

# MDC Trilogy Wholesale Yield Fund I



MURRAY  
DARLING  
CAPITAL

**10.00%** P.A.<sup>1</sup> Paid Quarterly

<sup>1</sup>June 2024 net distribution rate annualised. Past performance is not a reliable indicator of future performance. Rates are variable.

## Investment report: June 2024

### Overview

#### Funds Details<sup>2</sup>

Investment Type	Wholesale Unit Trust
APIR	APIR SPC8913AU
Launch	September 2022
Distribution Frequency <sup>3</sup>	Quarterly See Information Memorandum (IM) for details
Minimum Initial Investment	\$250,000
Unit Price <sup>4</sup>	\$1.00
Withdrawals	See IM for details
Management Fee	Nil. Additional fees are charged to the Trust relating to the assets; see IM for details
Performance Fee	Nil
Entry and Exit Fees	Ordinary Units - Nil. Other fees and costs apply and you should read the IM for details
Risks	This product carries capital, distribution and other risks
Platforms	<ul style="list-style-type: none"> <li>Netwealth Premium Wholesale Menu</li> </ul>

#### Independent Research Ratings<sup>6</sup>



#### Portfolio Owner Details

Portfolio Owner	MDC Trilogy Property Management I Pty Ltd
Properties Under Management (PUM) <sup>5</sup>	~4,237 (as at 30 June 2024)
Geographical Spread NSW	Inner West Sydney Northern Beaches Sydney
Geographical Spread Qld	Toowoomba Rockhampton
Investment Manager	MDC Trilogy Investment Management I Pty Ltd

### Investment Strategy and Performance

#### Investment Strategy

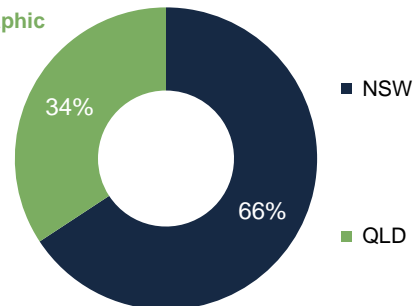
The Fund will subscribe for Secured Loan Notes issued by MDC Trilogy Holdings I Pty Ltd (MDC Trilogy Holdings). MDC Trilogy Holdings will in turn use that money to acquire property management assets through subsidiaries, predominantly consisting of residential management assets (e.g., tenancy management agreements, rent rolls) (Assets) in Australia.

#### Historical Performance<sup>7</sup>

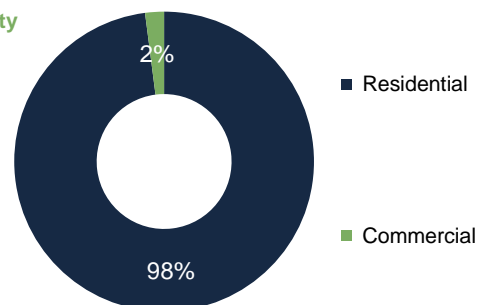
1 Quarter	2 Quarters	3 Quarters	Past Year	Since Inception PA
2.5%	5.0%	7.5%	10.0%	10.0%

### Underlying Portfolio Snapshot

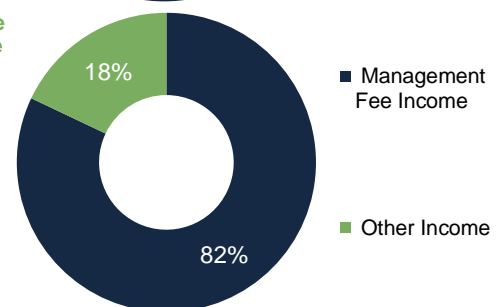
#### Geographic Spread



#### Property Type



#### Income Source



2. This summary has been provided for illustrative purposes only. All terms and conditions contained herein are subject to the MDC Trilogy Wholesale Yield Fund I's (Fund) Information Memorandum which should be referred to for further details. This summary is not an offer or solicitation to purchase interests in the Fund. Such interests are only offered to investors who meet the definition of a wholesale investor as defined in the Corporations Act 2001 (Cth), pursuant to the terms of the Information Memorandum, which should be reviewed carefully prior to investing.

3. See IM for details. Whilst distributions are intended to be quarterly, neither the amount or timing is guaranteed by the Portfolio Owner or Investment Manager.

4. While the unit price is expected to remain unchanged, capital losses can occur in circumstances where an asset of the Fund incurs a capital loss. Past performance is not a reliable indicator of future performance.

5. These properties are managed by MDC Trilogy Property Management I Pty Ltd and do not comprise assets of the Fund. There is an interposed entity between the Fund and MDC Trilogy Property Management I Pty Ltd, MDC Trilogy Holdings I Pty Ltd, who is the equity note issuer.

6. The rating contained in this document is issued by SQM Research Pty Ltd ABN 93 122 592 036 AFSL 421913. SQM Research is an investment research firm that undertakes research on investment products exclusively for its wholesale clients, utilising a proprietary review and star rating system. The SQM Research star rating system is of a general nature and does not take into account the particular circumstances or needs of any specific person. The rating may be subject to change at any time. Only licensed financial advisers may use the SQM Research star rating system in determining whether an investment is appropriate to a person's particular circumstances or needs. You should read the product disclosure statement and consult a licensed financial adviser before making an investment decision in relation to this investment product. SQM Research receives a fee from the Investment Manager for the research and rating of the managed investment scheme.

7. Historical performance reflects most recent periods stated. Past performance is not a reliable indicator of future performance.

## Fund Commentary

For the quarter ending June 2024, the Fund paid a distribution of 2.5 cents per unit which is consistent with all quarterly distributions since inception\*. Further investor capital was raised during the month in the lead up to anticipated asset acquisitions by the Portfolio Owner.

## Portfolio Owner Commentary

During June, the portfolio average management fee, represented as the percentage of rent charged as a fee for managing the property, remained stable at c.6.3% p.a. Throughout the month the portfolio continued to reprice, with over 98% of lease renewals resulting in a rental increase.

The MDC Trilogy investment team (investment team) progressed discussions with rent-roll vendors for portfolios in both Sydney and Queensland during the month. Located nearby existing assets, we believe each of these potential portfolio acquisitions have attractive geographic positions with strong rent escalation potential. The investment team have continued discussions with the rent-roll manager, The Agency, regarding the integration of the portfolio.

In June, the investment team received several rent-roll opportunities in greater Sydney and Southeast Queensland. Several of these were material in scale and offer potential economies of scale in their respective geographical areas. The investment team will consider the merit of these opportunities based on their ability to incrementally strengthen returns, provide diversification benefits and to efficiently utilise existing resources from The Agency.

## Vacancy Trends

In June, an article by REIQ<sup>1</sup> outlined the criteria it uses to describe 'tight', 'healthy' and 'weak' rental property markets. The industry body considers rental vacancy rates from 0-2.5% to be 'tight', 2.6-3.5% as 'healthy' and +3.6% as 'weak'. Under this criteria, the national rental market has been 'tight' over the four years since June 2020. REIQ specifically attributed lack of supply, population growth and swing towards rentals over property ownership as the key drivers of tight rental supply across the country.

The latest national property vacancy rate reported by SQM<sup>2</sup> was 1.2% as at May 2024, having fluctuated between 1.0-1.3% over the prior 2 years. During the same period, the tightest rental markets were reported as being Adelaide (0.3-0.6%), Perth (0.6-0.8%) and Brisbane (0.8-1.2%). Conversely, the capital with the highest vacancy rate was Canberra where vacancies have increased from 0.8-1.8% over the same period. Based on REIQ criteria, all capitals would be considered as being 'tight' property markets.

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The MDC Trilogy Wholesale Yield Fund I's Information Memorandum (IM) dated 7 September 2023 issued by the Specialised Investment and Lending Corporation Ltd ACN 149 520 918 (AFS licence number 407100) (Trustee) is available. Prospective investors should carefully consider the contents in the IM in full and seek professional advice prior to making any decision regarding an investment in the Fund. The Trustee, the Investment Manager and its affiliates expressly disclaim any responsibility and shall not be liable for any loss, damage, claim, liability, proceeding, cost or expense arising directly or indirectly and whether in tort (including negligence), contract, equity or otherwise out of or in connection with or from the use of the information in this document.

## Rental Rates & Yields

CoreLogic<sup>3</sup> have reported a general easing of rental growth rates in June 2024 across most of the capitals, albeit the average annual increase nationally for the year ending June was 8.2%, above the historical average.

The spread of rental price increases across the capital cities illustrates some significant variation. The average rental changes to June were most pronounced in Perth where house and unit rental increases were 13.1% and 13.7% respectively. Sydney, Melbourne, Brisbane and Adelaide experienced rental price growth ranging from 7.1% and 9.2%. Hobart, Darwin and Canberra experienced rental increases between 1.1% and 3.7%.

Gross rental yields continue to remain stable, with CoreLogic reporting that the average capital yield is 3.5%, and 4.4% in regional areas. Yields have been around these ranges since early 2023.

	Average annual change		
	Rent - Houses	Rent - Units	Gross rental yield
Sydney	8.4%	7.1%	3.1%
Melbourne	9.2%	7.5%	3.6%
Brisbane	7.8%	8.5%	3.8%
Adelaide	8.3%	9.1%	3.8%
Perth	13.1%	13.7%	4.4%
Hobart	2.2%	1.1%	4.3%
Darwin	3.7%	2.2%	6.5%
Canberra	2.4%	2.7%	3.9%

## Government Policy Updates

In June, a bill to incentivise Build to Rent (BTR) complexes was delayed in the Senate<sup>4</sup>. The proposed bill follows recent research by the Treasury<sup>5</sup> outlining the national shortfall in property supply. The incentives proposed under the bill included increasing tax deductions for depreciation and lowering the tax rate (from 30% to 15%) for managed investment trusts. To qualify, BTR projects require 50 or more homes for rent, offer leases for at least three years and offer at least 10% of dwellings at 'affordable' rental rates (i.e. three quarters of market rates). The government anticipated that 150,000 rentable homes could be built as part of the scheme.

The Western Australian government has reportedly started offering interest-free loans to provide builders with financial incentives, following the collapse of hundreds of construction companies in recent years<sup>6,7</sup>. The loans, in addition to the recent immigration changes to provide positions for 5,000 new places, are anticipated to ease labour constraints and generate additional housing supply.

- <https://www.reiq.com/articles/property-management/understanding-rental-market-vacancy-rates>
- [https://sgmresearch.com.au/graph\\_vacancy.php?national=1&t=1](https://sgmresearch.com.au/graph_vacancy.php?national=1&t=1)
- CoreLogic Home Value Index (July 2024)
- <https://www.abc.net.au/news/2024-06-27/greens-liberals-team-up-on-labor-housing/104028794>
- <https://www.afr.com/property/residential/the-reason-australia-is-falling-behind-the-world-in-building-houses-20240524-p5jq99>
- <https://www.afr.com/politics/federal/unique-position-secures-wa-thousands-more-skilled-migrants-20240630-p5jpw9>
- <https://www.afr.com/politics/federal/queensland-to-cop-skilled-migrant-cut-amid-boost-to-smaller-states-20240701-p5jq6j>

\* Past performance is not a reliable indicator of future performance. The Information Memorandum (IM) and reports issued by SQM Research is available on the Fund webpage [here](https://www.trilogyfunds.com.au). For more information, please speak to the Trilogy Investor Relations Team at: E: [investorrelations@trilogyfunds.com.au](mailto:investorrelations@trilogyfunds.com.au) T: +61 7 3039 2828