

Welcome to the Autumn edition of Insight



Anyone who has ever had more than a passing interest in the economy will be keeping a close eye on the Reserve Bank of Australia and the cash rate. With the rate sitting at 1.5% for the last six months, NAB ⁽¹⁾ are forecasting the rates will remain unchanged until a 25 basis point cut in November 2017 to 1.25%. With these low rates it is unsurprising that property, with its higher yields, has been a popular vehicle for investment.

CBRE's latest Q4 Retail MarketView ⁽²⁾ said that large format retail is emerging as one of the most sought after asset classes, with an increase in offshore investment in 2016 helping drive sharp yield compression in the sector. Large format retail centre yields compressed faster than any other asset class in 2016, averaging a 60 basis point compression to 7.6% from 8.2% in 2015.

This has resulted in an increased valuation in most of MPG existing holdings, however it is making us more closely examine the value and potential, of possible future investment opportunities.

Increasing valuations is not the only measure we set ourselves. Our commitment to achieving strong unit returns, by actively managing most of our tenancies, is enabling us to provide the best possible value to our investors.

Thank you for your support,

Yours faithfully

Trevor Gorman
Chairman
MPG Funds Management Ltd

⁽¹⁾ www.business.nab.com.au/nabs-world-two-pages-february-2017-22598/
⁽²⁾ <http://www.cbre.com.au/research-reports>

OPEN OPPORTUNITIES FROM \$10,000

The **MPG Retail Brands Property Trust** offers a diversified portfolio of properties, with diversified tenants in diversified locations.

As with all MPG trusts, we ensure our properties are anchored by national retailers, and actively manage the retail mix to ensure we are achieving the best possible results for tenants and investors. Locations are in selected up and coming areas that offer the best opportunity for future capital growth.

Very soon, the **MPG Retail Brands Property Trust** will be opening up to retail and wholesale investors with a **minimum investment of \$10,000**. Once the PDS has been updated, we will let you know more.

To register your interest email invest@mpgfm.com.au

OUR TENANTS INCLUDE





THE MPG BULKY GOODS RETAIL TRUST

This Trust contains two Homemaker Centres, one in Chirnside Park (Vic) and the other in Mildura (Vic).

At the 13,753 sqm Chirnside Homemaker Centre prominent tenants include JB Hi-Fi, Amart Sports, Forty Winks and Pet Barn. Electrical retailer The Good Guys assumed the tenancy left by Furniture Galore, and signed a 7 year lease before they began trading last July.

At the 17,323 sqm Mildura Homemaker Centre, Nick Scali vacated their tenancy last year. Vacancies have been filled by Amart Sports, Carpet Court and the Salvos. The current mix of retailers is drawing strong interest and we are confident of filling most of the 3,806 sqm vacant space in the next few months.

Bank debt for the Trust was recently rolled over for another 5 year term at more favourable rates than the existing agreement.

The properties in the Trust are 88% occupied with a 3.7 year weighted average lease expiry.

Due to a strong recent independent evaluation of the Chirnside Homemaker Centre, the net tangible asset backing of the Trust has risen from \$0.98 (as at 30 June 2016) to \$1.13 (as at 31 December 2016).

The Trust is forecast to deliver a quarterly distribution at the pro-rata rate of 8.00 cents per unit pa for the year ending 30 June 2017.



VILLAGE TRAVEL CENTRE TRUST

This Trust was available to wholesale investors and contains a 2,033 sqm petrol and fast food convenience service centre in Chinchilla (Qld).

The centre has nine tenancies anchored by Caltex, KFC and Subway. The properties in the Trust are 96% occupied with a 5.7 year weighted average lease expiry.

The Trust is on track for a slightly decreased distribution target of 8.25% for the year ending 30 June 2017.



MPG RETAIL BRANDS PROPERTY TRUST

This Trust contains a diversified portfolio of nine quality retail properties tenanted by some of Australia's best known retail brands.

Taking the Trust to nine was the purchase of Coles Moss Vale (NSW) for \$9.45 million in December 2016. The property includes a 2,500sqm freestanding Coles supermarket, which is the only full line supermarket servicing the catchment. It is situated on a 7,199 sqm strata title site, and is leased to Coles until 2025.

In Warnambool (Vic), Rays Outdoors converted into Amart Sports, both owned by ASX listed Super Retail Group, which has seen an increase in visitation. In the same centre, Bunnings secured a five year option on their lease.

Following 2015's 26.3% increase in the net tangible asset backing, 2016 has seen further strong results increasing 18% from \$0.72 to \$0.85.

The properties in the Trust are 98% occupied with a 6.7 weighted average lease expiry and its expected to exceed its forecast 6.00 cent per unit distribution target for the year ending 30 June 2017. Distributions are due to increase to 7.25 cents per unit from 31 March.



MPG SEAFORD MEADOWS PROPERTY TRUST

This Trust was available to wholesale investors and contains a 5,307sqm neighbourhood shopping centre in Seaford Meadows (SA).

The centre is anchored by Woolworths and has 14 speciality tenants. Service SA's newest customer service centre opened in an adjoining holding in June 2016 and has brought increased foot traffic to the area.

The properties contained in the Trust are 91% occupied with an 11 year weighted average lease expiry and is expected to meet its 8.00% pa distribution target for the year ending 30 June 2017.



MPG BW TRUST

This Trust was available to wholesale investors and contains a 17,167 sqm Bunnings Warehouse in Blacktown (NSW) and a 18,252 sqm Bunnings Warehouse in Bundaberg (Qld).

Leases on both properties are secured until 2026.

Following recent independent valuations the Bunnings Blacktown's value increased \$5.4 million to \$39.70 million. Bunnings Bundaberg value increased by \$4.9 million to \$33.65 million.

As a result of these increases the net tangible asset value per unit increased 33% from \$0.91 to \$1.21 per unit.

Overall the cash distribution return for the year ended 30 June 2016 was 7.50% which exceeded the forecast return of 7.40% in the Information Memorandum which is a great result.

The Trust is on track for an increased return of 7.65% for the year ending 30 June 2017.



MPG KM TRUST

This Trust was available to wholesale investors and will contain, on practical completion, a 7,037 sqm Kmart plus an adjoining 1,089 sqm in complementary retail space in Port Macquarie (NSW).

The property is on schedule for a late March opening. Kmart began recruitment for more than 150 team members in November, and staff are currently undergoing training at the nearest Kmart in Forster over 100km away.

When construction is completed, investor distributions are forecast to increase from 5.5% to 8.1% pa. This pro-rata increase is anticipated to be applied in the June quarter distribution.



MPG HARDWARE TRUST

This Trust was available to wholesale investors and contains a 4,983 sqm Bunnings Warehouse in Wonthaggi (Vic).

After strong sales results and yields in the area, a Director's Valuation increased the value of the property by \$1.13 million to \$7.63 million taking the net tangible asset value per unit to \$1.70 per unit, which is a tremendous result. An independent valuation will take place by the end of June 2017 to time with the rollover of the bank debt.

The Trust is on track for an increased return of 8.5% for the year ending 30 June 2017.



MPG HARDWARE TRUST 2

This Trust was available to wholesale investors and contains a 9,512 sqm Bunnings Warehouse property in Kingston (Tas).

The store was completed last year and Bunnings celebrated the opening in June with AFL legend Robert "Dipper" DiPierdomenico. The store is trading well at the start of it's 12 year lease.

The final construction management fee of \$14.98 million was paid to Bunnings at practical completion. These funds were drawn from bank debt of \$11.39 million and the remaining equity of \$3.59 million. The debt on this loan has been fully hedged until June 2021.

The Trust is on track to deliver on the forecast return of 7.50% for the year ending 30 June 2017.





MPG BW NEWSTEAD TRUST

This Trust was available to wholesale investors and contains a 16,704 sqm Bunnings Warehouse plus an adjoining 1,682 sqm in additional specialist tenancies in Newstead (Qld).

At the completion of construction Bunnings will have a 12 year lease, and they are supporting the additional tenancies with a three year rental guarantee.

The Trust was successfully settled in January 2017 and has an estimated completion date of August 2018. It is exciting to be involved in this innovative Bunnings project as they decrease their footprint but expand to three levels. This, in combination with the attached mixed retail and it's inner city location, and it could well become the new Bunnings flagship.



ARNA HARVEY

Arna Harvey has been the Senior Property Manager at MPG since January 2016.

Arna has extensive experience in the real estate industry and a proven track record of success in commercial property management.

At MPG Arna is the expert on identifying the expertise required to drive the best possible outcomes and ensure the ongoing capital growth of each investment and in creating mutual wins for the tenants and the investors.

At MPG a main focus is ensuring our tenants are able to achieve their own business goals without worrying about the building they are in. Arna has a strong reputation for fixing, solving and mitigating problems. Her favourite part of the role is overseeing the handover of MPG's new acquisitions.



MPG BW TRUST 2

This Trust was available to wholesale investors and contains a 14,228 sqm Bunnings Warehouse property in Bundamba (Qld).

The store was opened in May 2016 by, aptly, former apprentice carpenter turned rugby league legend, Darren Lockyer.

Given the yield compression based on sales of recent Bunnings properties, the asset was independently valued and increased by \$4.83 million to \$37.25 million. Following this revaluation the net tangible asset backing was increased by \$0.30 per unit or 33.70% from \$0.92 to \$1.22 per unit. This is an outstanding result.

The trust is on track to deliver on the forecast return of 7.50% for the year ending 30 June 2017.

INVESTOR SELF SERVICE PORTAL

If you want to be able to access your investment details in a time and place that suits you, you will be pleased with the convenience and simplicity of MPG's new investor portal. Statements and transactions will be at your fingertips, and you can update your address or bank account details at any time.

MPG will continue to email or post updates, the self service portal will ensure these important details are also available to request at your convenience.

Log in details will be sent to investors shortly.

MPG funds
management

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