of Townsville and is approximately 100 metres from the Townsville General Post Office, and is in close proximity to the bus exchange, as well other food and beverage retail, and professional service providers. The Property is currently in the process of updating its NABERs energy rating, with the Manager targeting a 4.5-star rating.

Figure 7: 101 Sturt Street, Townsville QLD

Source: MPG, Google

Property Valuation

The Manager has adopted a valuation policy for the Fund, requiring each asset within the portfolio to be internally valued on an annual basis, and independently valued every three years. An independent valuation was undertaken by Cushman & Wakefield in March 2021 valuing the Property at $26.0M, in line with the acquisition price. A summary of the valuation is provided below.

Figure 8: Valuation Metrics

101 Sturt Street, Townsville QLD 4810	
Title	Freehold
Acquisition date:	September 2021 (expected settlement date)
Ownership	100%
Site Area	4,066 sqm
Net Lettable Area	5,047 sqm
Major Tenants (% of passing income)	Dept of Emergency Services (32.2%) Dept of Housing (29.8%) Commonwealth Bank (15.6%) Qld Police Services (12.2%) State of QLD (Public Safety) (5.1%)
Weighted Average Lease Expiry	4.9 years (by income), 5.1 years (by area)
Occupancy	100%
Initial net passing income	$1.7M p.a.
Net Market income (fully leased)	$1.7M p.a.
Purchase price	$26M
Independent Valuation	$26M
Passing initial yield	6.38%
Capitalisation rate	6.25%
Valuer	Cushman & Wakefield
Discount rate adopted	6.75%
Value/sqm	$5,196 per sqm
Valuer's unleveraged 10-year IRR	6.61%
Valuer's Terminal Yield	6.50%

Source: MPG, Independent Valuer

Leases, Tenants and Income

The Property is 100% occupied, with the key government tenants accounting for around 87% of income. The Department of Emergency Services (DES) lease term of seven years is forecasted to expire in May 2023, which is within the timeframe of the Trust's remaining lifespan. DES is the largest tenant of the Property and has no available option periods. The three retail tenants also have lease expiries before July 2025, including the ground floor café (Jan 2023), Mexican takeaway store Zambero's (Nov 2024) and healthy takeaway store Suki Express (Jun 2025).

Figure 9: Tenants of 101 Sturt Street, Townsville QLD

Tenant	Commence date	Expiry date	Option periods	Net Lettable Area (sqm)	% of Gross Income
Department of Emergency Services	Jun 2016	May 2023	Nil	1,569	32.2%
Department of Housing	Aug 2020	Jul 2027	Nil	1,838	29.8%
Commonwealth Bank of Australia	Sep 2017	Aug 2027	Nil	569	15.7%
QLD Police	Apr 2018	Mar 2028	Nil	652	12.2%
State of QLD (Public Safety)	Apr 2020	Apr 2027	Nil	293	5.1%
Retail / Other		Jan 2023 - Nov 2024	Nil	18 - 35	5.0%

Source: MPG

Market Sales Evidence

The table below shows the comparable transactions for similar government anchored office assets that have recently sold in the last 18 months. The purchase price equates to $5,196 per sqm and appears to be at the mid-range, between $2,933 - $8,490 per sqm.

Figure 10: Market Sales Evidence

Sale Date	States	Price	NLA (sqm)	Passing Yield	IRR	$ / sqm
6 transactions (Dec 2019 – Sept 2020)	NSW, QLD	$10.9M - $92.9M	2,576 – 11,618	5.7% - 9.2%	6.6% - 7.6%	$2,933 – $8,490
101 Sturt Street, Townsville QLD	**QLD**	**$26.0M**	**5,004**	**6.38%**	**6.61%**	**$5,196**

Source: Independent Valuation

Market Rental Evidence

The independent Valuer has provided rental evidence across similar tenants in the regional QLD office market. Core Property notes the independent valuer has assessed the total net rental income for the Property to be in line with current market rents.

Figure 11: Market Rental Evidence

Address	Tenant	Commence date	NLA (sqm)	Gross Rent /per sqm
147 Draper Street, Port Smith (Cairns) QLD	Commonwealth Govt	Sep 20	4,975	$360
22 Walker Street, Townsville QLD	QLD Govt	Jul 20	866	$340
235 Stanley Street, Townsville QLD	Services Australia	Mar 20	4,644	$450
Range:		**Mar 20 – Sep 20**	**866 – 4,644**	**$340 - $450**
101 Sturt Street, Townsville QLD	Department of Emergency Services	Jun 16	1,569	$424
	State of QLD	Apr 20	293	$360
	Commonwealth Bank of Australia	Sep 17	569	$568
	QLD Police	Apr 18	652	$386
	Department of Housing	Aug 20	1,838	$338

Source: Independent Valuation

The Investment Portfolio

Following the acquisition of the Townsville QLD property and an additional $5.0M investment in RBPT, the investment portfolio is expected to increase to $145.2M. The Townsville QLD property will represent the largest asset within the portfolio, accounting for 17.9% by value.

The portfolio's properties are diversified across the eastern seaboard, with a heavy weighting to QLD (51%), followed by VIC (30%) and NSW (19%). The majority of tenants are government or government-funded agencies, accounting for 91.2% of the Trust's income. The Trust maintains a policy to undertake an independent valuation of its properties at least once every three years.

The table below provides a summary of the portfolio following the proposed acquisitions. Further summaries of the properties are provided in the appendix.

Figure 12: Portfolio Summary

Portfolio	Sector	NLA	Acqn Price /Date	Cap Rate %	Value	Portfolio weight	Occ	WALE
City Point Building, 101 Sturt Street, Townsville QLD	Office	5,047	$26.0M Sep-21	6.25%	$26.0M	17.9%	100%	5.0 yrs
APVMA Building, 102 Taylor St and 91 Beardy St Armidale, NSW	Office	2,745	$15.9M Aug-18	7.00%	$16.6M[1]	11.4%	100%	11.8 yrs
Centrelink & QLD Youth Justice Bldg, 21 Station St, Woodridge, Logan City, QLD	Office	4,343	$14.3M Oct-18	7.75%	$15.8M[1]	10.9%	100%	2.4 yrs
EPA Building, 8-12 Seymour Street, Traralgon, VIC	Office	2,619	$12.0M Aug-18	7.50%	$12.4M	8.6%	100%	3.9 yrs
Child Safety Service Building, 18-24 Brisbane Street, Ipswich, QLD	Office	1,807	$8.9M Jun-20	7.25%	$9.0M	6.2%	100%	2.7 yrs
NDIS & Dept. of Environment & Science, 146 Herries St, Toowoomba QLD	Office	1,615	$7.5M Jan-19	7.25%	$8.1M	5.6%	100%	1.2 yrs
Centre for Non-Violence Building, 96-98 Pall Mall, Bendigo, VIC	Office/ Retail	1,448	$6.4M Dec-17	6.25%	$7.3M	5.0%	100%	4.1 yrs
Debt Corrective Services, Beenleigh QLD	Office	1,098	$7.0M Jan-21	6.00%	$7.0M	4.8%	100%	8.0 yrs
Centrelink Building, 6-12 Chapel Street, Morwell, VIC	Office	2,273	$6.5M Jun-19	7.50%	$6.9M	4.8%	100%	4.7 yrs
Think Childcare Building, 136-142 Bailey Stt Grovedale, Geelong, VIC	Childcare	713	$5.9M Feb-18	6.25%	$6.7M	4.7%	100%	10.9 yrs
Centrelink Building, 70 Robert Street Wallsend, Newcastle, NSW	Office	1,204	$6.0M Apr-18	6.50%	$6.5M	4.4%	100%	1.0 yrs
Centrelink, Medicare, NDIS & Family Services, 9-12 Auburn St, Moree NSW	Office	1,509	$4.1M Jun-20	8.75%	$4.6M[1]	3.2%	100%	0.6 yrs
Centrelink Building, 6-10 Hunter Street Pialba, Hervey Bay, QLD	Office	1,097	$4.2M May-18	7.25%	$4.3M	3.0%	100%	2.0 yrs
Centrelink Building, 69 Heygarth Street, Echuca, VIC	Office	970	$3.9M Dec-17	7.25%	$4.1M	2.8%	100%	1.6 yrs
Centrelink Building, 207-215 Lennox Street, Maryborough, QLD	Office	964	$3.9M May-18	7.50%	$4.1M	2.8%	100%	1.9 yrs
Direct Properties		**29,452**	**$132.5M**	**6.98%**	**$139.6M**	**96.1%**	**100%**	**4.4 yrs**
Units in MPG Retail Brands Property Trust	Units in Trust		$5.7M		$5.7M	3.9%		
Total Investment Portfolio (pro forma Sept 2021)		**29,452**	**$138.2M**	**6.98%**	**$145.2M**	**100%**	**100%**	**4.4 yrs**

Source: MPG, Note 1: Director's valuation

The top three properties will account for 40.2% of the portfolio, as follows:

- **City Point Building, 101 Sturt Street, Townsville QLD ("City Point Building")**: The proposed acquisition of the Trust. A joint two-storey office building with 5,047 sqm of NLA that was expanded and refurbished in 2018. The Property is 100% occupied and has a WALE of 5 years, with majority of income derived from the QLD government and Commonwealth Bank of Australia.
- **102 Taylor Street and 91 Beardy Street, Armidale, NSW ("APVMA Building"):** A two-storey office building with 2,745 sqm of NLA that was developed in June 2019. The property is occupied by the Commonwealth of Australia for the Australian Pesticides and Veterinary Medicines Authority (APVMA) on a 15-year lease, as well as the Department for Human Services on a 10-year lease.
- **21 Station Street Woodridge, Logan City, QLD ("Centrelink and Medicare Office"):** The property consists of four adjacent buildings with a total NLA of 4,343 sqm located in Logan City, approximately 25km south of Brisbane. The property has two government tenants and one not-for-profit organisation, which is government funded - the Commonwealth government (Centrelink and Medicare), the State of Queensland (Department of Housing & Public Works) and the Tedd Noffs Foundation.

Figure 13: 101 Sturt Street, Townsville, 102 Taylor St & 91 Beardy St, Armidale NSW; 21 Station St, Woodridge Logan City QLD

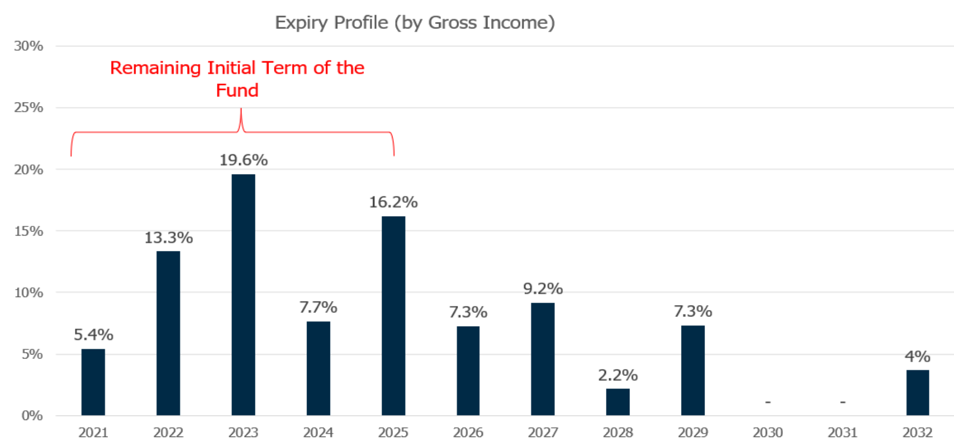
Source: MPG

Leases, tenants and income

The portfolio provides a highly secure tenancy profile with 91.2% of gross income sourced from government or government-funded bodies. The remaining tenancies of the portfolio include the ASX-listed Think Childcare, and the Commonwealth Bank of Australia, also reflective of strong tenant covenants. As of 1 July 2021, the portfolio has a WALE of 4.4 years.

Around 46% of the Trust's gross income is exposed to upcoming lease expiries over the next few years. The Manager has commenced discussions with tenants in advance of these expiries and believes that there is a high probability of these tenants renewing the leases prior to expiry. Key expiries occur in 2023 when around 20% of income falls due across four different properties, leased to the Commonwealth and Queensland governments. As with any lease renewals, the Trust has budgeted capital expenditure for upgrading the internal areas. The Manager has allocated a capital expenditure allowance of $3.0M in aggregate across the entire portfolio. This is expected to be funded through the existing cash flow of the Trust.

Figure 14: Lease expiry profile



Source: MPG, Core Property

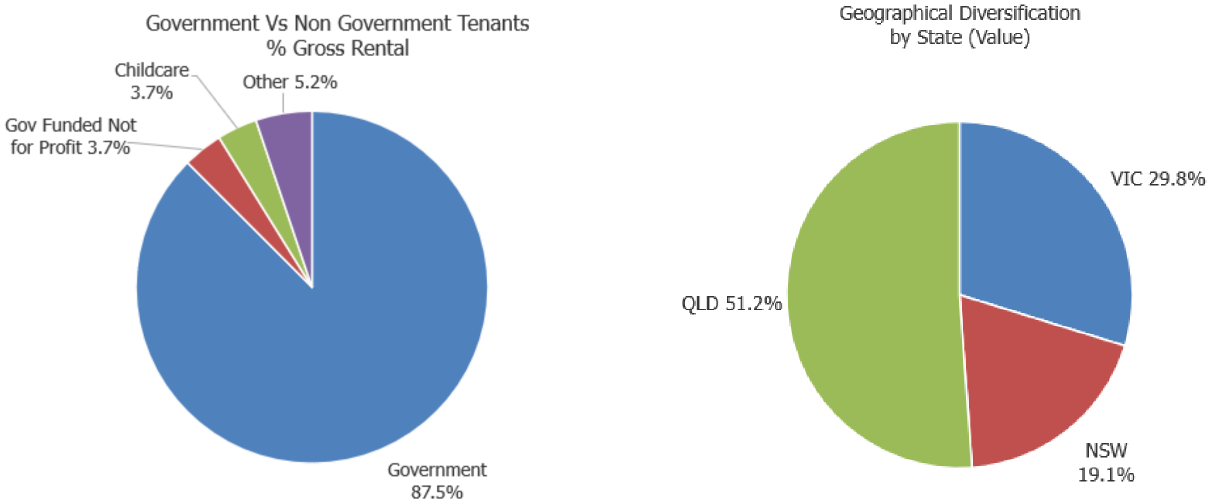
Diversification

The Trust's direct properties are predominantly leased to office tenancies, with a small portion leased to retail and childcare tenants.

Following the Townsville QLD acquisition, the Trust will be predominantly weighted by value to QLD (51%), followed by VIC (30%) and NSW (19%). The top five tenants by net lettable area are; Commonwealth of Australia (43%), State Government of Queensland (35%), State Government of Victoria (9%), Think Childcare (4%) and the Commonwealth Bank of Australia (3%).

The following is a summary of the portfolio tenants and geographic diversification.

Figure 15: Diversification metrics – as at July 2021



Source: MPG, Core Property

Unlisted Investments – MPG Retail Brands Property Trust – 3.9% of portfolio

The MPG Retail Brands Property Trust ("'RPBT") is an unlisted property trust managed by the RE. RBPT was established in 2007 and has an investment portfolio of $133M, comprised of nine direct property assets and interests in four property trusts also managed by MPG, spread across NSW, VIC, QLD, SA and Tasmania.

RBPT has a focus of acquiring retail property assets between $5M - $50M which the RE believes are often overlooked by institutional investors and out of private individuals reach, that contain well-known brand name tenants, such as Bunnings, Coles, Woolworths Supercheap Auto and Kmart, amongst many others.

The Trust has historically invested in RBPT to support its liquidity requirements, with prior investment amounts increasing to $3.2M. The Trust currently owns $0.7M of units in RPBT, which a further acquisition of 5.0M units proposed following the capital raising. The total investment of 5.7M units in RPBT will be acquired at a price of $1.00 per unit, the same unit price which is currently being offered in RPBT. The $5.7M represents 3.9% of the investment portfolio.

A written agreement exists between McMullin Group and the Trust whereby the Trust will have the ability to sell its units back to McMullin Group in order to fund potential acquisitions or to pay down debt if required. The agreement provides liquidity for the Trust as well as capital protection with the units being able to be sold back at the cost price of $1.00 per unit or the prevailing NTA, whichever the greater. The current NTA of RBPT is $1.00 per unit and thus the investment will benefit from any increase in NTA from this amount. RBPT is targeting distributions of 7.25 cpu for the FY22 period.

Financial Analysis

Core Property has reviewed the RE's forecasts as provided in the PDS as well as discussions with the Manager. The forecasts below are based on certain assumptions in the PDS, which include:

- Current debt of $49.5M is increasing to $55.8M following the acquisition of the Townsville QLD property.
- Interest costs are conservatively based on an all-in cost of debt of 3.0% p.a.
- A further 5.0M Ordinary Units are purchased in the MPG Retail Brands Property Trust (MRBT), on top of the already existing 0.7M units held.
- Assumes the Offer raises $15.0M through the issue of 15.0M units at $1.00 per unit. A total of 93.9M of units on issue.
- A vacancy allowance of 4% p.a. of gross income has been allowed in the forecasts.
- No further property acquisitions are included in the forecasts.

A summary of the forecasts is presented below.

Figure 16: Profit & Loss Forecast & Balance Sheet

Profit & Loss - Forecast $M	**FY22 12 mths to 30 June 2022**	**FY23 12 mths to 30 June 2023**
Net Property Income	9.6	9.9
Distributions from Trusts	0.4	0.4
Total Revenue	**10.0**	**10.3**
Finance Costs	-1.7	-1.7
Expenses (Management Fees, Ongoing Expenses)	-1.1	-1.1
Amortisation of Borrowing Costs	-0.1	-0.1
Capex Allowance	-0.5	-0.7
Cash Available for Distribution	**6.6**	**6.7**
Distributions to Unitholders	**6.6**	**6.7**
Distributions per unit	**7.05 cpu**	**7.15 cpu**
% Cash Distribution Yield	**7.05%**	**7.15%**
% Tax advantaged (estimated)	63%	57%

Balance Sheet – $M	**As at June 2021**	**New Acquisitions**	**Pro Forma on settlement 30 Sept 2021**
Cash	12.3	-12.3	0.0
Investment Properties	113.6	26.0	139.6
Other Investments[1]	0.7	5.0	5.7
Total Assets	**126.6**	**18.7**	**145.3**
Bank Borrowings	49.7	6.1	55.8
Other liabilities	1.2	-	1.2
Total Liabilities	**50.9**	**6.1**	**57.0**
Net Assets	**75.6**	**12.6**	**88.3**
LVR	**43.6%**		**40.0%**
NTA per unit	**$0.94**		**$0.94**

Source: MPG, Core Property
Note 1: Includes 0.7M existing and proposed new 5.0M Ordinary Units in RBPT.

Expected Future Performance (IRR Sensitivity)

The three main performance drivers in a property syndicate are:

1. The property income profile (lease structure);
2. The terminal value upon the sale of the property (asset quality + market conditions); and
3. The cost of debt (depending on leverage).

Core Property has estimated the total return from the Fund based on the assumptions provided by the Manager.

Core Property expects the Fund to deliver a 4-year Internal Rate of Return (IRR) in the range of 7.6% - 10.4% p.a. (9.0% p.a. midpoint), assuming a +/- 25bps movement in the portfolio's terminal capitalisation rate and interest rates.

The calculation is based on the expectation the Trust is not extended beyond the initial term ending July 2025, and the portfolio of assets are sold.

The calculation is based on the financial forecasts provided by the RE, including the assumption 50% of debt is hedged for the remaining 4-years of the Trust, which reduces the impact that interest rates have on the IRR. A change in the terminal capitalisation rate has a more material impact on IRR.

Investors should be aware the sensitivities include the potential for the valuation of the assets to increase or decrease (depending on market conditions) which will result in either a capital gain or loss for investors. Moreover, the Fund is looking to acquire additional assets which would also impact the expected returns.

Figure 17: Pre-tax, 4-year IRR (after fees) sensitivity analysis

Terminal cap rate			**Cost of debt**		
	2.5%	**2.75%**	**3.0%**	**3.25%**	**3.5%**
6.48%	11.6%	11.6%	11.5%	11.5%	11.4%
6.73%	10.4%	10.4%	10.3%	10.3%	10.2%
6.98% (base)	9.1%	9.1%	**9.0%**	8.9%	8.9%
7.23%	7.8%	7.8%	7.7%	7.6%	7.6%
7.48%	6.6%	6.5%	6.4%	6.4%	6.3%

Source: Core Property

Management & Corporate Governance

McMullin Property Group

McMullin Property Group was founded by the late Ian McMullin (founder of Spotless Group) and is a property developer, fund manager, property manager and investor. The Group has been responsible for over $1.5B of property development over the past 40 years. In December 2002, the McMullin Group established MPG Funds Management Ltd ("MPG") as a specialist property funds manager. MPG currently manages over $850M of property assets.

Background of the RE and Board

MPG Funds Management Ltd ("MPG") is the Responsible Entity ("RE") of the Trust. Its main responsibility is to operate and manage the Trust in accordance with the Constitution and the Corporations Act. The RE was established in December 2002 and has an Australian Financial Services License (AFSL 227114) to act as a RE for managed investment schemes. As the RE, MPG is responsible for the application and redemption of units, valuation and management of Trust assets, administration and payment of income distributions from the Trust. MPG is owned by interests associated with McMullin Property Group and is currently the RE for 14 other direct property funds.

Core Property has reviewed the composition of the RE board and believes that it has the relevant skills and experience to operate the Trust successfully. Each Director has demonstrable property and investment management skills. We summarise the background of the directors and key managers, as provided in the PDS.

Figure 18: The Board of the Responsible Entity

Name & Role	Experience
Trevor Gorman Chairman	Trevor has over 30 years' commercial experience, including over 19 years' as a partner at Deloitte Touche Tohmatsu. During this time he was Managing Partner of the Victorian Growth Solutions Division. Trevor is currently the Chief Executive Officer of the McMullin Property Group and manages net assets of over $250M. Trevor is a Fellow of the Institute of Chartered Accountants.
Eddie Paulsen Non-Executive Director	Eddie has held senior positions in the financial services and funds management industries for over 30 years. Much of this has been with National Mutual Group (now AXA, and part of the AMP Group) where he has held a number of CEO and Executive Director positions. This has included a funds management company, which included the listed National Mutual Property Trust as well as other unlisted property and equity trusts, a Public Trustee company and Financial Planning Group.
Brett Gorman Director / Secretary	Brett is a Chartered Accountant and Licensed Real Estate Agent with significant experience in establishing and operating managed investment schemes. Prior to MPG, Brett held positions with Deloitte Touche Tohmatsu in Corporate Finance, Audit and Growth Solutions divisions. He has a Graduate Diploma in Applied Finance and Investment, as well as a Bachelor of Commerce degree. Brett is a Fellow of the Financial Services Institute of Australia, Registered Tax Agent and is a holder of a Public Practice Certificate.

Source: MPG

Compliance and Governance

The RE has a Compliance Plan which has been lodged with ASIC, as required by the Corporations Act. The Compliance Plan outlines the policies and procedures for the RE to administer the Trust's assets, engagement of external service providers, valuation practices, borrowings and reporting to unitholders. The Compliance Committee consists of three members, including two external members, and meets half yearly.

The Trust complies with all the disclosures and benchmarks prescribed under the ASIC Regulatory Guide 46: "Unlisted property schemes: Improving disclosure for retail investors". MPG regularly publishes the Trust's disclosure requirements for RG46 on its website.

Related Party Transactions

The Trust has a Related Party Transaction and Conflicts of Interest Policy in place which requires the Fund to comply with RG46 requirements. All related party transactions will be approved by the Board of Directors of MPG and are undertaken on an arm's length basis under normal terms and conditions.

In addition, the RE also received fees payable and compensation as required for the management of the Trust under its Constitution (see section on Fees).

Past Performance

MPG has provided a summary of returns on its syndicates as at June 2021 with an average total return of 16.5% p.a. delivered on completed syndicates and an average total return of 12.4% p.a. on current syndicates.

Investors should note that that past performance is not a reliable indicator of future performance as each fund, and its respective underlying property, has its own specific risks and attributes.

Figure 19: Selected performance of MPG managed investments

Fund	Period to June 2021 (years)	Average Return p.a.
Completed Syndicates		
MPG Motor Vehicle Dealership Trust[2]	9	24.4%
Epping Trade Centre Project[3]	3	14.0%
Ashwood Aged Care Trust	2	11.0%
Average – Completed Syndicates		**16.5%**
Current Syndicates		
MPG Bulky Goods Retail Trust	10	13.3%
MPG Retail Brands Property Trust	10	7.3%
MPG Hardware Trust	9	21.1%
Village Travel Centre Trust	7	8.4%
MPG BW Trust	7	21.3%
MPG BW Trust 2	7	22.7%
MPG Seaford Meadows Property Trust	7	7.5%
MPG Hardware Trust 2	5	20.7%
MPG KM Trust	6	12.5%
MPG BW Newstead Trust	5	12.0%
MPG Regional Cities Property Trust	3	4.7%
MPG BW Rockhampton Trust	2	4.8%
MPG BW Port Macquarie Trust	3	10.1%
MPG Tweed Hub Trust	4	7.3%
Average – Current Syndicates		**12.4%**

Note 1: All funds had an Issue Price of $1.00 per unit.
Note 2: The MPG Motor Vehicle Dealership Trust was wound up in 2014. Returns are for the 9 years from inception to wind up.
Note 3: The Epping Trade Centre Project Trust was wound up in 2015. Returns are for the 3 years from inception to wind up.
Source: MPG

Appendix – Direct Properties

The following is a summary of the 14 existing properties in the portfolio, plus the proposed acquisition.

Current Properties

APVMA Building: 102 Taylor Street and 91 Beardy Street, Armidale, NSW – 11.4% of the Property Portfolio

As at June 2021	
Book Value	$15.9M
Capitalisation Rate	7.00%
Lettable Area (sqm)	2,745 sqm
Occupancy-by NLA	100.0%
WALE	11.7 years
Major Tenants (by income): Commonwealth of Australia (APVMA & DHS)	

The property is a two-storey modern office building with basement car parking, located in Armidale's city centre built in June 2019. The property is currently leased by the Commonwealth of Australia for the Australian Pesticides and Veterinary Medicines Authority (APVMA) that relocated from Canberra on a 15-year lease, as well as the Department of Human Services (DHS) on a 10-year lease. The NSW Government has recognised Armidale as a regional city in their New English North West Regional Plan, which expects a boost in population by 14,000 to 2036 and budget of over $60M on infrastructure – for upgrades to Armidale Hospital and the University of New England.

Centrelink and Medicare Office: 21 Station Street Woodridge, Logan City, QLD – 10.9% of the Property Portfolio

As at June 2021	
Book Value	$15.8M
Capitalisation Rate	7.75%
Lettable Area (sqm)	4,343 sqm
Occupancy-by NLA	100%
WALE	2.3 years
Major Tenants (by income): Commonwealth of Australia (Centrelink & Medicare), QLD State Government, Tedd Noffs Foundation	

The Centrelink and Medicare Office consists of four adjacent buildings with a total NLA of 4,343 sqm located in Logan City (approximately 25km south of Brisbane). The main property of 2,095 sqm is leased to the Commonwealth of Australia for the Centrelink and Medicare office. Buildings two (787 sqm) and three (822 sqm) are leased to the state of Queensland for the Department of Housing and Public Works. Building four is leased to the Tedd Noffs Foundation, a government and privately funded not-for-profit organisation. Logan City has experienced rapid growth over the past decade and is expected to reach a population of 420,000 in 2031 (from 326,615 currently).

EPA Building: 8-12 Seymour Street, Traralgon, VIC – 8.6% of the Property Portfolio

As at June 2021	
Book Value	$12.5M
Capitalisation Rate	7.50%
Lettable Area (sqm)	2,619 sqm
Occupancy-by NLA	100%
WALE	3.8 years
Major Tenants (by income): State Government of Victoria	

The Environment Protection Agency building (EPA) is a three-storey office building with undercover car parking in Traralgon Victoria. It is located in the main business area with 2,619 sqm of NLA. The property is leased to the State Government of Victoria (occupied by EPA), with office space also provided to the Victorian Department of Health and Human Services. Traralgon is located in Gippsland, East Victoria. As part of federal and government decentralisation strategies, Traralgon is also home to the ASIC call centre and Australia's largest Centrelink call centre.

Child Safety Service Building: 18-24 Brisbane Street, Ipswich, QLD – 6.2% of the Property Portfolio

As at June 2021	
Book Value	$9.0M
Capitalisation Rate	7.25%
Lettable Area (sqm)	1,807 sqm
Occupancy-by NLA	100%
WALE	2.6 years
Major Tenants (by income): Queensland Government (Dept of Child Safety)	

This property is a 2,428 sqm allotment with a two-storey freestanding building providing 1,807 sqm of lettable area, located in Ipswich's central business district and includes 57 undercover car parking spaces. The building is securely leased to the State Government of Queensland for the Department of Child Safety. Ipswich is located 40 minutes west of the Brisbane CBD and is a major commercial and administrative centre home to numerous private and government organisations. The Ipswich area benefits from a diversified local economy underpinned by the defence, manufacturing, education, logistics, healthcare and residential sectors. Recent infrastructure projects in the city include the upgrade of the Ipswich Hospital, expansion of the RAAF Amberley Base, the establishment of the Rheinmetall armoured fighting vehicle manufacturing centre and the ongoing growth of the University of Southern Queensland campus.

NDIS & Dept of Environment of Science: 146 Herries Street, Toowoomba, QLD – 5.6% of the Property Portfolio

As at June 2021	
Book Value	$8.1M
Capitalisation Rate	7.25%
Lettable Area (sqm)	1,615 sqm
Occupancy-by NLA	100%
WALE	1.1 years
Major Tenants (by income): Commonwealth Government (NDIS), Queensland Government (Department of Environment and Science)	

The property is a 3,619 sqm allotment with a two-storey freestanding building of 1,615 sqm NLA located in Toowoomba's CBD. The building is securely leased to government tenants, including the Commonwealth Government (National Disability Insurance Scheme) and the Queensland State Government Department of Environment and Science. Toowoomba is located 125km west of Brisbane and is Australia's second largest inland city. The region is seeing significant funding towards infrastructure projects including the Inland Rail, Toowoomba Wellcamp airport and second range crossing.

Centre for Non-Violence: 96-98 Pall Mall, Bendigo, VIC – 5.0% of the Property Portfolio

As at June 2021	
Book Value	$7.3M
Capitalisation Rate	6.25%
Lettable Area (sqm)	1,448 sqm
Occupancy-by NLA	100%
WALE	4.0 years
Major Tenants (by income): Centre for Non-Violence, Zambrero's, Honeyeater Hair	

The property is a 1,499sqm two-level modern office/retail building, located in the heart of Bendigo's central business district. Originally built in 1963, the property underwent a $3.5M redevelopment in 2014/15. The first and second floors are leased to the Centre for Non-Violence, a government-funded not for profit organisation. The ground floor is leased to Zambero's Mexican fast food and Honeyeater Hairdressers. Greater Bendigo is Victoria's third largest urban centre with a growing population of over 116,658, forecast to grow to 155,596 by 2036.

96 George Street, Beenleigh, QLD – 4.8% of the Property Portfolio

As at June 2021	
Book Value	$7.0M
Capitalisation Rate	6.00%
Lettable Area (sqm)	1,098 sqm
Occupancy-by NLA	100%
WALE	7.9 years
Major Tenants (by income): QLD Government Department of Corrective Services	

The property is a 1,012 sqm allotment with a two-storey freestanding building that provides 1,098 sqm of lettable area with 20 undercover spaces, located in Beenleigh QLD. The building is securely leased to the State Government of Queensland (Department of Corrective Services), commencing In 2020 upon the completion of the assets refurbishment. The community of Beenleigh is currently improving with infrastructure upgrades such as a major hospital expansion, new council offices, growing housing stock and major transport link upgrades.

Centrelink: 6-12 Chapel Street, Morwell, VIC – 4.8% of the Property Portfolio

As at June 2021	
Book Value	$7.0M
Capitalisation Rate	7.50%
Lettable Area (sqm)	2,273 sqm
Occupancy-by NLA	100.0%
WALE	4.6 years
Major Tenants (by income): Commonwealth of Australia (Centrelink & Medicare)	

The property is a recently refurbished 2,273 sqm single-level brick commercial office building with basement car parking, with a 4 star NABERS Energy Rating located in Morwell, Victoria. The property is securely leased to the Commonwealth of Australia for the Centrelink and Medicare office. Morwell is located in the LaTrobe Valley area of Gippsland, approximately 150 km southeast of Melbourne and is the administrative and local government centre for the City of LaTrobe.

Think Childcare Centre: 136 – 142 Bailey Street Grovedale, Geelong, VIC – 4.7% of the Property Portfolio

As at June 2021	
Book Value	$6.8M
Capitalisation Rate	6.25%
Lettable Area (sqm)	713 sqm
Occupancy-by NLA	100%
WALE	10.8 years
Major Tenants (by income): Think Childcare	

The Property consists of a childcare centre leased to Think Childcare Ltd (ASX listed) in Grovedale, Geelong, Victoria's second largest city. According to ID Demographic Resources, the population of Greater Geelong is currently 247,068 and is forecasted to grow to 325,779 by 2036. Childcare is a non-discretionary market, and this strong growth forecasts a solid demand pipeline. The centre was custom built, opened in 2017 and is located opposite the local primary school. Think Childcare operates 37 childcare centres in Australia and is listed on the Australian Securities Exchange with a market capitalisation of $197 million. The property WALE remains high at 10.8 years, with a further 15 + 15 year option period upon expiry.

Centrelink & Medicare Office: 70 Robert St Wallsend, Newcastle NSW – 4.4% of the Property portfolio

As at June 2021	
Book Value	$6.5M
Capitalisation Rate	6.50%
Lettable Area (sqm)	1,204 sqm
Occupancy-by NLA	100%
WALE	0.9 years
Major Tenants (by income): Commonwealth of Australia Centrelink & Medicare (Expiry 26 April 2022)	

The property is a single level, commercial office building originally constructed in circa 1998 with 1,204 sqm of NLA and basement parking for 15 cars. The property is located in Wallsend, approximately 11km from the Newcastle CBD and is fully occupied by The Commonwealth of Australia (Centrelink and Medicare offices) with the lease expiring in 2022, with 2x3 year options.

Centrelink, Medicare, NDIS & Family Services Building: 9-12 Auburn Street, Moree, NSW – 3.2% of the Property Portfolio

As at June 2021	
Book Value	$4.6M
Capitalisation Rate	8.75%
Lettable Area (sqm)	1,509 sqm
Occupancy-by NLA	100%
WALE	0.5 years
Major Tenants (by income): Commonwealth of Australia (Centrelink and Medicare), State Government of NSW (Dept of Child Services)	

The property consists of two freestanding single-level brick commercial office buildings of 1,509 sqm which includes rear access carparking for 9 vehicles located in Moree, NSW. The property is securely leased to the Commonwealth of Australia for the Centrelink, NDIS and Medicare office and Property NSW for the Department of Family and Community Services. The property has a WALE of 0.5 years and holds a 4.5 star NABERS Energy rating. The Commonwealth of Australia lease is set to expire in October 2021, with a further 3 + 3 year options while the lease held by the NSW government is forecasted to expire in March 2022, with one 3 year option period.

Centrelink Building: 6-10 Hunter Street Pialba, Hervey Bay – 3.0% of the Property Portfolio

As at June 2021	
Book Value	$4.3M
Capitalisation Rate	7.25%
Lettable Area (sqm)	1,097 sqm
Occupancy-by NLA	100.0%
WALE	1.9 years
Major Tenants (by income): Commonwealth of Australia (Centrelink & Medicare)	

This property is a 3,089 sqm allotment with a single-level freestanding building providing 1,097 sqm of lettable area. It is located in Pialba, approximately 2 kilometres north east of Hervey Bay's main retail and commercial precinct. The property is securely leased to the Commonwealth of Australia for the Centrelink and Medicare offices. There are 1.9 years remaining on the lease with two additional three-year options. This is the only Centrelink/Medicare office in Hervey Bay. Regional Australia Institute has also indicated that the growth rate within the Hervey Bay region will be above the predicted national growth rate.

Centrelink Building: 207-215 Lennox Street, Maryborough, QLD – 2.8% of the Property Portfolio

As at June 2021	
Book Value	$4.1M
Capitalisation Rate	7.50%
Lettable Area (sqm)	964 sqm
Occupancy-by NLA	100%
WALE	1.8 years
Major Tenants (by income): Commonwealth of Australia (Centrelink & Medicare)	

This property is a 2,020 sqm allotment with a single-level freestanding building providing 964 sqm of lettable area, located in Maryborough's central business district. The property is securely leased to the Commonwealth of Australia for the Centrelink and Medicare offices. The property has a WALE of 1.8 years, with two additional three-year options. It is the only Centrelink/Medicare office in Maryborough. Regional Australia Institute has indicated that the growth rate within the Maryborough region will be above the predicted national growth rate.

Centrelink Building: 69 Heygarth Street, Echuca, VIC – 2.8% of the Property Portfolio

As at June 2021	
Book Value	$4.1M
Capitalisation Rate	7.25%
Lettable Area (sqm)	970 sqm
Occupancy-by NLA	100%
WALE	1.5 years
Major Tenants (by income): Commonwealth of Australia (Centrelink & Medicare)	

The single level 970 sqm commercial office is situated on a 1,621sqm site, constructed in 2010. The property is in Echuca's central business district, located in the Campaspe Shire, 2.5 hours' drive north of Melbourne. The Campaspe Shire has a population of 37,769 which is forecast to grow 13% to 42,706 by 2036, supported by strong industries including tourism, retail, dairy farming and other agriculture. The property has good levels of natural light and is leased to the Commonwealth of Australia Department of Human Services, as offices for Centrelink, Medicare and the NDIS. The current lease has 1.5 years remaining with a three-year option. The property was recently refurbished in 2016 and achieved a 6-star NABERs rating.

Proposed Acquisition

City Point Building: 101 Sturt Street, Townsville, QLD – 17.9% of the Property Portfolio

As at June 2021	
Book Value	$26.0M
Capitalisation Rate	6.25%
Lettable Area (sqm)	5,047 sqm
Occupancy-by NLA	100%
WALE	5.0 years
Major Tenants (by income): QLD Government (QLD Police, QLD Department of Housing, QLD Department of Emergency Services) and Commonwealth Bank of Australia	

The Property is a two storey A-grade office building located in Townsville Queensland. The building underwent an extensive refurbishment and expansion In 2018, replacing the existing carpark with a two storey office building, and replacement of the existing corner store Woolworths into the current office space. The building holds three street frontages and includes 5,047 sqm of NLA. The Property is 100% occupied, with several entities of the QLD Government occupying the most space, while the remaining space is leased to the Commonwealth Bank of Australia and several ground floor retail tenants, including Mexican takeaway, a healthy takeaway store and a local café.

Appendix – Ratings Process

Core Property has developed a framework for rating property and property related investment product offerings in Australia. The methodology gives consideration to a number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: product and underlying portfolio construction; strength and depth of management team, product structure, risk management, financial analysis, and likely outcomes.

It is important for financial planners and investors to view the recommendation and rating in the context of comparable products only and not across all products rated by Core Property.

The Ratings

Financial Advisers and investors should note that for all ratings categories, the product may not suit the risk/return profiles of all investors.

Rating	Definition
Highly Recommended	This is the highest rating provided by Core Property and is indicative of the product exceeding the requirements of our review process across a number of parameters.
Recommended	Indicates that the product has an above average grade profile across a number of Core Property's parameters and has the potential to deliver above average risk adjusted total returns.
Approved	Indicates that the product has met the aggregate requirements of Core Property's criteria. The product has an acceptable risk/return trade-off and is potentially able to generate risk-adjusted returns in line with stated investment objectives.
Speculative	Core Property believes this is a product that has a number of positive attributes; however, there are a number of risks that make investing in this product a speculative proposal. While Core Property does not rule out investing in this product, investors should be very aware of, and be comfortable with the specific risks. The product may provide unique diversification opportunities, although concerns over one or more features mean that it may not be suitable for most investors.
Not Approved	Indicates that the product has failed to meet the minimum aggregate requirements of Core Property's criteria. While the product may have some positive attributes, Trusts in this category are considered high risk.

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