



## MPG REGIONAL CITIES PROPERTY TRUST ARSN: 160 633 205

The Trust  
is forecasting  
distributions for  
FY20 at 7.00%<sup>1</sup>

We are pleased to provide you with an update to the Product Disclosure Statement (PDS) of the MPG Regional Cities Property Trust (ARSN 160 633 205) (Trust) dated 27 February 2018. This Investment Update is issued by MPG Funds Management Ltd (MPG or RE) (AFSL 227114, ACN 102 843 809) in its capacity as Responsible Entity for the Trust and should be read in conjunction with the PDS.

The MPG Regional Cities Property Trust continues to expand, with properties being identified, evaluated and purchased. While the Trust is raising more capital, these investment updates are issued quarterly. Once the offer has closed, this will change to half-yearly.

The Trust settled the purchase of an office building in Toowoomba, tenanted by the NDIS and the Queensland Government (pictured top), for \$7.5 million and the Centrelink Office in Hervey Bay (pictured right). Two more properties, both Centrelink offices, have been identified for acquisition. If these proceed, this will bring the total number of properties to eleven.

The expansion of the Trust brings further opportunity to invest. If you would like to increase your investment you can do this through your financial advisor, or directly with us at [invest@mpgfm.com.au](mailto:invest@mpgfm.com.au)

The Trust has paid an annualised return of 7.00%, or 1.75 cents for the last quarter to 31 June 2019. Tax statements for 2018-2019 will be issued at the end of September.



# RG46 BEST PRACTICE DISCLOSURE PRINCIPLES

In September 2008 and updated in March 2012, the Australian Securities and Investment Commission issued Regulatory Guide 46 'Unlisted property schemes - improving disclosure for retail investors' (RG46). RG46 sets out six benchmarks and eight disclosure principles which, if followed, ASIC believes will help investors understand, compare and assess risks and returns across investments in unlisted property schemes.

Set out below is a table which lists each benchmark and disclosure principle. The information will be updated whenever there is a material change to the Trust and not less than each half year. Updated information will be available at [www.mpgfm.com.au](http://www.mpgfm.com.au).

Benchmarks		Benchmarks Met?
1. Gearing Policy	MPG maintains and complies with a written policy that governs the level of gearing at an individual credit facility level.	Yes
2. Interest Cover Policy	MPG maintains and complies with a written policy that governs the level of interest cover at an individual credit facility level.	Yes
3. Interest Capitalisation	Any interest expense of the Trust is not capitalised.	Yes
4. Valuation Policy	MPG maintains and complies with a written valuation policy in relation to the assets of the Trust.	Yes
5. Related Party Transactions	MPG maintains and complies with a written policy on related party transactions, including the assessment and approval processes for such transactions and arrangements to manage conflicts of interest.	Yes
6. Distribution Practices	The Trust will only pay distributions to Investors from its cash from operations (excluding borrowing) available for distribution.	Yes

## GEARING RATIO

This indicates the extent to which the Trust's property assets are funded by interest bearing liabilities. It gives an indication of the potential risks the Trust has in terms of its level of borrowings due to, for example, an increase in interest rates or reduction in property values. The gearing ratio is a risk factor that retail investors should weigh up against the Trust's rate of return.

The gearing ratio of the Trust is 32% based on the latest financial statements at 30 June 2019 and calculated by dividing total interest bearing liabilities by total assets.

## INTEREST COVER RATIO

This indicates the Trust's ability to meet its interest payments on borrowings from earnings. Interest cover measures the ability of the Trust to service interest on debt from earnings. It provides an indication of the Trust's financial health and is used to analyse the sustainability and risks associated with the Trust's level of borrowing.

The interest cover of the Trust is 3.57 times based on the latest financial statements at 30 June 2019 and calculated by dividing EBITDA (earnings before interest, tax, depreciation and amortisation) by the interest expense.

## SCHEME BORROWINGS

This disclosure helps investors understand the significant risks associated with the Trust as a result of borrowing as well as the maturity dates of borrowings.

Borrowing maturity and credit facility expiry profiles are important information where a Trust borrows to invest. Credit facilities that are due to expire within a relatively short time frame can be a significant risk factor, especially in periods where credit is more difficult and expensive to obtain. A failure to renew borrowing or credit facilities can adversely affect the Trust's viability. Breaches of a loan covenant may result in the lender being able to require immediate repayment of the loan or impose a freeze on further drawdowns on the credit facility. Amounts owing to lenders and other creditors of the Trust rank before an investor's interest in the Trust.

The Trust has borrowings of \$21.095m as at 30 June 2019 which is secured against the properties held by the Trust as a first ranking charge. The amount owing to lenders and other creditors rank before other investors in the Trust. It is the policy to have at least 50% of the Trust debt hedged until expiry of the facility in June 2021. 47% is hedged currently.

The LVR covenants of the loan are 55% of the value of the properties and the Interest Cover Ratio covenant is 2 times. MPG confirms that the Trust is within these covenants and no breaches of these covenants have occurred to date. In the event that MPG is replaced as RE this will trigger a default event and the loan may be immediately due and payable to the lender.

## RELATED PARTY TRANSACTIONS

This will help investors understand and assess the approach MPG takes to transactions between MPG and its related parties.

All related party transactions have been approved by the Board of Directors of MPG and are undertaken on an arms length basis under normal terms and conditions. All related party transactions are outlined on page 24 of the PDS.

## PORTFOLIO DIVERSIFICATION

This information addresses the Fund's investment practices and portfolio risk.

The quality of the properties held by the Trust, including the quality of leases entered into over these properties, is a key element in the financial position and performance of the Trust. Generally, the more diversification in the portfolio, the lower the risk that an adverse event affecting one property or one lease will put the overall portfolio at risk.

The Trust is 100% occupied and has a weighted average lease expiry of 5.68 years. The properties contained in the Trust have a combined value of \$52.08 million with valuations for:

Traralgon EPA - \$12.0 million  
Toowoomba NDIS - \$7.5 million  
96-98 Pall Mall - \$6.45 million  
Grovedale Childcare Centre - \$6.3 million  
Wallsend Centrelink - \$6.3 million  
Hervey Bay Centrelink - \$4.2 million  
Maryborough Centrelink - \$4.00 million  
Echuca Centrelink - \$3.85 million

## DISTRIBUTION PRACTICES

This will help investors understand how the Trust will help fund distributions to Unit holders and whether distributions are sustainable.

MPG will make distributions in relation Unit holders on a quarterly basis in arrears or such other time as MPG is permitted to do so under the Constitution. Anticipated distributions for future periods will be sourced from net Trust income. The distribution for the quarter ended 30 June 2019 will be 1.75 cents per unit.

## WITHDRAWAL ARRANGEMENTS

Information on how and when Investors may be able to exit their investment in the Trust.

The Constitution allows Unitholders to withdraw in limited circumstances. An investment in the Trust is to be considered illiquid. The Trust is to be considered a long term investment of seven years with the exit mechanism as outlined on page 14 of the PDS. The MPG Regional Cities Property Trust is due to rollover in the June quarter 2025.

## NET TANGIBLE ASSETS

The net tangible assets (NTA) value disclosure gives investors information about the value of the tangible or physical assets of the Trust and is calculated as (net assets- intangible assets+other adjustments) divided by the number of units on issue.

Based on the most recent financial statements reviewed by Deloitte as at 31 December 2018, the NTA of the Trust was 86 cents per unit. Based on the most recent unaudited financial statements as at 30 June 2019, the NTA of the Trust was 0.90 cents per unit.

## FOR FURTHER INFORMATION

## MPG FUNDS MANAGEMENT

Tel 1300 668 247

Email [info@mpgfm.com.au](mailto:info@mpgfm.com.au)

Web [www.mpgfm.com.au](http://www.mpgfm.com.au)

<sup>1</sup> Forecasts are estimates only and are not guaranteed to occur

Please consider this information in conjunction with the PDS and note that the information contained in this update is of a general nature and has been prepared without taking into account your individual investment needs or objectives. Please consult with your investment adviser before making any investment decision.