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management

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ACN: 102 843 809 AFSL:227114

MPG INVESTMENT UPDATE

MPG Hardware Trust 2

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expectations.

We are pleased to provide you with an update to the Information Memorandum (IM) of the MPG Hardware Trust 2 (Trust) dated 31 May 2016. 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.

The MPG Hardware Trust 2 consists of a stand-alone Bunnings Warehouse located in Kingston (TAS).

The property remains fully let and from all reports Bunnings Kingston continues to trade in accordance with expectations.

Based on the Independent Valuation conducted in June 2023 and due to changed market conditions resulting from

12 interest rate rises since May 2022, the market valuation of the property has been reduced to \$26.6 million from \$29.8 million previously. This has resulted in a reduction in the NTA at 30 June 2023 to \$1.78 from \$2.20 previously.

As an update to the rollover process for those Investors who submitted their Rollover Nomination Request before the deadline, the Purchase/Withdrawal Offers will be emailed

in early August 2023. The consideration for accepted Withdrawal Offers are anticipated to be paid in mid September 2023. We will provide an update to this rollover process shortly.

The Trust has achieved a cash return of 7.15% for the year ended 30 June 2023, and is targeting a cash return to Investors of 6.5%¹ for the year ending 30 June 2024.



Bunnings Warehouse at Kingston, TAS.

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.

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 investors should weigh up against the Trust's rate of return.

The gearing ratio is currently 43% 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 for the period to 30 June 2023 was 1.91 times 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 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 \$11,550,000. This loan is secured against the property 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 covenant of the loan is 47% of the value of the property and the Interest Cover Ratio covenant is 2.0 times. MPG confirms that the 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.

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 Kingston property was completed in June 2016. The property in this Trust is 100% occupied and has a weighted average lease expiry of 5 years. The property is located in Kingston Tasmania.

The most recent Independent Valuation was \$26.6 million in June 2023.

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 50 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 2023 will be 1.75 cents per unit which will result in a distribution of 7.15 cents per unit 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 long term investment with an initial term of seven years with the exit mechanism as outlined on page 10 of the IM.

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 valuation the NTA of the Trust is \$1.78 per unit as at 30 June 2023.