Core Property
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Unlisted Property Fund Report

MPG Bulky Goods Retail Trust

May 2022

Large format retail property fund with strong track record targeting 6.25% p.a. distributions

MPG Bulky Goods Retail 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.

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MPG Bulky Goods Retail Trust

April 2022

The MPG Bulky Goods Retail Trust ("the Trust" or" the Fund") is an unlisted property trust that invests in a portfolio of large format retail properties anchored by well-established national retail tenants. The Trust is managed by MPG Funds Management Limited ("the RE" or "the Manager") which was established in 2002 and has over $900M of property assets under management.

The Trust invests in large format retail properties located in metropolitan and regional locations. The property portfolio is anchored two strong performing homemaker centres in Chirnside Park VIC and the Mildura VIC. The properties have delivered exceptional returns over the long term, with the unit price increasing by over 230% since the Trust was established in 2005. Price gains in the large format retail sector have been particularly strong in the past two years, driven by investor demand for a relatively resilient subsector.

The RE is seeking to raise $10.0M through the issue of 3.0M units at $3.35 per unit ("the Offer"). This will be the first time the Trust has opened to new investment in 17 years. The funds raised will be used, in conjunction with debt, to acquire the large format retail property, Plains Junction, at Browns Plains QLD.

The acquisition will expand the property portfolio to $96.5M across the three properties, with 100% occupancy and a Weighted Average Lease Expiry (WALE) of 3.6 years. The portfolio will still be weighted to the centres at Chirnside Park (59.6%) and Mildura (28.5%) with Browns Plains representing 11.9% of the portfolio. Key tenants are well spread across the large format categories and include JB Hi Fi/ The Good Guys, Petbarn and Rebel Sport.

The Manager is targeting distributions of 20.95 cents per units for FY23 and FY24, equivalent to a 6.25% p.a. distribution yield based on the issue price of $3.35 per unit.

The Trust's debt metrics are estimated to deliver a Loan-to-Valuation Ratio (LVR) of 44.6% providing a reasonable buffer against a bank LVR covenant of 55%.

Fees are considered to be low, with the Base Management Fee at 0.55% p.a. of Gross Assets. The Trust does not charge a Performance Fee, however the McMullin Group, a related party of the Manager, owns 27% of the Trust's units, providing an alignment of interests with investors. A related fund, the MPG Retail Brands Property Trust, also owns 30% of units. 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. Core Property has also reviewed the unit pricing and considers this to be appropriate based on the most recent independent valuations.

The Trust has a current investment term of 6-years to June 2028, where investors will be provided an option to exit or remain invested for a further 7-years.

Core Property estimates the Trust to deliver an Internal Rate of Return (IRR) of between 7.3% - 10.1% p.a. (midpoint 8.7% p.a.) based on a 6-year investment period at the current Issue Price. Our calculations are based on the current portfolio and assumes a +/- 25bps movement in capitalisation rates and interest rates. The analysis includes the potential that investors may receive a capital gain or loss, based on market conditions (for more information see Financial Analysis).

Investor Suitability

Core Property considers the Fund will appeal to investors seeking a regular and relatively stable income distribution, supported by a portfolio of large format retail properties anchored by well branded national retailers. The Trust is illiquid, and investors should expect to remain invested for a 7-year investment cycle, with 6-years currently remaining to June 2028. Investors will be exposed to long term capital returns which are dependent on overall market conditions as well as the Manager's ability to maintain the strong tenancy profile of the portfolio.

This report should be read in conjunction with the Target Market Determination provided by the Manager, as required by s994B of the Corporations Act 2001.

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:	11 April 2022
Offer Close[1]:	29 July 2022
Min. Investment:	$10,000, multiplies of $5,000 thereafter
Unit Entry Price:	$3.35 per unit
Net Tangible Asset per unit:	$3.26 per unit[2]
Liquidity:	Illiquid
FY23 Forecast Distribution:	20.95 cpu (6.25% p.a. yield on $3.35 issue Price)
FY24 Forecast Distribution:	20.95 cpu (6.25% p.a. yield on $3.35 issue Price)
Distribution Frequency:	Quarterly
Investment Period:	6 years to June 2028

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 Browns Plains QLD property.

Trust Contact Details

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Director
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Phone: 03 9831 8920

Note: This report is based on the MPG Bulky Goods Retail Trust Product Disclosure Statement dated 11 April 2022, 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 20-year track record with more than $900M 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. MPG currently own 27% of units in the Trust, providing an alignment of interests for investors. The MPG Retail Brands Property trust also own 30% of units in the Trust.

Trust Strategy: The Trust invests in large format retail properties that are anchored by well recognised brand name retail tenancies.

Trust Term: The Trust has 6 years remaining on its current investment term of 7-years (June 2021 – 2028). At the end of the current term, investors will be asked to vote on a further 7-year extension of the Trust. If 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 is dependent on the Manager offering the units to other investors. If the units are not acquired by other investors after 12 months, the assets in the Trust will be sold and the Trust will be wound up. The wind up of the Trust may take up to 3 years for the assets to be sold.

Liquidity: The Trust is illiquid and investors can only exit the Fund at the end of each 7-year term, with the next withdrawal date in June 2028.

The Offer and NTA: The Manager is seeking to issue 3.0M new units in the Trust at an Issue Price of $3.35 per unit. The Issue Price takes into account the current NTA of the Trust, which has been updated for the latest valuations. Units will be offered to existing unitholders to ensure their interests are not diluted, as well as to new investors. The NTA is estimated at $3.26 per unit after taking into account acquisition costs of the Browns Plains QLD property. New investors at $3.35 per unit, do not incur any acquisition costs on the other properties in the portfolio. Core Property has reviewed the Issue Price and NTA and considers it to be fair and equitable based on the most up to date independent valuations.

Property Portfolio: The Trust will acquire the large format centre Plains Junction, at Browns Plains QLD for $11.5M. The property will represent 11.9% of the portfolio with the bulk of the portfolio invested in the Chirnside Homemaker Centre, Chirnside Park VIC (59.6% of portfolio) and the Mildura Homemaker Centre, Mildura VIC (28.5% of portfolio). The property portfolio is valued at $96.5M and is 100% occupied with a Weighted Average Lease Expiry (WALE) of 3.6 years.

Debt Profile: The Trust has an existing debt facility with sufficient capacity to be expanded to include the Browns Plains QLD property. Following settlement, the Loan to Valuation Ratio (LVR) is expected to be 44.6% against a bank LVR covenant of 55%. The Interest Coverage Ratio (ICR) of 3.4x is above the ICR covenant of 2.0x.

Distributions: The Manager is targeting distributions of 20.95 cents per units in FY23 and FY24, equivalent to a 6.25% yield based on the Issue Price of $3.35 per unit.

Fees: Core Property considers the fees charged to be low when compared to industry peers (see Fees in Perspective). The Trust does not charge a Performance Fee; however, MPG's ownership of units provides an incentive for the Manager to drive performance.

Total Returns: Core Property estimates the Trust to deliver a 6-year IRR of 7.3% – 10.1% p.a. (midpoint 8.7% p.a.), based on the current issue price and assuming a +/-25bps movement in capitalisation rates and interest rates. Investors who wish to exit at the next withdrawal event in June 2028 may be subject to a capital gain or loss which is dependent on the valuation of the portfolio at the time (see the Financial Analysis section).

Related Party Transactions: 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.

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 portfolio of large format retail properties. The Trust is a registered managed investment scheme with a strategy to invest in retail properties tenanted by some of Australia's most well-known brands.

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

No of Properties:	3 (following the proposed acquisition)
Portfolio:	Chirnside Homemaker Centre: $57.5M Mildura Homemaker Centre: $27.5M Plains Junction: $11.5M **Total: $96.5M**
Property Location by value:	VIC (89%), QLD (11%)
Property Sector:	Retail
Key Tenant by income:	JB-Hi-Fi/The Good Guys (14%), Bev Marks (9%), Rebel Sport (8%), Nick Scali (7%)
Occupancy	100.0%
WALE:	3.6 years

Return Profile

Forecast Distribution:	FY23: 20.95 cents per unit (6.25% p.a. yield) FY24: 20.95 cents per unit (6.25% p.a. yield)
Distribution Frequency:	Quarterly, in arrears
Tax advantage:	FY23: est. 51.8% tax deferred FY24: est. 48.5% tax deferred
Estimated IRR (pre-tax, net of fees):	7.3% - 10.1% p.a. (midpoint 8.7% p.a.) estimate based on 6 years to June 2028.
Investment Period:	6 years to June 2028 Note: The current 7-year investment term is from June 2021 – June 2028.

Risk Profile

Property/Market Risk:	Capital at risk will depend on a portfolio of 3 properties in VIC and QLD. Investors will be exposed to a potential capital gain or loss, based on market conditions. The portfolio may change over time with future acquisitions.
Interest Rate Movements:	The debt facility is 35.9% hedged. The distributable income of the Trust may be impacted by interest rate movements on the unhedged portion of the debt. The debt facility expires in April 2024 and the Trust will require a new debt facility to cover the remainder of the Trust term.
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 (Acquisition Fee):	2.0% of the purchase price of the asset.
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 & Expenses:	• 0.55% of GAV as Management Fee[2] • 0.20% of GAV as Expenses (est.)
Performance Fee:	Nil

Note 1: The Trust Deed allows an Establishment Fee of up to 5.0% of the initial purchase price of the asset, however the RE has confirmed that it will charge a maximum 2.0% for the Trust.
Note 2: The Trust Deed allows a Management Fee of up to 0.80% p.a. of GAV, however the RE has elected to charge 0.55% p.a. of GAV since inception.

Debt Metrics

Current Debt / Proposed Debt/ Facility Limit:	$40.3M / $43.0M / $53.1M
Loan Period:	Expiry April 2024
Current LVR / LVR following acquisition/ Loan Covenant:	47.5% / 44.6% / 55%
ICR / ICR Covenant:	3.4x / 2.0x

Legal

Offer Document:	Product Disclosure Statement dated 11 April 2022
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)

Trust Overview

The MPG Bulky Goods Retail Trust ("the Trust") was established in 2005 to provide an opportunity to invest in a newly developed portfolio of large format retail properties.

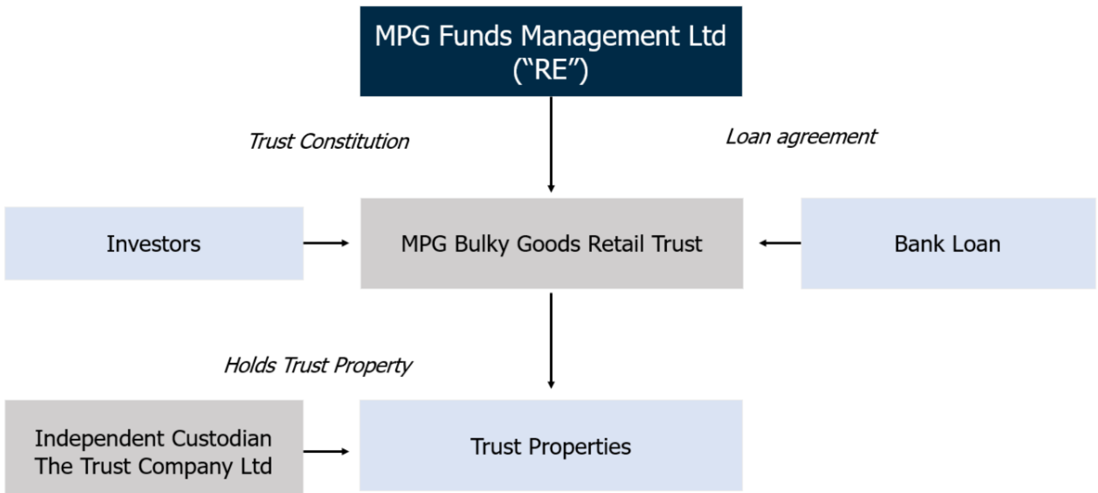
The Trust's Responsible Entity is MPG Funds Management Ltd ("RE", "The Manager", or "MPG") which is owned by interests associated by the McMullin Property Group. Established in 2002, MPG is a specialist property funds manager with a 20-year track record and currently has more than $900M of property assets 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. McMullin Group currently own 27% of the units in the Trust providing an alignment of interests with investors. Also, the MPG Retail Brands Property Trust, which is also managed by MPG, owns 30% pf units.

The Trust has a seven-year term and has six years remaining on the current term which ends in June 2028. At the end of the term investors will be provided an opportunity to exit the Trust or extend for a further 7-year term.

The Trust currently has two large format retail properties, which were developed by McMullin Group and acquired by the Trust upon completion in 2006. The properties are the Chirnside Homemaker Centre, Chirnside Park VIC and the Mildura Homemaker Centre, Mildura VIC. The Trust is looking to expand the portfolio through the acquisition of the large format retail property Plains Junction, located at Browns Plains QLD. The acquisition will expand the portfolio to $96.5M of properties with 100% occupancy and a Weighted Average Lease Expiry (WALE) of 3.6 years.

The Manager is targeting the Trust to deliver distributions of 20.95 cents per unit in FY23 and FY24. This equates to a 6.25% distribution yield, based on the Issue Price of $3.35 per unit. Distributions are paid quarterly.

Figure 1: Trust structure



Source: MPG, Core Property

Trust Strategy

The Trust's core investment objective is to generate regular tax-advantaged income returns from a diversified portfolio of well branded retail property as well as other incidental investments that have the potential for capital growth. Properties are intended to be actively managed for the medium to long term. The Trust has a benchmark allocation of 95%- 100% of gross assets to be allocated to Direct Retail Property, which includes direct ownership of properties or investment via property trusts that are predominantly managed by MPG Funds Management. The Trust also has a target allocation of 0% - 5% in cash.

MPG has four key investment principles which it has applied to the property portfolio:

- Buy well
- Use leverage to maximise returns, using limited recourse debt
- Find quality tenants
- Mitigate major risks

The Manager will also seek additional properties that fit the investment strategy, targeting additional Large Format Retail properties for the Trust in the range of $5M to $50M in value, with the following process:

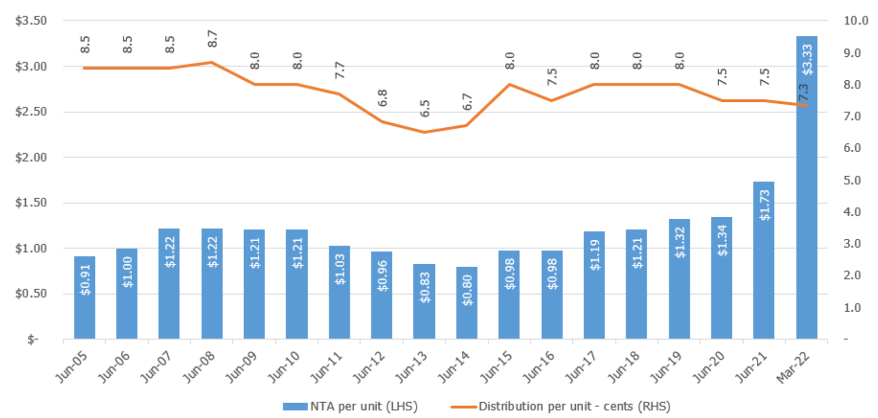
- Each additional property must be capable of achieving comparable long term returns to those received by Unitholders immediately prior to the acquisition.
- The purchase price will be supported by a written independent valuation.
- The RE may fund additional properties wholly through debt facilities, with a requirement that debt is paid down so that the overall gearing ratio does not exceed 55% for than a 12-month period. The Trust is targeting long term average gearing to be no more than 45%.
- A satisfactory due diligence on the property and legal documents. Formal approval by the Board of Directors of the RE.

History of the Trust

The Trust was established in May 2005 to acquire a portfolio of large format/bulky goods properties in Victoria.

- The initial portfolio consisted of three properties which included the Chirnside Homemaker Centre VIC, the Mildura Homemaker Centre VIC and the Epping Trade Centre, VIC, which were all developed by the McMullin Group. Investors received a coupon payment for these properties until they were completed in March 2006. The Epping Trade Centre (Units 1-3, 88 Cooper St, Epping VIC) was later sold in FY13 at book value of $3.65M.
- The Trust was originally established with $22.3M of units on issue, consisting of 22.3M units at an issue price of $1.00 per unit. The initial term of the Trust ran to June 2014, with investors voting to extend the Trust for 7-years at a time in June 2014 and June 2021.
- At the end of each term, investors who wished to exit the Trust were also able to do so at the prevailing unit price at the time. The Trust has successfully filled all withdrawal applications for the June 2014 (3.3M units) and June 2021 (5.7M units) periods. The Trust currently has 13.3M units on issue as at 31 March 2022.
- Prior to the offering of each liquidity event in June 2014 and June 2021, the Trust completed independent valuations on all the properties, which was updated in the unit price.
- Since inception, the Trust has consistently paid distributions in the range of 6.5 – 8.7 cents per unit.
- In FY12 during the Global financial Crisis, the Trust was negatively impacted by some tenants being placed into Voluntary Administration, namely Retravision and Sleep City/Everyday Living, representing 20.9% of NLA of the portfolio. The NTA of the Trust reached $0.80 per unit in FY14, with distributions reaching 6.5 cents per unit in FY13. The Trust has since re-leased the vacancies and improved the property metrics with increased rental income, higher occupancy, higher distributions and a higher NTA.
- Gearing in the Trust has been in the range of 47.0% - 63.4%, against bank LVR covenants of 55% - 65%. In the past, the Manager has provided support for the Trust in the form of unsecured debt of up to $1.1M between FY13 - FY18. The loans were provided to allow the Trust to manage its bank debt, whilst it was being impacted by the vacancies. The Director Loans were undertaken on commercial market terms and have since been repaid by the Trust.
- Core Property notes the recent NTA movement to $3.33 per unit at March 2022 is largely attributed to updated independent valuations as well as a reduction in units in the Trust following a liquidity event. Core Property has reviewed the unit price and considers it to be appropriate based on the updated independent valuations.

Figure 2: Historical Performance of the Trust



Note: Distribution for the March 2022 period is based on the actual distribution of 5.5 cpu for the 9 months to March 2022, equivalent to 7.3 cpu annualised. Source: MPG

Issue Price

Issue Price: The Issue Price has been set at $3.35 per unit. The unit price represents as slight premium to the last NTA of $3.33 per unit at 31 March 2022, and the pro-forma NTA of $3.26 per unit (when the acquisition is included). The small premium represents the acquisition cost of the Browns Plains QLD asset. The Issue Price takes into account updated independent valuations on all properties.

The Issue Price allows new investors to acquire units without having to incur the acquisition costs of the existing properties (Chirnside Park and Mildura, VIC) as these costs have already been written of in the current unit price.

Recent NTA price movement: Core Property has reviewed audited financial statements to June 2021 as well as the unaudited March 2022 position for the Trust.

- It is noted that the June 2021 unit price is based on updated independent valuations on the properties completed in February – March 2021. The independent valuations were used for bank valuation purposes.
- The March 2022 unit price includes updated independent valuations completed in March 2022, which were used for bank valuation purposes.
- Between June 2021 and March 2022 the NTA of the Trust increased from $1.73 per unit to $3.33 per unit. The increase is largely attributed to:
  - The increase in the independent valuation of the properties over this period:
    - The Chirnside Park Homemaker Centre was independently revalued at $57.5M (on a 5.25% capitalisation rate), from the prior independent valuation of $45.0M (on a 6.00% capitalisation rate).
    - The Mildura Homemaker Centre was independently revalued at $27.5M (on a 6.00% capitalisation rate), from the prior independent valuation of $20.0M (on a 7.25% capitalisation rate).
  - The reduction in the number of units on issue in the Trust. The units on issue reduced by 30.2% to 13.3M at March 2022 (from 19.0M at June 2021). The reduction was due to 5.7M of units being redeemed by investors as part of the seven-year liquidity event in June 2021. The liquidity event was funded by an increase in debt.

Core Property considers the unit prices at June 2021 and March 2022 to be appropriate based on the independent valuations undertaken at the time as well as the funding structure of the Trust.

Withdrawal Price: When a liquidity event occurs, the Withdrawal Price will be determined by the net assets of the Trust less any estimated selling costs, divided by the number of units on issue.

Sources & Application of Funds

The PDS sets out the sources and application of funds under the terms of the Offer. Core Property notes the acquisition of the Browns Plains QLD asset is expected to be funded largely through equity, providing the Fund with undrawn debt capacity which may be used to support further acquisitions.

Figure 3: Source and Application of Funds

	$M	% of purchase price	% of total funds
Sources of funds			
Equity subscriptions	9.9	86.5%	78.1%
Bank debt	2.8	24.3%	21.9%
Total sources of funds	**12.7**	**110.8%**	**100.0%**
Application of funds			
Purchase price	11.5	100.0%	90.3%
Acquisition Costs (incl Stamp Duty)	0.9	8.0%	7.2%
Debt Establishment Costs	0.1	0.8%	0.7%
Manager Fee	0.2	2.0%	1.8%
Total application of funds	**12.7**	**110.8%**	**100.0%**

Source: MPG, Core Property

Debt Facility & Metrics

The Trust has an existing bank facility with a limit of $53.1M. The debt is drawn to $40.3M and is due to expire in April 2024, with around 35.6% of the debt currently hedged. The Trust intends to draw a further $2.7M to support the acquisition of the Browns Plains QLD property.

- The LVR is expected to be 44.6% against a bank LVR covenant of 55%. Core Property calculates the properties can withstand a 13.7% fall in value before the LVR covenant is breached.
- The Interest Coverage Ratio (ICR) is estimated to be 3.4x against a bank ICR covenant of 2.0x. Core Property calculates the Fund can withstand a 41.9% decline in income before it breaches the ICR covenant.

A summary of the debt metrics is provided below.

Figure 4: Debt Metrics

Details	Metric
Bank	Commonwealth Bank of Australia
Security	First ranked mortgage secured on 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	$40.3M / $43.0M / $53.1M
Loan Expiry	April 2024
% Hedged	35.9%
Estimated all-in cost of Debt	3.14% p.a.
Loan To Valuation Ratio (LVR) / LVR Covenant	44.6% / 55%, based on completed transaction
Amount by which valuation will have to fall to breach LVR covenant	18.9%
Initial interest covered ratio / ICR covenant	3.4x / 2.0x, based on completed transaction
Decrease in rent income to breach ICR covenant	41.9%

Source: MPG, Core Property

Liquidity / exit strategy

The Fund currently operates on a seven-year investment term. The current term is from June 2021 to June 2028 and has six-years remaining.

Prior to the end of the current investment term in June 2028, the Manager will issue a Term Extension Proposal Letter where Unitholders will be given the opportunity to sell their Units or extend the term of their investment.

- 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 end 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.

- The Withdrawal 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.
- The Manager has advised that the Trust was extended from June 2014 and June 2021. Following each extension, investors who wished to exit have been able to do so at the prevailing withdrawal price at the time.

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 appropriate for the Fund.

- The Based Management Fee is charged at 0.55% p.a. of the Gross Asset Value (GAV) of the Trust. Whilst the Trust Deed allows a fee of up to 0.80% p.a. of GAV, the Manager has charged an average of 0.55% p.a. of GAV since inception.
- The Acquisition and Disposal Fees are at the high end of what we have seen in the industry, however this is balanced off by lower Management Fees and the lack of a Performance Fee.
- The absence of a Performance Fee reduces the overall costs of the Fund. Whilst this means that there is no Performance Fee to incentivise the Manager, the management of MPG instead own units in the Fund which provides an alignment of interests and an incentive to outperform.

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 (Acquisition Fee):	2.0% of the purchase price of the property[1]. Note 1: Under the Constitution of the Fund, the Manager may charge a Contribution Fee of up to 5.0% of the purchase price but has elected to charge 2.0% of the purchase price.	Core Property considers the Fee to be at the high end of the industry average of 1.0% - 2.0%.
Management Fee:	0.75% p.a. of the Gross Asset Value (GAV) of the Fund, comprising: • Base management fee of up to 0.55% p.a.[2] of GAV; and • Other costs and expenses estimated at 0.20% p.a. of GAV. Note 2: Under the Constitution of the Fund, the Manager may charge a Base Management Fee of up to 0.80% p.a. of GAV, but has elected to charge 0.55% p.a. of GAV since inception.	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).
Debt Arrangement Fee:	1.0% of any new debt facility	Payable out of the assets of the Trust to the RE.
End Fee (Disposal Fee):	A fee of 2.0% plus GST of the net sale proceeds of any asset. The Fee is only payable if the net sale price exceeds the purchase price of the individual asset.	The Fee is at the high end of what Core Property has seen in the industry of 1.0% - 2.0%, however the Fee is only payable if the property is sold at a profit.
Performance Fee:	Nil	The Fund does not charge a Performance Fee. This reduces the total expenses of the Fund. Core Property notes that MPG management own units in the Fund, which provides an incentive for the Manager to outperform.
Replacement Fee:	A fee of 2.0% of the value of the Gross Assets of the Trust is payable to the Manager.	Payable if the Manager is replaced.

Source: MPG, Core Property

All-in fee analysis

Core Property has analysed the fees that accrue to the Manager 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 Manager.

Core Property estimates that the Manager is entitled to 7.1% 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%.

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 six-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:	$0.56
Total cash to investors:	**$1.56**
Acquisition fee:	$0.00
Base management fee:	$0.06
Disposal fee:	$0.04
Debt arrangement fee:	$0.02
Fees for the RE (excluding disposal/admin):	**$0.12**
Total cash generated by Fund:	**$1.68**
Fees = % of total cash generated (before fees)	7.1%

Source: Core Property estimates

The Property Portfolio

The Trust is looking to acquire Plains Junction, which will increase the portfolio to three large format retail properties valued at $96.5M. The properties are located in established bulky goods precincts in VIC and QLD, with close proximity to major highways. Key tenants include JB Hi Fi/The Good Guys (14%), Bev Marks (9%), Petbarn (9%), and Rebel Sport (8%). The portfolio is 100% occupied with a Weighted Average Lease Expiry (WALE) of 3.6 years and a weighted average rent review of 2.8% p.a.

Figure 7: Portfolio Summary

Portfolio	Value	Portfolio Weight	NLA	Cap Rate	Occupancy	WALE (years)
Chirnside Homemaker Centre, Chirnside Park VIC	$57.5M	59.6%	13,752	5.25%	100%	3.2 yrs
Mildura Homemaker Centre, Mildura VIC	$27.5M	28.5%	17,373	6.00%	100%	3.6 yrs
Plains Junction, Brown Plains QLD (to be acquired June 2022)	$11.5M	11.9%	2,086	5.50%	100%	5.6 yrs
Total Investment Portfolio	**$96.5M**	**100.0%**	**33,211**	**5.49%**	**100%**	**3.6 yrs**

Source: MPG

Chirnside Homemaker Centre (59.6% of portfolio) is a bulky goods retail centre located in Chirnside Park VIC, approximately 32km east of the Melbourne CBD. Constructed in circa 2006, the property holds 13,752 sqm of lettable area and 330 car parking spaces on a 38,090 sqm site. The property's 10 showrooms are fully occupied, anchored by well-known retailers The Good Guys, Nick Scali and Bev Marks, as well as well-known large format retailers such as Rebel Sports and JB Hi Fi. The property is situated in an established retail and commercial precinct, sharing car parking with the adjoining Bunnings Warehouse and in close proximity to the Chirnside Park Showroom Centre, the Chirnside Regional shopping centre and the east Ridge Business Park.

Mildura Homemaker Centre: (28.5% of portfolio) is a single level homemaker centre located in the regional town of Mildura, Victoria approximately 540 kilometres north-west of the Melbourne CBD. The property is made up of 12 separate freehold parcels of land totalling 33,000 sqm with 17,293 sqm of net lettable area, leased to 12 specialty tenants (including one external pad site) and 369 on-grade car parking spaces. The centre is anchored by a Fantastic Furniture, a United Petroleum petrol station and Anaconda retailer representing 53% of gross passing income. The balance of income is sourced from a range of bulky goods tenants, including national and chain retailers such as Rebel Sport, Chemist Warehouse, Bev Marks and Provincial Home Living.

Plains Junction (11.9% of portfolio) is a large format retail centre located in the Browns Plains retail precinct, located in the city of Logan, approximately 22kms south of the Brisbane CBD. Originally constructed in 1995, on a 2,365 sqm site, the property provides 2,086 sqm of net lettable area and 250 car parking bays. The property is fully leased to two tenants (Petbarn and Fernwood Fitness) and is positioned next to other major retailers in the precinct, such as Officeworks, BCF, Bunnings, Harvey Norman, Spotlight, JB Hi-Fi, and the Good Guys. The precinct also benefits from its proximity to Grand Plaza Browns Plains shopping centre, one of Brisbane's largest regional shopping centres. The Trust is looking to acquire the property with settlement expected by 30 June 2022.

Figure 8: Chirnside Homemaker Centre, Chirnside Park VIC

Figure 9: Mildura Homemaker Centre, Mildura VIC

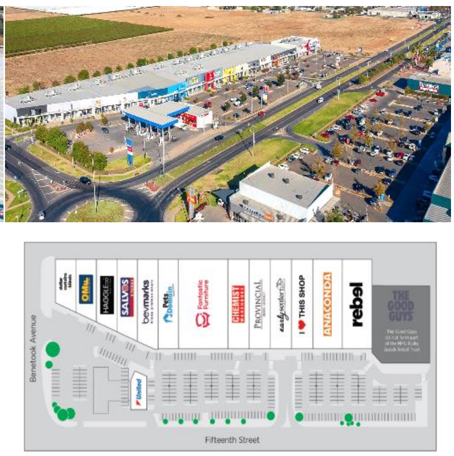


Figure 10: Plains Junction, Browns Plains QLD

Source: MPG

Property Valuations

The Trust has a policy to undertake an independent valuation on each asset as least once every three years. The Trust may not use the same valuation firm on the same asset for more than two valuations in a row.

The Manager has undertaken updated independent valuations on the Chirnside VIC and Mildura VIC properties in March 2022. An independent valuation was also undertaken on Browns Plains QLD property as part of its acquisition. A summary of the valuations is provided below.

Figure 11: Valuation Metrics

	Chirnside Homemaker Centre	Mildura Homemaker Centre	Plains Junction	Total Portfolio
Address	282 Maroondah Hwy, Chirnside Park VIC	636-668 Fifteenth St, Mildura VIC	Lot 1, 48 Browns Plain Rd, Browns Plain QLD	NA
Title	Freehold	Freehold	Freehold	Freehold
Acquisition date:	Completion March 2006	Completion March 2006	June 2022	2006, 2022
Ownership	100%	100%	100%	100%
Site Area	38,092 sqm	33,000 sqm	2,365 sqm	73,457 sqm
Gross Lettable Area	13,752 sqm	17,293 sqm	2,086 sqm	33,131 sqm
Major Tenants (% of gross income)	The Good Guys (13%), Nick Scali (12%), Rebel Sport (12%) JB Hi Fi (12%), Bev Marks (12%)	United Petroleum (17%), Fantastic Holdings (16%), Bev Marks 9%), Anaconda (7%)	Fernwood Fitness (53%), Petbarn (47%)	JB Hi Fi/The Good Guys (14%), Petbarn (9%), Bev Marks (9%), Rebel Sport (8%)
Weighted Average Lease Expiry	3.2 years	3.6 years	5.9 years	3.6 years
Occupancy	100%	100%	100%	100%
Net passing income	$3.1M	$1.8M	$0.6M	$5.4M
Net Market income (fully leased)	$3.6M	$2.2M	$0.6M	$6.4M
Purchase price	$24.5M	$20.9M	$11.5M	$56.9M
Independent Valuation	$57.5M	$27.5M	$11.5M	$96.5M
Passing initial yield	5.30%	6.29%	5.37%	5.59%
Capitalisation rate	5.25%	6.00%	5.50%	5.49%
Valuer, Valuation date	Knight Frank, March 2022	Knight Frank, March 2022	Savills, February 2022	February – March 2022
Valuers Discount rate	6.50%	6.75%	6.00%	6.51%
Value/sqm	$4,181 per sqm	$1,590 per sqm	$5,513 per sqm	$2,913 per sqm
Valuer's unleveraged 10-year IRR	6.54%	6.54%	6.03%	6.48%
Valuer's Terminal Yield	5.50%	6.25%	5.75%	5.74%

Source: MPG, Knight Frank, Savills

Leases, Tenants and Income

The portfolio is focussed on large format retail tenancies with 24 leases across the three properties – Chirnside (10 leases), Mildura (12 leases) and Browns Plains (2 leases). Leased areas range from 509 sqm to 2,502 sqm.

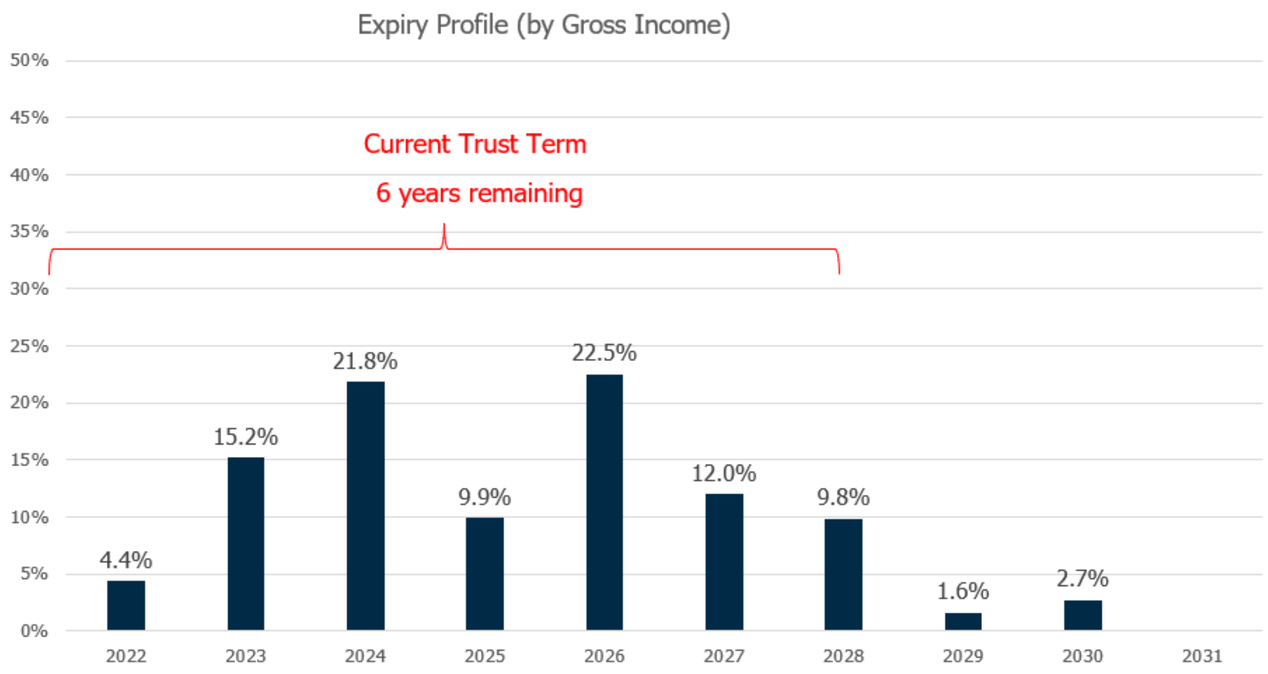
The largest tenant is JB Hi-Fi/The Good Guys, which represents 13.9% of gross income in the portfolio. Other key tenants include Petbarn (9.3% of gross income), Bev Marks (8.8% of gross income), Rebel Sport (8.2% of gross income) and Nick Scali (7.2% of gross income).

Figure 12: Key Tenancies of the portfolio

Property	Tenant	Lease Expiry	Area (sqm)	Options	Annual Rental Increase	% of portfolio income
Chirnside Homemaker Centre	The Good Guys	May 23	2,001	5 years	3.0%	7.8%
	Nick Scali	Jan 26	2,000	-	CPI	7.2%
	JB Hi Fi	May 27	1,501	2 x 5 years	3.0%	6.1%
	Bev Marks	Nov 25	1,500	-	3.0%	6.1%
	Rebel Sport	Aug 24	1,453	5 years	CPI	6.3%
	Others	Nov 22 - Mar 28	4,298	0 – 5 years	CPI, 3.0% - 4.0%	21.9%
Mildura Homemaker Centre	Fantastic Furniture	May 2024	2,502	2 x 5 years	CPI	5.8%
	United Petroleum	Mar 26	2,430	2 x 5 years	CPI	5.0%
	Anaconda	Mar 30	1,434	2 x 6 years	1.0%	2.7%
	Bev Marks	Nov 24	1,158	5 years	CPI	2.7%
	Others	Mar 23 – Apr 29	9,769	5 years	CPI, 2.5% - 3.0%	17.9%
Plains Junction, Browns Plains QLD	Fernwood Fitness	Nov 28	1,083	-	3.0%	5.7%
	Petbarn	Nov 26	1,003	-	CPI	4.9%

Source: MPG

Figure 13: Lease expiry profile

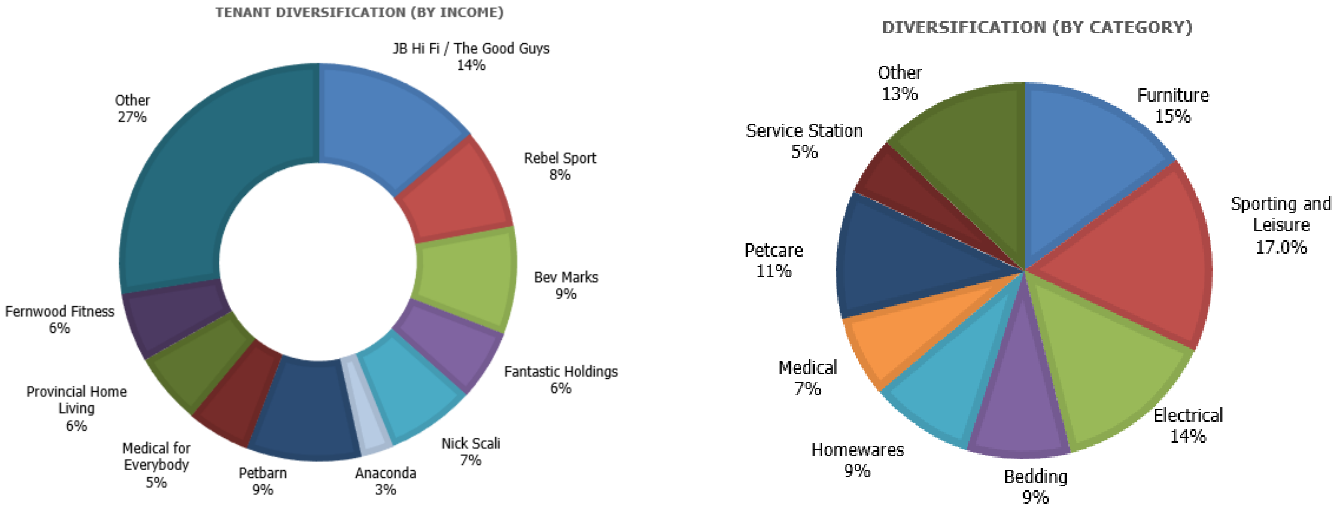


Source: Core Property, MPG

Diversification

The Trust's properties are leased to well-known large format retailers. The top 10 tenants represent 72% of portfolio income. The tenants include retail giants JB-Hi-Fi/The Good Guys, Rebel Sport, Bev Marks, Fantastic Holdings and Nick Scali. The portfolio is also well spread across the major large format categories, with the majority of tenants in the key categories of furniture, sporting and leisure, electrical and petcare.

Figure 14: Diversification metrics – as at April 2022



Source: MPG, Core Property

Financial Analysis

Core Property has reviewed the 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:

- The Trust raising $9.95M through the issue of 3.0M units at $3.35 per unit. Combined with existing units on issue of 13.3M units (issued in 2005), increases the total units on issue to 16.2M units.
- Increase in debt to $43.0M, from $40.3M.
- The acquisition of the Browns Plains QLD asset by 30 June 2022. No further property acquisitions are included in the forecasts.
- Based on the Manager's assumptions, the Trust is forecast to deliver a distribution of 20.95 cents per unit in FY23 and FY24, equivalent to a distribution yield of 6.25% on the Issue Price of $3.35 per unit.
- The forecasts include a total of $0.1M in deferred management fees in FY23 - FY24. The Manager expects to collect these fees in FY25, whilst increasing the distribution yield to 6.34%.

A summary of the Manager's forecasts is presented below.

Figure 15: Profit & Loss Forecast & Balance Sheet

Profit & Loss - Forecast $M	**FY23 12 mths to 30 June 2023**	**FY24 12 mths to 30 June 2024**
Net Property Income	5.3	5.5
Total Revenue	**5.3**	**5.5**
Finance Costs	-1.3	-1.4
Base Management Fees[1]	-0.5	-0.5
Ongoing Expenses	-0.2	-0.2
Toal Expenses	**-1.9**	**-2.1**
Cash Available for Distribution	**3.4**	**3.4**
Distributions to Unitholders	**3.4**	**3.4**
Distributions per unit	**20.95 cpu**	**20.95 cpu**
% Cash Distribution Yield – on $3.35 Issue Price	**6.25%**	**6.25**
% Tax advantaged (estimated)	51.8%	48.5%

Balance Sheet – $M	**Pro forma 30 June 2022 (estimate on settlement)**
Cash	0.3
Other assets	0.0
Investment Property	96.5
Total Assets	**96.8**
Bank Borrowings	43.0
Derivatives at Fair Value	0.1
Trade Creditors and Accruals	0.7
Total Liabilities	**43.8**
Net Assets	**53.0**
Loan To Valuation Ratio	**44.6%**
Units on Issue (based on Offer being fully subscribed)	16.2M
NTA per unit	**$3.26**

Note 1: Includes deferred management fees totalling $0.1M across FY23 - FY24, which are assumed to be recouped in FY25.
Source: MPG, Core Property

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 for new investors entering at $3.35 per unit on the basis of remaining invested for 6 years until the June 2028 liquidity event. **Based on these assumptions Core Property estimates the Fund to deliver a 6-year Internal Rate of Return (IRR) in the range of 7.3% - 10.1% p.a. (8.7% p.a. midpoint)**, assuming a +/- 25bps movement in the portfolio's terminal capitalisation rate and interest rate.

Our calculations are based on the forecasts for the portfolio, including the Browns Plains QLD property, for the remaining 6 years to June 2028. Our calculations also factor in an increase in the all-in-cost of debt to 4.14% p.a. (from 3.14% p.a. currently), as well as a 3% p.a. contingency for potential vacancy/incentives.

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 may acquire additional assets if the Trust is extended which would also impact the expected returns.

Figure 16: Pre-tax 6-year IRR (after fees) sensitivity analysis – estimated returns

	Cost of debt				
Terminal cap rate	**3.64%**	**3.89%**	**4.14%**	**4.39%**	**4.64%**
4.99%	11.5%	11.3%	11.2%	11.0%	10.8%
5.24%	10.3%	10.1%	9.9%	9.7%	9.6%
5.49%	9.1%	8.9%	**8.7%**	8.5%	8.3%
5.74%	7.9%	7.7%	7.5%	7.3%	7.1%
5.99%	6.8%	6.6%	6.4%	6.2%	6.0%

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 $900M 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 17: 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 Chairman of MPG Funds Management and manages net assets of over $900M. 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 Funds Management

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. The PDS sets out a disclosure of related party interests in the Fund, which includes:

- The RE is entitled to receive fees and compensation as required for the management of the Trust under its Constitution (see section on Fees).
- The directors of MPG are entities to be paid directors' fees by MPG.
- The property management, accounting administration and registry services may be outsourced to associated entities of MPG on normal commercial terms.
- The directors, shareholders and related parties of MPG may subscribe for units in the Trust.
- McMullin Nominees Pty Ltd, an associate of the RE has currently own 3.5M ordinary units in the Trust.
- Gorman Capital Pty Ltd (associated with Director Brett Gorman) is the owner of 50,000 ordinary units in the Trust.
- Terlaw Investment Pty Ltd (associated with Director Trevor Gorman) is the owner of 50,000 ordinary units in the Trust.
- The MPG Retail Brands Property Trust is the owner of 4.0M ordinary units in the Trust.

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.

The Trust has averaged a return of 7.3% p.a. over the last 10 years. 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 18: 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[4]	6	13.6%
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.
Note 4: Based on 6 years from June 2015 to June 2021, calculated on entry price of $0.80 per unit.
Source: MPG

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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