

**MPG**funds  
management

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ACN: 102 843 809 AFSL:227114

The Trust exceeded its forecast distribution for FY22 and the NTA increased to **\$3.08** per unit

# MPG INVESTMENT UPDATE

## MPG BW Trust



Bunnings Warehouse at Bundaberg, QLD.

We are pleased to provide you with an update to the Information Memorandum (IM) of the MPG BW Trust (Trust) dated 25 June 2014. This Investment Update is issued by MPG Funds Management Ltd (MPG) (AFSL 227114, ACN 102 843 809) in its capacity as Trustee for the Trust and should be read in conjunction with the IM.

### Bunnings Bundaberg

30 Johanna Boulevard,  
Kensington, Bundaberg, QLD.

### Bunnings Blacktown

Cnr Great Western Highway and  
Oatley CI, Blacktown, NSW.

The Trust has proven to be a strong performer with an annual average return of 33.7% per annum since inception.

The Bunnings Warehouses at Bundaberg and Blacktown continue to perform to expectations.

Recent Directors' valuations have increased the value of both properties, Bunnings Blacktown increased from \$55m to \$66.75m and Bunnings Bundaberg increased from \$40.5m to \$59m. As a result of these increases the net tangible asset backing per unit increased

from \$1.97 to \$3.08 per unit.

The cash distribution return for the year ended 30 June 2022 will be 9.25% which exceeded the forecast of 9.00%. The forecast distribution for the year ending 30 June 2023 is anticipated to increase to 9.50%<sup>1</sup> per annum.



Bunnings Warehouse at Blacktown, NSW.

# Investment Update Best Practice Disclosure Principles

As part of MPG's best practice policy we have set out six benchmarks and eight disclosure principles which, if followed, we believe 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 once a year. Updated information will be available at [www.mpgfm.com.au](http://www.mpgfm.com.au).

Benchmarks		Benchmarks Met?
<b>1. Gearing Policy</b>	MPG maintains and complies with a written policy that governs the level of gearing at an individual credit facility level.	Yes
<b>2. Interest Cover Policy</b>	MPG maintains and complies with a written policy that governs the level of interest cover at an individual credit facility level.	Yes
<b>3. Interest Capitalisation</b>	Any interest expense of the Trust is not capitalised.	Yes
<b>4. Valuation Policy</b>	MPG maintains and complies with a written valuation policy in relation to the assets of the Trust.	Yes
<b>5. Related Party Transactions</b>	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
<b>6. Distribution Practices</b>	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 investors should weigh up against the Trust's rate of return.

The gearing ratio is currently 28% 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 Ratio is 4.34 times calculated by dividing EBITDA (earnings before interest, tax, depreciation and amortisation) by the interest expense. This is in excess of the banking covenant at 2.0 times.

## 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 timeframe 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 interests in the Trust.

The Trust currently has borrowings of \$36,000,000 and this loan 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.

The LVR covenants of the loan are 60% of the value of the properties and the Interest Cover Ratio covenant is 2.0 times. MPG confirms that current borrowings of the Trust are 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.

The debt was rolled over for a three year term in June 2020 with 75% of the debt hedged under a swap arrangement that expires in 2025. The debt is not due for repayment until July 2023.

## 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 those properties, is a key element in the financial position and performance of the Trust. Generally, the more diversified 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 4.6 years. The properties are located in Blacktown NSW (53%) and Bundaberg Qld (47%) by value.

The properties contained in the Trust have a combined value of \$125.75 million. Bunnings Blacktown was most recently valued with a Directors' valuation of \$66.75 million, and Bunnings Bundaberg was valued with a Directors' valuation of \$59 million in June 2022.

## 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 arm's length basis under normal terms and conditions. All related party transactions are outlined on page 51 of the IM.

MPG is in compliance with its stated policies and procedures for related party activities.

## DISTRIBUTION PRACTICES

This will help Investors understand how the Trust will help fund distributions to Unitholders and whether distributions are sustainable.

MPG will make distributions to Unitholders on a quarterly basis in arrears or such other time as MPG is permitted to do so under the Trust Deed. Anticipated distributions for future periods will be sourced from net Trust income. The distribution for the quarter ending 30 June 2022 will be 2.3125 cents per unit representing a pro-rata return for the quarter of 9.25% and a total distribution of 9.25% for the financial year.

## WITHDRAWAL ARRANGEMENTS

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

The Trust Deed allows Unitholders to withdraw in limited circumstances. An investment in the Trust is to be considered illiquid. The Trust is to be considered a medium term investment with a remaining term of 2.5 years and an exit mechanism as outlined on page 11 of the IM. The MPG BW Trust will rollover in the December quarter 2024.

## 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) / number of units on issue.

Based on the most recent unaudited financial statements as at 30 June 2022, the provisional NTA is \$3.08 per unit subject to audit adjustments.