Trilogy Funds

Important Notice to Investors

Trilogy Industrial Property Trust | Update to the PDS – 2 February 2022

Industrial property has proven to be one of the most sought-after asset classes in 2021, and growth in this sector is expected to continue over the next five years.

With low vacancy rates, high demand, and limited supply, we have decided to expand the Trust's investment strategy in order to facilitate more active construction and development of either new or existing assets within the Industrial Trust. This will allow the Trust to participate in the creation of value through development, which will better align the Trust's investment strategy with current market conditions.

This change will update the overarching investment strategy and the risks of the Industrial Trust, full details of which are noted below.

Please ensure you read this notice in full and contact a member of our Investor Relations team on 1800 230 099 or via email at investorrelations@trilogyfunds.com.au if you have any questions.

Trilogy Industrial Property Trust ARSN 623 096 944

This website notice is issued by the Responsible Entity (Trilogy Funds Management Limited ACN 080 383 679) (Trilogy Funds) of the Trilogy Industrial Property Trust (Trust) by way of an update to certain information in the product disclosure statement (PDS) dated 1 July 2021 pursuant to ASIC Corporations Instrument 2016/1055 on the basis that the following information includes no materially adverse information.

Updated information regarding investment strategy of the Trust

Currently the PDS provides information on the investment strategy of the Trust, including expansion opportunities. These references occur at various places throughout the PDS:

1. Section 1.1 (page 7), describing the Trust's investment strategy as one to seek Property assets with the potential for value-add such as expansion of lettable area, refurbishment and improvement works. This may either be led by Trilogy Funds or the respective tenant(s).
2. Section 3.1 (on page 16), whereby to minimise risks, expansion will generally be undertaken only where it is 'tenant-led'. This section also mentions the active management in renegotiating current leases to facilitate possible tenant-led expansion.
3. Section 5.2 (on page 25) expands on constructions risks more generally and highlights that expansion opportunities may incur unexpected costs.

The Responsible Entity has reviewed the investment strategy of the Trust and is hereby giving notice that the concept of expansion opportunities will be broadened to facilitate more active construction and development of either new or existing assets within the Trust.

For example, this may include combining equity and external debt to fund construction of high-quality new industrial assets that will typically have long leases. In this scenario, Trilogy Funds would seek to develop one or more new industrial assets with a development partner and pre-committed tenants on a long lease. The Trust could therefore acquire an asset at a capitalisation rate that has not been influenced by secondary market bidding. Trilogy Funds could seek to structure the development partnership such that the development partner takes on the construction risks and risks of overruns. The strength of the tenant covenant will be important in assessing how attractive any potential development proposal and opportunity will be.

The example above of a fund-through development with pre-committed tenants, via an agreement to lease, is one example of the broader expansion opportunities that the Responsible Entity intends for the Trust. Further development opportunities may or may not be driven by tenants, accompanied by a pre-commitment by tenants to a new lease, or where it is thought appropriate, Trilogy Funds may initiate development of an industrial facility without a pre-committed tenant and undertake a rigorous leasing campaign throughout the life of the construction with the aim of securing a tenant by the time of practical completion. Where no tenant has pre-committed, the construction and development cost of any such project(s) of this nature from time to time will not exceed 10% of the Trust's assets under management (AUM) at the time when construction commences.

Trilogy Funds has extensive experience in property acquisition, development, construction and management, and a range of experienced third-party suppliers and property development partners. This combined expertise would be leveraged for any value-add projects.

Specific risks of investment strategy

When procuring construction and development borrowings, the Trust is exposed to risks relating to building construction and property development. This may include risks of increases in costs of materials and/or labour during the life of the project, supply chain issues, and delays such as those caused by building contractors and trades, council development and town planning approvals, costs associated with latent conditions underlying or adjacent to the development site or abnormal weather events. These factors can increase costs beyond the contingency amount normally allowed in a construction agreement. Additionally, the risk of failure to complete a project may arise because the appointed contractors and trades may become insolvent. In this case the development partner and the Trust will have to source other contractors or trades to complete works which may result in an increase in costs of the project.

Risks in this type of project include the risk that:

- the value of the asset will decline in value during the development period;
- the cost of the development will be greater than budgeted;
- delays in the development may add to interest and other costs that the Trust may or may not have to bear.

The Responsible Entity will work together with any development partner it engages, including any project manager, to ensure risks above are mitigated in this expanded investment strategy and construction and development works are delivered within the agreed timeframe. There will be a development management agreement that articulates the details of the development delivery including which responsibilities and risks are borne by each party.

Liquidity of the Trust may also be adversely affected in the case of any construction or development borrowings where there may be insufficient funds available to meet the ongoing development and construction costs. The Responsible Entity will mitigate this by continuing to monitor the ongoing cashflow requirements of the Trust and where necessary make adjustments at the portfolio level either by selling one or more properties, selling underlying income earning investments it holds or using existing cash to meet the cashflow requirements of the Trust.

Trilogy Funds will update investors on any development works that are undertaken by the Trust from time to time and the details of any such development works.

With any construction or development borrowing, the Trust's level of gearing may change from time to time given any development funding will be a combination of equity and debt. Section 4.12 in the PDS addresses this:

To acquire further Properties or fund tenant-led expansion, Trilogy [Funds] anticipates that the Trust will seek additional finance which may be on different terms. In the long term, it is intended that the Trust's gearing ratio or LVR will be below 50%. However, it may borrow to an LVR of 50% or more from time to time, for example, if an acquisition opportunity arises, or if tenant-led expansion or development is proposed.

This change will take effect once the 2022 Withdrawal Offer closes. A copy of which can be found on our website www.trilogyfunds.com. Therefore, the information in the PDS is updated by broadening the concept of expansion opportunities as referenced above throughout the PDS.

Further questions

If you have any enquiries regarding this correspondence, please contact Investor Relations on 1800 230 099 or via email at investorrelations@trilogyfunds.com.au.