Core Property
Fund Research & Ratings
www.coreprop.com.au

Unlisted Property Fund Report

MPG Retail Brands Property Trust

September 2021

Retail property fund anchored by well branded national retailers, targeting 7.25% p.a.+ distributions

MPG Retail Brands 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.

MPG Retail Brands Property Trust

September 2021

The MPG Retail Brands Property Trust ("the Trust") is an unlisted property trust that invests in a portfolio of 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 $850M of property assets under management.

The Trust targets regular income returns from a diversified portfolio of retail assets, with properties predominantly located in metropolitan and regional locations. A majority of the portfolio income comes from national tenants such as Woolworths, Coles, Kmart, Bunnings, Super Retail Group, Forty Winks and the Reject Shop, which in Core Property's view provides a level of predictability and sustainability to future income distributions.

The Trust is looking to acquire its ninth directly owned asset, the Sarina Village Shopping Centre at 4-20 Broad Street, Sarina QLD ("the Property"). The Property is a neighbourhood shopping centre anchored by a Woolworths supermarket with seven specialties located in the far north QLD town of Sarina, near Mackay. The RE is looking to raise $6.6M through the issue of 6.2M units at the current issue price of $1.06 per unit ("the Offer") which will be used, in combination with debt, to acquire the Property.

The acquisition of the Property will expand the investment portfolio to $132.8M, with nine direct properties as well as investments in four MPG related property trusts. Approximately 72% of income is derived from national retailers, while the remaining 28% is from speciality tenants. The major retailers provide the Trust with a solid underlying base of income, while the specialities provide average rental increases of 3.3% p.a. Following the Sarina QLD Acquisition, the portfolio will be 96% occupied and have a WALE of 4.3 years (by income).

As part of the investment mandate, the Trust may also invest up to 10% of its assets in other property funds. Around 8% of the Trusts' portfolio is currently invested in four other MPG property trusts. These investments are forecast by the Manager to provide average distributions of 7.57% p.a. in FY22 which complement the Trust's earnings.

The Trust has an upcoming liquidity event in June 2022 which will give existing investors an opportunity to redeem their investment, or rollover their investment for a further 7-year term. It is the intention of the Manager to extend the Trust for a further 7-years and will seek to replace investors wishing to redeem their investment with new investors. Investors who choose to redeem will be able to do so at the prevailing unit price, adjusted for expenses. If the redemption requests are not met after 12 months, the RE will seek to sell assets and resolve to wind up the Trust and distribute the proceeds to unitholders.

The Manager is targeting distributions of 7.25% p.a. for FY22, increasing to 7.35% in FY23 if the Trust is extended a further seven years.

The Trust's Loan-to-Valuation Ratio (LVR) of 54.9% and Interest Coverage Ratio (ICR) of 2.9x appears slightly higher than peers and has a small cushion against the bank covenants. The Manager has advised the McMullin Group will also consider providing capital support, if required by the Trust in order to maintain debt covenants.

The Trust has relatively low management fees. Core Property notes that whilst the Trust does not charge a Performance Fee, the McMullin Group, a related party of the Manager, owns 35.8% of the Trust's units, providing an alignment of interests with investors. 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 estimates the Trust to deliver an Internal Rate of Return (IRR) of between 8.6% - 10.0% p.a. (midpoint 9.3% p.a.) based on an 8-year investment period. Our calculations assume the Trust is extended until the liquidity event in June 2029. Our calculations are based on the current portfolio and assumes a +/- 25bps movement in capitalisation 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 an attractive distribution of 7.25%+ p.a., supported by a portfolio of retail properties anchored by well branded national retailers. The Trust is illiquid, and investors should expect to remain invested for up to 8 years to June 2029 to be exposed to long term property returns. Capital returns will be dependent on overall market conditions as well as the Manager's ability to maintain the strong tenancy profile of the portfolio.

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:	17 June 2021
Offer Close[1]:	30 September 2021
Min. Investment:	$10,000, multiplies of $5,000 thereafter
Unit Entry Price:	$1.06 per unit
Net Tangible Asset per unit:	$1.00 per unit[2]
Liquidity:	Illiquid
FY22 Forecast Distribution:	7.25 cpu[3]
FY23 Forecast Distribution:	7.35 cpu[34]
Distribution Frequency:	Quarterly
Investment Period:	7-year intervals which resets in June 2022

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 Sarina QLD property.
3. Based on the RE's forecasts
4. Based on the Trust term extended for an additional seven years

Trust Contact Details

Brett Gorman
Director
bgorman@mpgfm.com.au
Phone: 03 9831 8920

Note: This report is based on the MPG Retail Brands Property Trust Product Disclosure Statement dated 17 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. MPG currently own 35.8% of units in the Trust, providing an alignment of interests for investors.

Trust Strategy: The Trust invests in properties that are anchored by well recognised brand name retail tenancies. Properties are typically located in metropolitan and regional locations.

Trust Term: The Trust has less than 12 months remaining on its initial term of 7-years, commencing in July 2015 until June 2022. Approximately six months prior to the end of the initial investment term in June 2022, 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 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.

The Offer and NTA: The Manager is looking to issue 6.2M new units in the Trust at the current issue price of $1.06 per unit. The Issue Price takes into account the current NTA of the Trust, adjusted for acquisition costs associated with the Sarina QLD property. Units will be offered to existing unitholders to ensure their interests are not diluted, as well as to new investors. Assuming a full subscription of units under the Offer, the RE estimates the NTA to reduce to $1.00 per unit, reflecting the impact of stamp duty, Manager's fees, and issue costs.

Direct Property Portfolio: The Trust will acquire the Sarina Village Shopping Centre, Sarina QLD for $13.0M. The Property is a single level Woolworths anchored supermarket with seven additional specialties. The Property is currently 96% occupied, with a rental guarantee in place for two years over the existing vacancy and has a Weighted Average Lease Expiry (WALE) of 5.6 years. Following the acquisition, the portfolio will own 9 direct properties valued at $121.4M

MPG related Property Trusts: The Trust also holds $10.6M worth of units through four MPG retail property trusts. The units in these trusts represents approximately 7.9% of the total investment portfolio and forecasted to contribute around 8.0% to the Trusts total income. The initial expiries of the trusts range between March 2022 – June 2028.

Debt Profile: The RE intends to extend the existing debt facility to facilitate the Sarina acquisition. The Loan to Valuation Ratio (LVR) on settlement is estimated to be 54.9% against a bank LVR covenant of 60%. The Interest Coverage Ratio (ICR) of 2.9x is above the ICR covenant of 2.0x.

Distributions: The Manager is targeting distributions of 7.25% p.a. in FY22, increasing to 7.35% p.a. in FY23 if the Trust is extended.

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 an 8-year IRR of 8.6% – 10.0% (midpoint 9.3% pa.) assuming a +/-25bps movement in capitalisation rates. Our calculations assume that the Trust is extended for a further 7-year term to June 2029. Investors who wish to exit at the June 2022 liquidity event may be subject to a capital gain or loss which is dependent on the valuation of the portfolio at the time. For more information, 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

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 and unlisted property funds. 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	
Target allocation:	Retail property: 90 - 100%; Cash/Other MPG related property trusts: 0-10%
No of Properties:	9 (following proposed acquisition)
Portfolio:	\$121.4M Direct Properties \$ 10.6M Related MPG property investments \$132.0M Total (incl. Cash
Property Location by value:	VIC (38%), QLD (28%), NSW (15%), WA (11%), SA (6%), TAS (2%)
Property Sector:	Retail
Key Tenant by income:	Woolworths (28%), Coles (16%), Bunnings (10%), Kmart (6%)
Occupancy	96%
WALE:	4.3 years as of 1 July 2021

Return Profile	
Forecast Distribution:	FY22: 7.25 cents per unit (7.25% p.a) FY23: 7.35 cents per unit (7.35% p.a.)
Distribution Frequency:	Quarterly, in arrears
Tax advantage:	FY22: est. 63% tax deferred FY23: est. 60% tax deferred
Estimated IRR (pre-tax, net of fees):	8.6% - 10.0% p.a. (midpoint 9.3% p.a.) estimate based on 8 years to June 2029.
Investment Period:	8 years to June 2029 (recommended) Note: The Trust has a liquidity event in Jnue 2022.

Risk Profile	
Property/Market Risk:	Capital at risk will depend on a portfolio of 9 properties in VIC, NSW, QLD, WA and TAS 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 (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 • 0.20% of GAV as Expenses (est.)
Performance Fee:	Nil

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]:	\$57.1M / \$66.6M / \$66.6M
Loan Period:	Expiry March 2023
Current LVR / LVR following acquisition/ Loan Covenant:	53.3% / 54.9% / 60%
ICR / ICR Covenant:	2.9x / 2.0x

Note 1: Indicative terms

Legal	
Offer Document:	Product Disclosure Statement dated 17 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)

Trust Overview

The MPG Retail Brands Property Trust ("the Trust") was established in 2006 to provide an investment opportunity into a portfolio of retail properties containing some of Australia's most well-known tenants, via direct ownership and units in MPG related unlisted property trusts.

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.

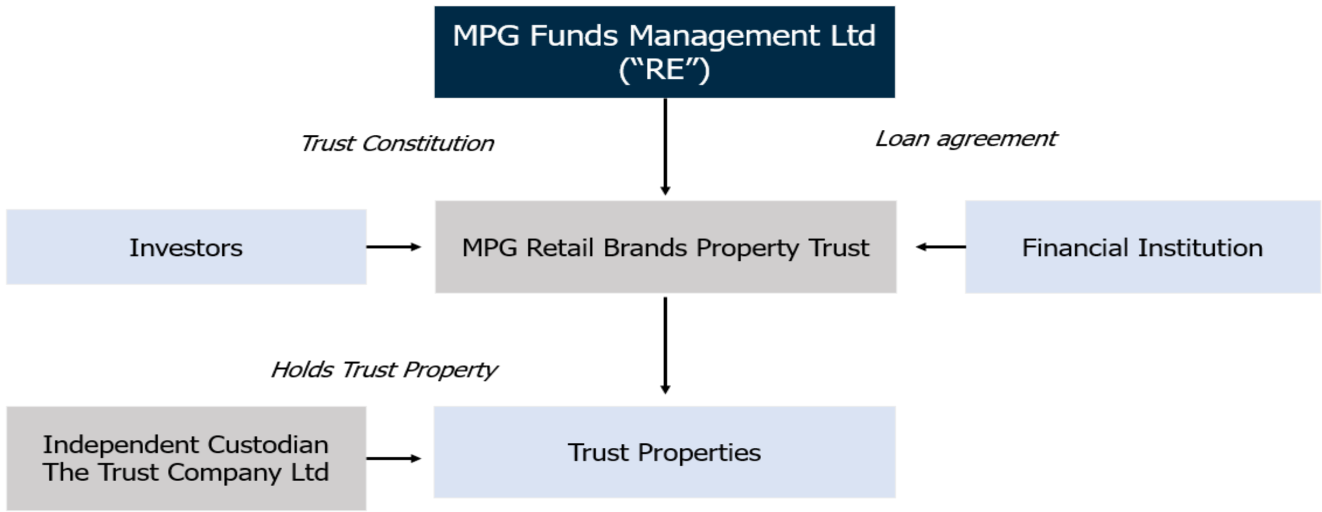
The Trust has an initial seven-year term, with one year remaining to 30 June 2022. At the end of the current term investors will be provided an opportunity to exit the Trust or extend for a further 7-year term. Investors wishing to exit the Trust at the end of the term will be able to do so, however, 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 is looking to acquire the Sarina Shopping Centre, in Sarina (Mackay) QLD. The acquisition will expand the portfolio to nine direct properties value at $121.4M. The Trust also invests $10.6M in four MPG related property trusts and holds $1.0M in cash. The investments into the related MPG property trusts are part of the investment mandate of the Fund and provides greater diversification to the portfolio. The investments in the related MPG property trusts represents around 7.9% of the portfolio and provides a weighted average FY22 distribution of 7.57% p.a., an accretive yield for the Fund.

The Trust is seeking to raise an additional $6.6M through the issue of 6.2M units at the current issue price of $1.06 per unit ("the Offer"). The proceeds will be used in conjunction with debt to acquire the Sarina Village Shopping Centre at 4-20 Broad Street Sarina QLD ("the Property"). The Property is a Woolworths anchored regional shopping centre with seven specialities, currently 96% occupied.

Following the acquisition the portfolio occupancy will be 96% and a WALE of 4.3 years (by income). The majority of rental income is sourced from leading national brand retailers, which account for 71% of income in the portfolio. Key retailers include Woolworths, Bunnings, Coles, Kmart, Forty Winks and the Reject Shop.

Figure 1: Trust structure



Source: MPG, Core Property

Trust Strategy

The Trust aims 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 90%- 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%- 10% in cash/Fixed Interest and Listed Property Securities.

Figure 2: Target portfolio allocation

Investment Class	Target Allocation
Retail Property	90 – 100%
Cash / Other	0 – 10%

Source: MPG

Future Property Acquisitions: The Manager has advised that any further acquisitions are required to fit the investment strategy, which targets retail properties, particularly neighbourhood shopping centres in the range of $5M - $50M with each additional property capable of achieving comparable long term returns to returns received by unitholders immediately prior to the acquisition. As the Trust nears the end of its extended term, it is unlikely additional acquisitions will be made before June 2022. If the Trust is extended, any future acquisitions are likely to require capital raising which would be undertaken on similar terms to the current offer, to ensure an equitable allocation of acquisition costs to new investors.

Unit Issue Price: The Trust currently has 57.3M units on issue, all issued at $1.00 per unit. New units in the Trust will be issued at $1.06 per unit, which reflect the current NTA of the Trust and takes into account acquisition costs.

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, 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.

History of the Trust

The Trust originates from the "MPG Enterprise Trust", a registered managed investment scheme formed in November 2006. The MPG Enterprise Trust was initially a diversified portfolio of two retail properties (Home Central Warnambool and the Village Lakeside Shopping Centre, which are still in the Trust) and three industrial properties (which have been sold) as well as a holding in the MPG Bulky Goods Retail Trust.

During 2011, at the height of the GFC, the Trust was adversely impacted when a major tenant at HomeCentral Warnambool, Clive Peeters Ltd, was placed into voluntary administration. The Trust sold its industrial assets and undertook a restructure to become the MPG Retail Brands Property Trust in October 2015, with a new 7-year Trust term ending June 2022. In FY16, the NTA was $0.77 per unit and the Trust issued new units at $0.80 per unit. Subsequent raisings being undertaken at $1.00 per unit. The HomeCentral Warnambool property was reconfigured with a new anchor lease to Bunnings in December 2016, providing valuation gains for the portfolio.

- Under the current structure of the Trust, the Net Tangible Assets (NTA) of the Trust has improved from $0.69 per unit (October 2015) to $1.06 per unit (June 2021 unaudited). Following the acquisition of the Sarina QLD property, the NTA is estimated at $1.00 per unit (pro forma, September 2021).
- Since 2015, the Trust has consistently paid a distribution of 6.00 – 7.25 per unit, per annum.
- In order to fund the acquisition of properties, the McMullin Group has previously held Acquisition Units in the Trust. The Acquisition Units have since been converted to Ordinary Units based on their Issue Price of $1.00 per unit.

Currently the McMullin Group own 20.5M Ordinary Units, or 35.8% of the units on Issue. The McMullin Group intends to maintain a minimum interest of at least 5% of the equity in the Trust. The McMullin Group has also provided support for the Trust in the form of unsecured debt during the GFC, as well as other short term debt instruments. The Manager has confirmed that all transactions with the McMullin Group are undertaken on commercial market terms.

Sources & Application of Funds

The PDS sets out the sources and application of funds under the terms of the Offer. Core Property notes that a portion of the capital ($1M) will be used to pay down an existing related party loan to MPG for the acquisition of the Nambour LFR Shopping Centre. The Manager has advised that the loan was provided to the Trust under normal terms and conditions.

Figure 3: Source and Application of Funds

	$M	% of purchase price	% of total funds
Sources of funds			
Equity subscriptions	6.6	50.8%	42.6%
Bank debt	8.9	68.3%	57.4%
Total sources of funds	**15.5**	**119.2%**	**100.0%**
Application of funds			
Purchase price	13.0	100.0%	83.9%
Acquisition Costs (incl Stamp Duty)	0.9	7.1%	5.9%
Debt Establishment Costs	0.3	2.6%	2.2%
Manager Fee	0.3	2.0%	1.7%
Repayment of Loan (to MPG for the acquisition of Nambour property)	1.0	7.5%	6.3%
Total application of funds	**15.5**	**119.2%**	**100.0%**

Source: MPG, Core Property

Debt Facility & Metrics

The Trust has a target to maintain a long-term gearing below 55%, with a requirement to pay down debt to ensure that gearing does not exceed 65% for more than a 12-month period.

The Trust has an existing bank facility with drawn debt of $57.7M. The existing facility is due to expire in April 2023, with 50% of interest fixed until June 2024. It is the intention of the RE to expand the existing facility on similar terms, subject to the continuation of the Trust.

The Trust has increased the facility limit to fund the acquisition of the Sarina QLD property.

- The LVR is expected to increase to 54.9%, providing a small buffer to the bank LVR covenant of 60%. Core Property calculates the properties can withstand an 8.5% fall in value before the LVR covenant is breached.
- The Trust's gearing is expected to increase to 50.1%, providing a small buffer to the Trust's target gearing of 55%. Core Property calculates the properties can withstand an 8.9% fall in value before this limit is reached.
- The Interest Coverage Ratio (ICR) is estimated to be 2.93x against a bank ICR covenant of 2.0x. Core Property calculates the Fund can withstand a 31.8% decline in income before it breaches the ICR covenant.

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

Core Property notes the Trust currently has a $1.0M unsecured debt with the McMullin Group, which was established to help fund the recent Nambour QLD acquisition. This $1.0M unsecured debt will be repaid from the proceeds of the current offer. Core Property also notes the McMullin Group has, in the past, provided unsecured debt facilities to the Trust to support its capital position. The unsecured debt is provided on commercial terms, in accordance with the Trust's policy on related party transactions.

Figure 4: Debt Metrics – Indicative Terms

Details	Metric	
Bank	National Australia Bank	
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	\$57.7M / \$66.6M / \$67.5M	
Loan Expiry	March 2023	
% Hedged	50%	
Estimated all-in cost of Debt	3.45% p.a. (incl hedging costs)	
	Existing	**Proposed (incl Sarina QLD asset)**
Loan To Valuation Ratio (LVR) / LVR Covenant	53.3% / 60%	54.9% / 60%
Amount by which valuation will have to fall to breach LVR covenant	11.2%	8.5%
Gearing / Target Gearing	48.1% / 55%	50.1% / 55%
Amount by which valuation will have to fall to breach target gearing	12.5%	8.9%
Initial interest covered ratio / ICR covenant	2.89x / 2.0x	2.93x / 2.0x
Decrease in rent income to breach ICR covenant	30.8%	31.8%

Source: MPG, Core Property

Liquidity / exit strategy

The current term of the Trust is seven years, with 12 months remaining to 30 June 2022. The investment should be viewed as a medium-long term investment, with investors unable to apply for withdrawal unless an offer is made by the RE. Full liquidity will be provided to unitholders at the end of each current term.

At the end of the current term: When approaching the end of the investment term, June 2022, 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 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.

The Manager advises that it is its current intention to extend the Trust for a further 7-year term, subject to unitholder support. MPG may consider redeeming some of its units in the Trust, however would only do so if the Trust was able to satisfy the redemption through available liquidity options. MPG will not redeem its units if the redemption would result in a winding up of the Trust

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. However, Core Property notes the Trust does not charge a Performance Fee, which is a normal practice within industry. No Performance Fee reduces the cost to investors, however, does not incentivize the manager to outperform a benchmark return (typically 8%-10%)

- New investors in the Trust will incur a Contribution Fee (Acquisition Fee) of 2.0% of the purchase price of the Property. This Fee is deducted from the assets of the Trust and represents the estimated impact of acquisition costs and debt establishment costs for 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 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 other MPG property trusts.

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].	This fee is deducted from the assets of the Trust. 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:	Nil	Core Property notes the absence of a performance fee reduces the total costs for investors, however Core property prefers Trusts to have a Performance Fee to incentivize a manager for outperformance.
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 7.7% 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 2.7% 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 eight-year period

Core Property estimates that for every $1.06 of equity invested the Fund can return:	Amount per $1.06 unit
Principal repayment to investors:	$1.06
Income and capital gains to investors:	$0.80
Total cash to investors:	**$1.86**
Acquisition fee:	$0.004
Base management fee:	$0.09
Disposal fee:	$0.05
Fees for the RE (excluding disposal/admin):	**$0.16**
Total cash generated by Fund:	**$2.20**
Fees = % of total cash generated (before fees)	7.7%
Up-front fee vs total fees	2.7%

Source: Core Property estimates

The Property

The Trust is seeking to acquire its 9th direct property asset, the Sarina Village Shopping Centre, 4-20 Broad Street, Sarina (Mackay) QLD. The Property is a single level 'L shaped' neighbourhood shopping centre developed in 2007 with 3,354 sqm of Gross Lettable Area (GLA) on a 10,190 sqm site, including on-site carking bays for 189 vehicles.

The Property is 96% occupied and is anchored by a strong performing Woolworths supermarket, occupying 82% of net lettable area located, with seven specialty tenancies including a Subway, Celebrations Liquor store, chemist, tobacconist, café, and nail salon. One specialty lease (143 sqm) is currently vacant and is secured by a rental guarantee from the vendor for two years.

Located approximately 37 kms south of Mackay, Sarina is a small rural town which services the surrounding rural areas of north-Queensland, which are heavily involved in the sugarcane and coal export industries. In 2018 Sarina had a population of 5,918 and is forecasted to grow to 7,807 by 2036. Major industries of employment recorded in 2018 were Mining (13.8%), Logistics (11.7%) and Retail (9.7%).

The Property benefits from passing traffic along the Bruce Highway and faces limited retail competition, being the only full line supermarket within the trade area.

Figure 7: Sarina Village Shopping Centre, 4-20 Broad Street, Sarina (Mackay) QLD

Source: MPG

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 CBRE in April 2021 valuing the Property at $13.0M, in line with the acquisition price. A summary of the valuation is provided below.

Figure 8: Valuation Metrics

4-20 Broad Street, Sarina QLD	
Title	Freehold
Acquisition date:	September 2021 (expected settlement date)
Ownership	100%
Site Area	10,190 sqm
Gross Lettable Area	3,354 sqm
Major Tenants (% of gross income)	Woolworths (75.5%)
Weighted Average Lease Expiry	5.8 years (by income)
Occupancy	96%
Initial net passing income	$0.80M p.a.
Net Market income (fully leased)	$0.86M p.a.
Purchase price	$13.0M
Independent Valuation	$13.0M
Passing initial yield	6.17%
Capitalisation rate	6.25%
Valuer	CBRE
Discount rate adopted	7.00%
Value/sqm	$3,876 per sqm
Valuer's unleveraged 10-year IRR	7.00%
Valuer's Terminal Yield	6.50%

Source: CBRE

Leases, Tenants and Income

The Property is 96% occupied, anchored by Woolworths who contributes 76% of the property's gross income. The Woolworths lease term of 20 years until October 2027, with 8 x 5-year option periods thereafter. Woolworths recorded annual sales of approximately $34.9M to March 2021 and is currently paying percentage rent. Sales are below the Urbis average MAT of $46.0M.

The Property currently has one retail vacancy, accounting for 143 sqm (3.8% of GLA), which the vendor has provided a rental guarantee for two years following the acquisition.

Speciality tenants within the property account for approximately 24% of the gross income, and have similar lease terms, ranging from 3 to 7 years, with annual rental increases ranging from CPI to 4% p.a.

Figure 9: Tenants of 4-20 Broad Street, Sarina QLD

Tenant	Commence date	Expiry date	Option periods	Gross Lettable Area (sqm)	% of Gross Income
Woolworths Limited	Oct 2007	Oct 2027	8 x 5	2,754	75.5%
Celebrations	Dec 2019	Nov 2024	Nil	115	4.9%
Terry White Chemist	Apr 2021	Apr 2028	7	107	7.0%
Sarina Nails & Spa	Apr 2019	Apr 2022	3	60	2.6%
Freechoice	Apr 2021	Mar 2026	5	60	2.8%
Natalesha's Café		Feb 2023	-	60	3.0%
Subway	Mar 2018	Feb 2023	5	55	4.2%
Vacant – 2 year rental guarantee	NA	NA	NA	143	NA

Source: CBRE, MPG

Market Sales Evidence

The table below shows the comparable transactions for similar regional neighbourhood supermarkets sold in the last 18 months. The purchase price equates to $3,876 per sqm and appears to be in the low range of $2,922 - $6,952 per sqm.

Figure 10: Market Sales Evidence

Sale Date	States	Price	GLA (sqm)	Passing Yield	IRR	$ / sqm
6 transactions (Jan 2020 – Jan 2021)	QLD	$10.5M - $40.1M	2,465 – 6,409	4.7% - 8.39%	6.4% - 8.3%	$2,922 - $6,952
4-20 Broad Street, Sarina (Mackay) QLD	**QLD**	**$13.0M**	**3,354**	**6.17%**	**6.55%**	**$3,876**

Source: CBRE

Market Rental Evidence

The independent Valuer has identified the net passing income to be $0.80M, below the fully leased net market income of $0.86M. Including the rental guarantee of approximately $0.06M, the Property is being acquired in line with market rents.

The Investment Portfolio

Following the acquisition of the Sarina Village Shopping Centre, the Trust's portfolio is expected to increase to $132.8M, comprising nine direct property assets valued at $121.4M (or 91.4% of the portfolio), four investments in MPG related property trusts valued at $10.6M (or 7.9% of the portfolio) and $1.0M (0.7%) of Cash and other assets of $1.0M (or 0.7% of the portfolio). In total, the inclusion of the Sarina QLD property is expected to increase the portfolio to $132.8M.

The portfolio's properties are diversified across Australia with the largest exposures in VIC (36%), NSW (17%) and QLD (28%), while the remaining 19% is spread throughout WA, SA and TAS. Income is spread across 90+ tenants, with well branded national retail tenants accounting for 72% of income (including Woolworths, Coles, Kmart, Bunnings, Forty Winks, the Reject Shop). As of June 30 June 2021, the direct properties are 96% occupied and hold a WALE of 4.3 years (by income). The table below provides a summary of the portfolio following the proposed acquisition. Further summaries of the properties are provided in the appendix.

Figure 11: Portfolio Summary

Portfolio	GLA	Cap Rate %	Investment Value	Portfolio Weight	Occupancy	WALE (years)
Village Lakeside Shopping Centre, Pakenham VIC	3,651	5.15%	$23.3M	17.5%	100%	5.0
HomeCentral Warrnambool, Warrnambool VIC	13,355	5.75%	$21.8M	16.4%	100%	2.5
Beaudesert Central Shopping Centre, Beaudesert QLD	4,453	6.25%	$17.5M	13.2%	98%	4.2
Seacrest Shopping Centre, Geraldton WA	4,713	7.50%	$14.8M[1]	11.1%	97%	7.5
Coles Moss Vale, Moss Vale NSW	2,500	6.00%	$9.8M[1]	7.4%	100%	3.7
Rocks Central Shopping Centre, Southwest Rocks NSW	4,457	7.75%	$9.8M[1]	7.3%	83%	1.3
Nambour LFR, Nambour QLD	2,155	7.00%	$6.0M	4.5%	73%	5.5
Kmart, Kadina SA	3,306	8.50%	$5.5M	4.2%	100%	2.3
Recent acquisition						
Sarina Village Shopping Centre, Sarina QLD	3,354	6.25%	$13.0M	9.8%	96%	5.6
Direct Properties	**41,944**	**6.34%**	**$121.4M**	**91.4%**	**96%**	**4.3**
Investments in Unlisted Trusts						
MPG Bulky Goods Retail Trust			$5.4M	3.9%		
MPG Hardware Trust			$2.7M	2.0%		
MPG Seaford Meadows Property Trust			$2.5M	1.9%		
MPG Bunnings Warehouse Port Macquarie			$0.04M	0.0%		
Total Investments in Unlisted Trusts			**$10.6M**	**7.9%**		
Cash / Other			**$1.0M**	**0.8%**		
Total Investment portfolio			**$132.8M**	**100%**		

Source: MPG. Note 1: Director's valuation

Direct Properties – 91.4% of portfolio

The top three properties account for 47.1% of the portfolio, as follows:

- **Village Lakeside Shopping Centre, Pakenham VIC (17.5%):** The Village Lakeside East Shopping Centre is a neighbourhood shopping centre in Pakenham, approximately 55kms southeast of Melbourne, Victoria. Constructed in 2005, the property holds 3,651 sqm of lettable area on a 11,200 sqm site (33% site coverage) and underwent capital expenditure in early 2021 to upgrade toilet facilities and external features. The property is 100% occupied with a WALE of 5.1 years, and is anchored by a Coles supermarket, which represents 46% of income and has a forecasted lease expiry in October 2027, with 4 x 5 years option periods thereafter. The centre also includes 12 speciality tenants, including a pharmacy, bottle-o, and bakery.

- **Home Central Warrnambool, Warrnambool VIC (16.4%):** HomeCentral is a 13,355 sqm bulky goods retail centre on a 4-hectare site (33% site coverage) anchored by Bunnings Warehouse, located on the Princess Highway in Warrnambool, 260 kms west of Melbourne, Victoria. The property is 100% occupied with a WALE of 2.6 years, and includes tenants such as Rebel Sport, Lincraft, Forty Winks and Petstock. Upcoming expiries at the property include Rebel Sport in December 2021 (16% of property income), Lincraft in June 2022 (3% of income) and Forty Winks in April 2022 (12% of property income). All tenants hold options to renew; Rebel (2 x 5 years), Lincraft (1 x 7 years) and Forty winks (1 x 5 years).
- **Beaudesert Central Shopping Centre, Beaudesert QLD (13.2%):** The Beaudesert Central Shopping Centre is a single level shopping centre located in the main street of Beaudesert, 70km south of Brisbane and 65 km west of the Gold Coast, Queensland. Constructed in 2007, the centre holds 4,452 sqm of GLA on a 14,230 sqm site (31% site coverage) and is anchored by a Woolworths supermarket and 11 speciality retailers including Subway, Specsavers, Headspace, Amcal Pharmacy and QML Pathology. Currently the building is 98% occupied and had a WALE of 4.3 years at 30 June 2021.

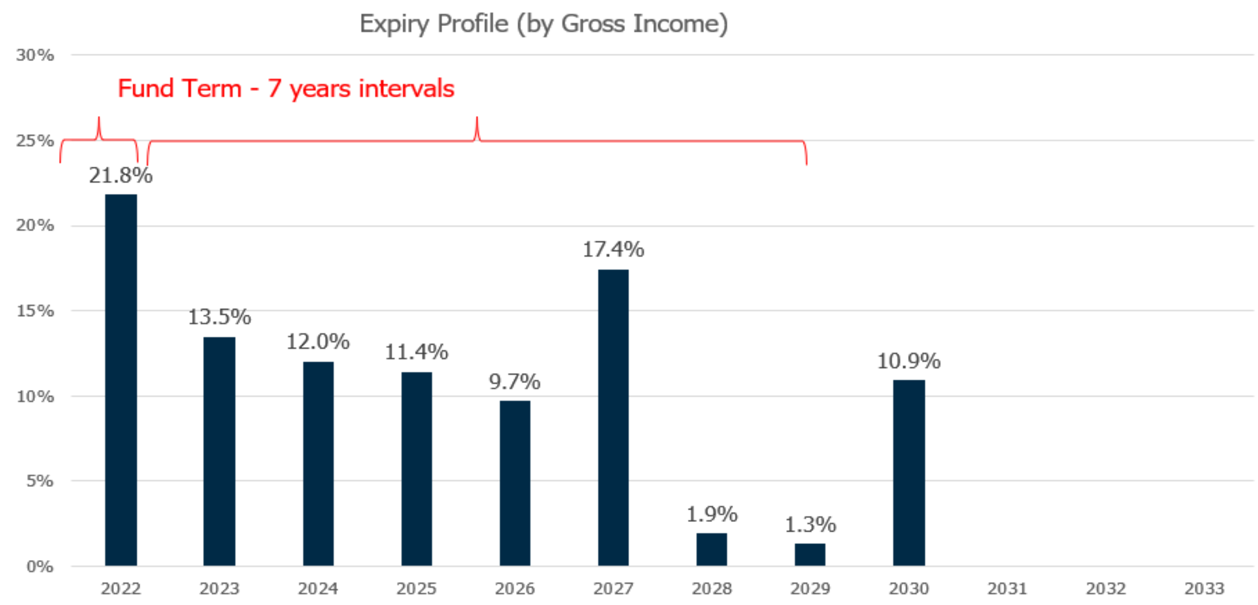
Figure 12: Village Lakeside Shopping Centre, Pakenham VIC, HomeCentral Warrnambool, VIC and Beaudesert Central Shopping Centre, QLD

Source: MPG

Leases, tenants and income

The portfolio's income stream is diversified through over 90 tenants. Approximately 72% of gross income is derived from well branded national tenants, including Woolworths (28%), Coles (16%), Bunnings (10%), Kmart (6%), Super Retail Group (5%), as well as Forty Winks and the Reject Shop. The remaining 28% of income is sourced from a variety of speciality tenants. As of 1 July 2021, the direct property portfolio has a WALE of 4.3 years. Approximately 22% of the Trust's gross income is exposed to upcoming lease expiries over the next 24 months. The largest individual expiry falling due in 2022 is Super Cheap Auto Group at HomeCentral, who hold 2x5-year options. The remaining expiries are comprised from a mix of speciality tenants, predominantly across Rocks Central (4%) and Village Lakeside Pakenham (4%).

Figure 13: Lease expiry profile



Source: MPG, Core Property

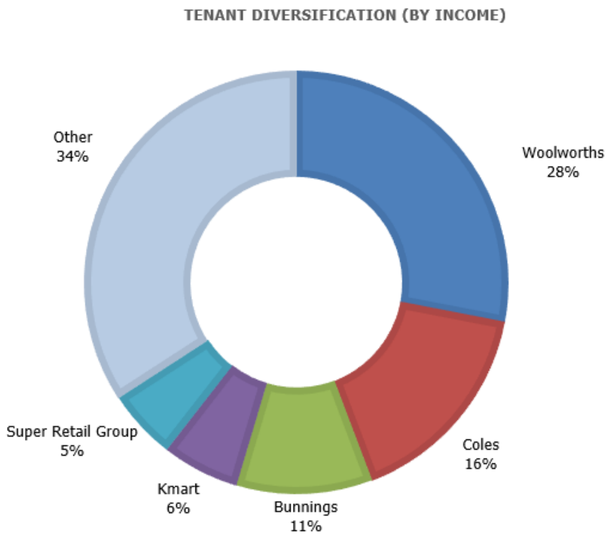
Diversification

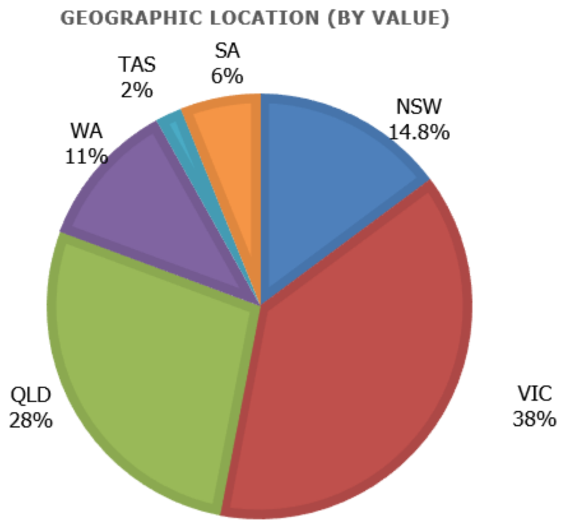
The Trust's direct properties are predominantly leased to well-known retail tenants diversified across Australia. The portfolio holds a mix of retail properties, predominately comprised of neighbourhood shopping centres, while also including Large Format Retail and a standalone Kmart.

Following the proposed acquisition, majority of the direct portfolio's investment weighting will be held in Victoria (38%), followed by QLD (28%), NSW (15%), WA (11%), SA (6%) and TAS (2%). The current portfolio composition is roughly in line with the 30% target asset locations to VIC, NSW and QLD, 6% to SA and 3% to TAS.

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

Figure 14: Diversification metrics – as at August 2021





Source: MPG, Core Property

Unlisted Investments – MPG Related Property Trusts – 7.9% of portfolio

Figure 15: MPG Related Property Trusts

Trust	Year Start	Term (Next Expiry)	No of Assets (Asset Value)	Units	WALE	Investment Value	Share of Portfolio	FY22F Distn Yield[1]
MPG Bulky Goods Retail Trust	2005	7 years (Jun 2028	2 ($73.0M)	4.0M	3.6 years	$5.4M	3.9%	8.00% p.a.
MPG Hardware Trust 2	2016	7 years (Mar 2023)	1 ($21.0M)	2.0M	8.0 years	$2.5M	2.0%	7.25% p.a.
MPG Seaford Meadows Property Trust	2014	7 years (Mar 2022)	2 ($22.7M)	2.5M	8.6 years	$2.7M	1.9%	7.00% p.a.
MPG Bunnings Warehouse Port Macquarie Trust	2018	7 years (Jun 2027)	1 ($45.8M)	0.04M	9.5 years	$0.04M	0.0%	6.00% p.a.

Source: MPG. Note 1: Managers forecast

The Trust holds interests in four unlisted property trusts which are also managed by the RE. The investments total $10.6M and account for 7.9% of the assets in the Trust and contribute 8.0% to the income of the Trust. On average, the investments are forecast by MPG to deliver a 7.57% p.a. distribution yield in FY22, which supports the Trust in achieving its target of 7.25% p.a.

MPG has also advised that, as part of its liquidity consideration, it may consider the purchase of units in the related trusts to provide liquidity if required.

The investments are part of the investment mandate of the Trust and are illiquid. These include:

- **MPG Bulky Goods Retail Trust (MPGBT):** is an unlisted property trust managed by the RE. MPGBT was established in 2005 and has an investment portfolio of $73.0M, comprised from two large format retail centres located in Victoria. MPGBT aims to provide investors with attractive tax-advantaged returns through a portfolio of large retail tenants such as JB-HI-FI, Anaconda, Rebel Sport and Fantastic Furniture among many others. The Trust currently holds approximately 4.0M units of MPGBT, valued at $1.34 per unit. Since 2012, MPGBT have averaged annual cash distributions of 7.50% p.a. In FY22, MPGBT is forecasted to deliver a distribution yield of 8.00% p.a. to the Trust.
- **MPG Hardware Trust 2 (MPGHT 2):** Is a single asset unlisted property trust managed by the RE. MPGHT 2 was established in 2016 with an initial term of seven years to March 2023, to provide investors with secure, tax-deferred income distributions from acquiring a brand-new Bunnings Warehouse in Kingston Tasmania. The Bunnings holds an initial lease of 12 years, with additional 8 x 6-year option periods, valued at approximately $24.0M. The Trust currently holds around 2.0M units in MPGHT 2, valued at $1.33 per unit. The NTA of MPGHT has since grown 25%, as recent market transactions of Bunnings Warehouses have significantly increased asset values. Since 2016, MPGHT 2 has averaged annual distribution payments of 6.8% p.a. In FY22, MPGHT 2 is forecasted to deliver a distribution yield of 7.25%.
- **MPG Seaford Meadows Property Trust (MPGSM):** is a single asset unlisted property trust managed by the RE. MPGSM was established in 2014 with an initial term of seven years to March 2022, to provide an opportunity to invest in a brand-new neighbourhood shopping centre located in a growing region of SA. The centre is anchored by Woolworths on a 20-year lease, coupled by The Reject Shop, Chemist Warehouse and 14 specialities, valued at approximately $22.7M. The Trust currently holds around 2.5M units in MPGSM, valued at $0.99 per unit. Since FY15, MPGSM has averaged annual distributions of 7.05% p.a., and is forecasted to provide the trust with a 7.00% p.a. distribution yield in FY22.
- **MPG Bunnings Warehouse Trust (MPG BWT):** Is a single asset unlisted property trust managed by the RE. MPG BWT was established in 2018 with an initial term of seven years to June 2027 following the end of practical completion and beginning of the lease with Bunnings. MPG BWT provides an opportunity to invest in a brand-new Bunnings Warehouse in Port Macquarie NSW, with an additional 2,400 sqm of additional speciality tenants valued at approximately $45.8M. The Trust currently holds 0.03M units in MPG BWT at $0.95 per unit. Since FY19, MPG BWT has averaged annual distribution payments of 5.80% p.a. and is forecasted to deliver a 6.00% distribution yield in FY22.

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:

- The Trust is extended for a further seven years following expiry in June 2022.
- Current debt of $57.1M increases to $65.7M following the acquisition of Sarina Village.
- The debt facility is maintained throughout the term of the Trust, assuming an all in cost of debt of 3.45% p.a., 50% hedged.
- Assumes repayment of the $1.0M loan to MPG undertaken as part of the acquisition of Nambour LFR Shopping Centre.
- Assumes the investments in the related MPG property trusts are rolled over and maintained at current levels.
- Assumes the Offer raises $6.6M through the issue of 6.2M units at $1.00 per unit. A total of 63.5M of units on issue.
- A vacancy allowance of 2.75% 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	7.5	7.6
Distributions from Trusts	0.6	0.6
Total Revenue	**8.1**	**8.2**
Finance Costs	-2.4	-2.4
Expenses (Management Fees, Ongoing Expenses)	-1.1	-1.1
Cash Available for Distribution	**4.6**	**4.7**
Distributions to Unitholders	**4.6**	**4.7**
Distributions per unit	**7.25 cpu**	**7.35 cpu**
% Cash Distribution Yield	**7.25%**	**7.35%**
% Tax advantaged (estimated)	63%	60%
Balance Sheet – $M		**Estimate - Pro Forma on settlement - Sept 2021**
Cash / other assets		1.0
Investment Properties		121.3
Other Investments[1]		10.6
Total Assets		**132.9**
Bank Borrowings		66.6
Derivatives at Fair Value		1.4
Other liabilities		0.9
Total Liabilities		**68.8**
Net Assets		**64.1**
Loan To Valuation Ratio		**54.9%**
Gearing		**50.1%**
NTA per unit		**$1.00**

Source: MPG, Core Property
Note 1: Units in other MPG related trusts

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 $1.06 per unit on the basis of remaining invested for 8 years until the June 2029 liquidity event. Our calculations assume the Trust is extended for a further 7-year term at the next liquidity event in June 2022. **Based on these assumptions Core Property estimates the Fund to deliver an 8-year Internal Rate of Return (IRR) in the range of 8.6% - 10.0% p.a. (9.3% p.a. midpoint)**, assuming a +/- 25bps movement in the portfolio's terminal capitalisation rate and interest rates remain at 3.45%.

Our calculations are based on the intention of the Manager to continue the Trust for a further 7-year term, which is subject to unitholder intentions and the ability of the Trust to meet redemption requests. The calculations are based on the financial forecasts provided by the Manager, based on an all-in cost of debt of 3.45% p.a. assuming 50% of the debt is hedged. A change in interest rates or hedging may also have an impact the IRR.

Core Property notes that investors who wish to exit at the June 2022 liquidity event, will be exposed to a capital gain or loss that is dependent on the prevailing portfolio valuation at the time of exit.

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 17: Pre-tax 8-year IRR (after fees) sensitivity analysis – estimated returns

Terminal cap rate	Estimated IRR (assuming a cost of debt of 3.45% and exit in June 2029)
5.84%	10.8%
6.09%	10.0%
6.34% (base)	**9.3%**
6.59%	8.6%
6.84%	7.9%

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. 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 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[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 – Direct Properties

Village Lakeside Shopping Centre, Pakenham VIC– 17.6% of Investment Portfolio

As at June 2021	
Book Value	$23.3M
Capitalisation Rate	5.15%
Lettable Area (sqm)	3,651 sqm
Occupancy-by NLA	100.0%
WALE	5.0 years
Major Tenants (by income): Coles, Advantage pharmacy, Brumby's bakery	

The Village Lakeside East Shopping Centre is a neighbourhood shopping centre with 176 car parking bays in Pakenham, approximately 55kms southeast of Melbourne, Victoria. Constructed in 2005, the property holds 3,651 sqm of lettable area on a 11,200 sqm site (33% site coverage) and underwent capital expenditure in early 2021 to upgrade toilet facilities and external features. The property is anchored by a Coles supermarket, which represents 46% of income, with lease expiry in October 2027, with 4 x 5 years options. The centre also includes 12 speciality tenants, including a pharmacy, bottle-o, and bakery.

HomeCentral Warrnambool, Warrnambool VIC – 16.5% of Investment Portfolio

As at June 2021	
Book Value	$21.8M
Capitalisation Rate	5.75%
Lettable Area (sqm)	13,355 sqm
Occupancy-by NLA	100%
WALE	2.5 years
Major Tenants (by income): Bunnings, Rebel Sport, Lincraft, Forty Winks, Petstock	

HomeCentral is a 13,355 sqm bulky goods retail centre with 260 car parking bays on a 4-hectare site (33% site coverage) anchored by Bunnings Warehouse, located in Warrnambool, 260 kms west of Melbourne, Victoria. The property is 100% occupied with a WALE of 2.6 years, and includes tenants such as Rebel Sport, Lincraft, Forty Winks and Petstock. Upcoming expiries include Rebel Sport in December 2021 (16% of income), Lincraft in June 2022 (3% of income) and Forty Winks in April 2022 (12% of income).

Beaudesert Central Shopping Centre, Beaudesert QLD – 13.3% of Investment Portfolio

As at June 2021	
Book Value	$17.5M
Capitalisation Rate	6.25%
Lettable Area (sqm)	4,453 sqm
Occupancy-by NLA	98.6%
WALE	4.2 years
Major Tenants (by income): Woolowrths, Subway, QML Pathology, Specsavers	

The Beaudesert Central Shopping Centre is a single level shopping centre with 185 car parking bays located in the main street of Beaudesert, 70km south of Brisbane and 65 km west of the Gold Coast, Queensland. Constructed in 2007, the centre holds 4,452 sqm of NLA on a 14,230 sqm site (31% site coverage) and is anchored by a Woolworths supermarket and 11 speciality retailers including Subway, Specsavers, Headspace, Amcal Pharmacy and QML Pathology. Woolworths initial 19-year lease expiring in June 2026, with 3 x 10 + 2 x 5-year option periods thereafter. Currently the building is 98% occupied with a WALE of 4.2 years.

Seacrest Shopping Centre, Geraldton WA– 11.2% of Investment Portfolio

As at June 2021	
Book Value	$14.8M
Capitalisation Rate	7.50%
Lettable Area (sqm)	4,713 sqm
Occupancy-by NLA	97.0%
WALE	7.5 years
Major Tenants (by income): Woolworths	

The Seacrest Shopping Centre is a 4,713 sqm Woolworths and BWS anchored, single level neighbourhood shopping centre located in Geraldton, 400km north of Perth WA. Constructed in 2017, the centre is located on a 14,867 sqm site with 236 carparking bays and includes an additional six speciality tenants and medical centre pad site. The centre is located in a newly established growth area of Geraldton, where the population is forecasted to grow approximately 2.5% p.a. till 2036. Currently, the building is 97% occupied and has a WALE of 7.7 years at 30 June 2021.

Coles Moss Vale, Moss vale NSW – 7.4% of Investment Portfolio

As at June 2021	
Book Value	$9.8M
Capitalisation Rate	6.00%
Lettable Area (sqm)	2,500 sqm
Occupancy-by NLA	100.0%
WALE	3.7 years
Major Tenants (by income): Coles (100%)	

Coles Moss Vale is 2,500 sqm standalone Coles supermarket with 108 car parking bays, located in the Sothern Highlands of NSW, strategically located between Sydney and Canberra. The property is leased to Coles Supermarkets until 2025, with 2 x 5-year option periods thereafter. Originally constructed in 2002, the building was extensively upgraded in 2014 when the supermarket was rebranded to Coles. Currently, the property is 100% occupied and has a WALE of 3.7 years at June 2021.

Rocks Central Shopping Centre, South West Rocks NSW – 7.4% of Investment Portfolio

As at June 2021	
Book Value	$9.8M
Capitalisation Rate	6.00%
Lettable Area (sqm)	4,457 sqm
Occupancy-by NLA	83%
WALE	1.3 years
Major Tenants (by income): Coles, Liqourland, The Reject Shop	

The Rocks Central Shopping Centre is a Coles anchored neighbourhood shopping centre located in the South West Rocks, NSW, approximately 85kms south of Port Macquarie and 35km North East of Kempsey. The property holds 308 car parking bays and 4,457 sqm of NLA on a 23,674 sqm site (18.8% site coverage), allowing for future value add opportunities. The property holds two mini majors, including The Reject Shop and Liqourland, as well as 12 specialities including a medical centre and a chemist. The centre benefits from limited competition as it is the only full line supermarket in the trade area of the mid North Coast. Coles began an initial 5-year lease term in November 2010, and extend the term until November 2023, with 8 + 5-year option periods thereafter.

Nambour LFR, Nambour QLD – 4.6% of Investment Portfolio

As at June 2021	
Book Value	$6.0M
Capitalisation Rate	7.00%
Lettable Area (sqm)	2,155 sqm
Occupancy-by NLA	73%
WALE	5.5 years
Major Tenants (by income): Supercheap Auto, SNAP Fitness, Ray White	

The Nambour Large Format Retail (LFR) property is 2,155 sqm property with 64 car parking bays located in the Queensland Sunshine Coast, approximately 15kms west of Maroochydore. Originally constructed in 1974, the building was extensively refurbished in 2019 and is occupied by three tenants, Supercheap Auto, SNAP Fitness and Ray White. Nambour currently holds a catchment area of approximately 45,000 people, which is expected to grow off the back off a diverse range of economic, social and infrastructure developments of the Sunshine Coast. Currently, the property is 73% occupied by NLA, and holds a rental guarantee over the existing vacancies. The property has a WALE of 5.5 years at 30 June 2021.

Kmart Kadina, Kadina SA – 4.2% of Investment Portfolio

As at June 2021	
Book Value	$5.5M
Capitalisation Rate	8.50%
Lettable Area (sqm)	3,306 sqm
Occupancy-by NLA	100.0%
WALE	2.3 years
Major Tenants (by income): Kmart	

Kmart Kadina is a 3,306 sqm purpose built freestanding Kmart Discount department store located in Kadina, SA, approximately 150km north-west of the Adelaide CBD. Constructed in 2008, the Kmart services the surrounding Copper Coast region on the York Peninsula, including Wallaroo, Moonta and Port Broughton. Originally branded as a Target discount department store, the store was rebranded as a KHub store under the Kmart brand in September 2021. The initial lease runs for 15 years from October 2008 to October 2023 with 5 + 5-year option periods thereafter. The property holds 150 car parking bays and is 100% occupied with a WALE of 2.3 years.

Sarina Village Shopping Centre – 9.9% of Investment Portfolio

As at June 2021	
Book Value	$13.0M
Capitalisation Rate	6.25%
Lettable Area (sqm)	3,354 sqm
Occupancy-by NLA	96.0%
WALE	5.6 years
Major Tenants (by income): Woolworths	

The Sarina Shopping Centre is a 3,354 sqm single level neighbourhood shopping centre located in the Northern QLD coast, approximately 37km south of Mackay. Constructed in 2007, the property is anchored by a strongly performing Woolworths Supermarket with an additional seven specialties, including a Celebrations, Subway and Terry White Chemist. Located on a 10,190 sqm site (32.9% site coverage), the property holds 189 at grade car spaces and has the potential for future value add opportunities. The property benefits from passing traffic along the Bruce Highway and faces limited retail competition, being the only full line supermarket within the trade area. Currently, the property is 96% occupied and has a WALE of 5.6 years.

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.

This report has been commissioned, and, as such, Core Property has received a fee for its publication. Under no circumstances has Core Property been influenced, either directly or indirectly, in making statements and / or recommendations contained in this report.

Disclaimer & Disclosure

Core Property has received a fee from the Manager for researching the product(s) which has then been subject to a detailed review and assessment by Core Property and its analysts to produce this report. In compiling this report, Core Property's views remain fully independent of influence or conflicts of interest. Our team of analysts undertake an objective analysis of the offer and conclusions are presented to senior officers for review.

The company specified in the Report (the "Participant") has provided Core Property with information about its activities. Whilst the information contained in this publication has been prepared with all reasonable care from sources that Core Property believes are reliable, no responsibility or liability is accepted by Core Property for any errors, omissions or misstatements however caused.

Any opinions, forecasts or recommendations reflects the judgement and assumptions of Core Property as at the date of publication and may change without notice. Core Property and the Participant, their officers, agents and employees exclude all liability whatsoever, in negligence or otherwise, for any loss or damage relating to this document to the full extent permitted by law.

This publication is not and should not be construed as, personal financial product advice, an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. Any opinion contained in the Report is unsolicited general information (general financial product advice) only. Neither Core Property nor the participant is aware that any recipient intends to rely on this Report or of the manner in which a recipient intends to use it. In preparing our information, it is not possible to take into consideration the investment objectives, financial situation or particular needs of any individual recipient. Investors should obtain individual financial advice from their investment advisor to determine whether opinions or recommendations (if any) contained in this publication are appropriate to their investment objectives. Investors should obtain a copy of, and consider the PDS/ Information Memorandum, which can be obtained by contacting the issuer.

This publication is not for public circulation or reproduction whether in whole or in part and is not to be disclosed to any person other than the intended recipient, without obtaining the prior written consent of Core Property. This report is intended for the residents of Australia. It is not intended for any person(s) who is resident of any other country. Core Property and/or the Participant, their officers, employees or its related bodies corporate may, from time to time hold positions in any securities included in this Report and may buy or sell such securities or engage in other transactions involving such securities. Core Property and the Participant, their directors and associates declare that from time to time they may hold interests in and/or earn brokerage, fees or other benefits from the securities mentioned in this publication.

Core Property discloses that from time to time it or its officers, employees and related bodies corporate may have an interest in the securities, directly or indirectly, which are the subject of these statements and/or recommendations (if any) and may buy or sell securities in the companies mentioned in this publication; may effect transactions which may not be consistent with the statements and/or recommendations (if any) in this publication; may have directorships in the companies mentioned in this publication; and/or may perform paid services for the companies that are the subject of such statements and/or recommendations (if any). However, under no circumstances has Core Property been influenced, either directly or indirectly, in making any statements and/or recommendations (if any) contained in this Report.

The information contained in this publication must be read in conjunction with the Legal Notice that can be located at http://www.coreprop.com.au/Public/Disclaimer.

For more information regarding our services please refer to our website www.coreprop.com.au.

Core Property
Fund Research & Ratings

www.coreprop.com.au