

SUPREME COURT OF QUEENSLAND

REGISTRY: Brisbane
NUMBER: 3383/2013

Applicants:

**RAYMOND EDWARD BRUCE AND
VICKI PATRICIA BRUCE
AND**

First Respondent:

**LM INVESTMENT MANAGEMENT LIMITED
(ADMINISTRATORS APPOINTED), ACN 077
208 461, IN ITS CAPACITY AS RESPONSIBLE
ENTITY OF THE LM FIRST MORTGAGE
INCOME FUND**

AND

Second Respondent:

**THE MEMBERS OF THE LM FIRST
MORTGAGE INCOME FUND ARSN 089 343 288**

AFFIDAVIT

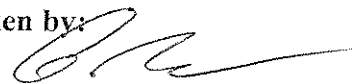
I, PETER JOHN ARNOLD of Level 13, 56 Pitt Street, Sydney, Company Director, say on oath:

1. I am the Head of Property Syndicates for Trilogy Funds Management Limited (**Trilogy**). I am also a director of CYRE Funds Management Limited (**CYRE**) and CYRE Trilogy Investment Management Pty Limited (**CYRE Trilogy**). I am authorised by Trilogy to swear this affidavit on its behalf.
2. Throughout this affidavit, I make references to various documents and page numbers. Those documents are contained in a paginated bundle of documents exhibited to me and marked "PJA1" (the **Exhibit**) and the page numbers to which I refer are the page numbers within the Exhibit.

Signed:



Taken by:



**AFFIDAVIT OF PETER JOHN
ARNOLD**

Piper Alderman
Level 23, Governor Macquarie Tower, 1 Farrer
Place, SYDNEY 2000

Filed on Behalf of the Applicants

Ref: AB:SB:384396
Phone No: +61 2 9253 9999
Fax No: +61 2 9253 9900

3. I make this affidavit based on my own knowledge obtained whilst working at CYRE Trilogy and CYRE.

BACKGROUND

4. I am formally a Licensed Real Estate Agent, Licence Number 180025. I worked as a commercial real estate agent for approximately 20 years.
5. I was a co-founder of Austgrowth Property Syndicates Limited, which was established in 1997. That company was the first responsible entity of various Austgrowth Property Funds. In 2005, I sold my interest in Austgrowth Property Syndicates Limited to Elderslie Limited, which went into administration in 2007. At about that time, APGF Management Limited (**APGF**) became the responsible entity for the Austgrowth Property Funds.
6. I became involved with the CYRE Group, which I describe further below, in 2008 and became a director of CYRE in 2011.


CYRE

7. CYRE is part of the CYRE Group of companies. It is based in Sydney, was formed in 2006 and specialises in distressed asset management and distressed construction work outs.
8. CYRE has a number of clients including financiers such as South Canterbury Finance (In Administration), Bankwest, Westpac and St George, and receivers including McGrath Nichol, Ferrier Hodgson and Deloitte. The work undertaken by CYRE for these clients includes feasibility studies and assessments of the costs to complete incomplete distressed property projects, as well as undertaking a number of development projects on its own behalf. CYRE has also been engaged to advise on marketing strategies for distressed property assets, in order to maximise their value.
9. The CYRE team includes town planners, quantity surveyors and project managers, as well as property specialists such as me. My role is to manage tenancy issues, lease audits, restructure leases and co-ordinate sales of assets through real estate agents.

Signed:



Taken by:



10. In March 2011, CYRE formed a joint venture with Trilogy after I had been approached by a group of investors in the Austgrowth Funds who expressed dissatisfaction with the then current responsible entity, APGF. At page 1 to 22 of the Exhibit is a copy of a letter from CYRE Trilogy to unit holders of the Brisbane Property Syndicate, enclosing a Notice of Meeting convening a meeting of the members of the Syndicate to vote on resolutions to replace APGF as responsible entity.
11. Following a meeting of members held in May 2011, Trilogy was appointed as the new responsible entity and CYRE Trilogy as the new investment manager of the following Austgrowth Funds:
 - a. Austgrowth Property Syndicate No. 18 and unit trust;
 - b. Brisbane Property Syndicate and unit trust; and
 - c. Canberra Property Syndicate and unit trust.
12. In July 2012, Trilogy also replaced APGF as the responsible entity of:
 - a. Austgrowth Property Syndicate No. 21; and
 - b. Austgrowth Property Syndicate No. 24.
13. I have been involved on a day to day basis with the Austgrowth Funds ever since, as well as with other Trilogy managed funds.

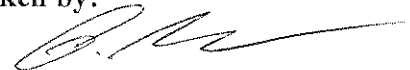
Austgrowth Funds

14. The work that was undertaken by CYRE Trilogy in respect of the Austgrowth Funds is described in various investor reports.
15. At page 23 to 25 of the Exhibit is the June 2011 Quarterly Investor Report in relation to the Brisbane Property Syndicate. At page two of that Report, information is provided about the activities of the former responsible entity of the Syndicate. Those included the former responsible entity having allowed a tenant to accumulate outgoings arrears of \$180,000. When CYRE Trilogy discovered this, immediate arrangements were made

Signed:



Taken by:



16. with the tenant for repayment of the arrears. The former responsible entity had also charged the Syndicate in relation to a failed merger and CYRE Trilogy took action to recover those fees for the Fund.
17. After minor improvements were made to the asset of the Brisbane Property Syndicate at 53 Fairlawn Street, Nathan, a marketing campaign was undertaken and lengthy negotiations were undertaken with purchasers, the property was sold for \$15 million. That resulted in a return to investors of approximately \$1.40 per unit (the original investment having been \$1 per unit).
18. At page 26 to 28 of the Exhibit is a report to investors dated 14 December 2011 which details activities undertaken by CYRE Trilogy in relation to the Brisbane Property Syndicate, the Canberra Property Syndicate and Austgrowth Property Syndicate No. 18.
19. In relation to the Canberra Property Syndicate, CYRE Trilogy entered into negotiations for a new 15 year lease of the Syndicate's property which represented a significant uplift in the building's value. Ultimately the property was sold and a total return to investors of \$1.52 per unit was made, as set out in a letter to investors dated 26 February 2013, a copy of which is at pages 29 to 30 of the Exhibit.
20. In relation to Austgrowth Property Syndicate No. 18, when CYRE Trilogy became involved, the current tenant of the property was looking to relocate at the end of its lease due to expressed concerns with the previous management of the building. At the end of the lease, the tenant vacated the premises and then CYRE Trilogy entered into negotiations with the tenant in relation to the tenant's "make good" obligations. CYRE Trilogy was able to negotiate a payment of \$1.38 million for this and is now undertaking a cosmetic upgrade of the building to make it more attractive to new tenants. These matters are described in letters to investors dated 31 January 2013 and 8 July 2013, copies of which are at pages 31 to 33 of the Exhibit.
21. The asset of Austgrowth Property Syndicate No. 21 was a medical facility in Cairns. The state of the facility when CYRE Trilogy took over management is described in a letter to investors dated 30 January 2013, a copy of which is at pages 34 to 36 of the Exhibit.

Signed:



Taken by:

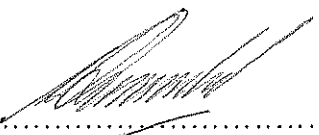
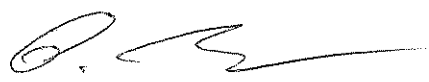


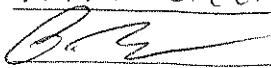
CYRE Trilogy re-negotiated the existing leases on the ground floor of the facility with a medical centre and a pharmacy, extending those leases from 4.5 years to 10 years, in an effort to make the facility more attractive to buyers, and then began marketing the property for sale. The property was ultimately sold for \$11.1 million in June this year, as reported in a letter to investors dated 20 June 2013, a copy of which is at pages 37 to 38 of the Exhibit.

22. The asset of Austgrowth Property Syndicate No. 24 was a property in Little Lonsdale Street, Melbourne. The loan on the property was very highly geared (at 72 %) when CYRE Trilogy took over management of it, and the infrastructure in the property was in a very poor state. Given the state of the services at the property, CYRE Trilogy decided it was better to cut the losses of the investors in this Syndicate and to prepare the property for sale, which occurred in March this year. Unfortunately the return to investors in this Syndicate was poor as a result of the state of the property and the high gearing of the loan. A copy of a letter to investors dated 3 April 2013 in relation to their return is at page 39 of the Exhibit.

23. I have personal knowledge of the matters set out in this affidavit and in the exhibits to it.

SWORN by PETER JOHN ARNOLD on 9 July 2013 in Sydney in the Presence of:


.....
Deponent
.....
Witness
Name: CARLA SLYNEY
Solicitor/Justice of the Peace

I, Carla Slyney, Solicitor, Prac Cert No 58074, certify the following matters concerning the making of this statutory declaration/ affidavit by the person who made it:
1. I saw the face of the person/ ~~I did not see the face of the person because the person was wearing a face covering, but I am satisfied that the person had a special justification for not removing the covering.~~
2. ~~I have known the person for at least 12 months/ I have not known the person for at least 12 months, but I have confirmed the person's identity using an identification document and the document I relied on was:~~
Driver Licence (NSW) 746442
 (sgd) Date: 9 / 7 / 20 13

SUPREME COURT OF QUEENSLAND

REGISTRY: Brisbane

NUMBER: 3383/2013

IN THE MATTER OF LM INVESTMENT MANAGEMENT LIMITED (ADMINISTRATORS
APPOINTED) (ACN 077 208 461)

Applicant RAYMOND EDWARD BRUCE & VICKI PATRICIA BRUCE

AND

First Respondent LM INVESTMENT MANAGEMENT LIMITED (ADMINISTRATORS
APPOINTED) (ACN 077 208 461) IN ITS CAPACITY AS
RESPONSIBLE ENTITY OF THE LM FIRST MORTGAGE
INCOME FUND

Second Respondent THE MEMBERS OF THE LM FIRST MORTGAGE INCOME FUND
ARSN 089 343 288

EXHIBIT CERTIFICATE

This is the Exhibit marked "PJA-1" referred to in the affidavit of Peter Arnold sworn July 2013.

Before me:



Solicitor/Justice of the Peace.....



Deponent

EXHIBIT CERTIFICATE

Filed on behalf of Piper Alderman
Form 9 Rule 31

Piper Alderman
Level 23
Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000
Tel: +61 2 9253 9999
Fax: +61 2 9253 9900
Ref: AKB.SP.384396

SUPREME COURT OF QUEENSLAND

REGISTRY: Brisbane

NUMBER: 3383/2013

IN THE MATTER OF LM INVESTMENT MANAGEMENT LIMITED (ADMINISTRATORS APPOINTED) (ACN 077 208 461)Applicant **RAYMOND EDWARD BRUCE & VICKI PATRICIA BRUCE**

AND

First Respondent **LM INVESTMENT MANAGEMENT LIMITED (ADMINISTRATORS APPOINTED) (ACN 077 208 461) IN ITS CAPACITY AS RESPONSIBLE ENTITY OF THE LM FIRST MORTGAGE INCOME FUND**Second Respondent **THE MEMBERS OF THE LM FIRST MORTGAGE INCOME FUND
ARSN 089 343 288****INDEX TO EXHIBIT "PJA-1"**

No	Description	Page
1.	Letter from CYRE Trilogy to investors in Brisbane Property Syndicate dated 28 March 2011 with enclosures	1-22
2.	Quarterly Investor Report to investors in Brisbane Property Syndicate dated June 2011	23-25
3.	Report to Investors dated 14 December 2011	26-28
4.	Letter to Investors in Canberra Property Syndicate dated 26 February 2013	29-30
5.	Letters to Investors in the Austgrowth Property Syndicate No. 18 dated 31 January 2013 and 8 July 2013	31-33
6.	Letter to Investors in Austgrowth Property Syndicate No.21 dated 30 January 2013	34-36
7.	Letter to Investors in Austgrowth Property Syndicate No.21 dated 20 June 2013	37-38
8.	Letter to Investors in Austgrowth Property Syndicate No.24 dated 3 April 2013	39



28 March 2011

Dear Investor,

Brisbane Property Syndicate ("Fund"): An opportunity to appoint a new manager and unlock the value of your investment

After the members' overwhelming rejection of APGF Management Limited's recent strategy for the merging of certain syndicates under its management, a number of members have decided to convene a meeting of members to consider replacing APGF with a new team capable of designing and implementing a property strategy which is specific to your Fund and which will benefit all members.

Included with this letter are very important documents relating to the future of your investment. They are a Notice of Meeting and accompanying Explanatory Memorandum and Proxy Form relating to the meeting of the members of the Fund. The meeting is scheduled to be held at the Vibe Hotel North Sydney, at **2.00pm AEST on 29 April 2011**. Please note that the actual commencement time of the meeting may be slightly delayed as a number of members of other funds have also called meetings on this day.

The meeting is being held to consider a set of resolutions to:

- remove APGF Management Limited ("APGF") as responsible entity and manager of your Fund;
- appoint Trilogy Funds Management Limited ("Trilogy") as responsible entity, and CYRE Trilogy Investment Management Pty Ltd ("CYRE Trilogy") as manager, of your Fund; and
- make certain amendments to your Fund's constitution regarding the allocation of management fees between APGF and the new responsible entity and manager. The total management fees payable by your Fund will be as set out in the PDS and constitution as at the time of your investment.

As you may be aware, CYRE Trilogy is a joint venture between two experienced property and funds management companies that are committed to actively managing your Fund's property, beginning the process of unlocking the value of your investment and regularly communicating with you as an investor. Peter Arnold, a director of CYRE Trilogy and one of the original founders of Austgrowth Property Syndicates Limited (being the previous responsible entity of your Fund), was one of the people responsible for the establishment of the Fund in which you have invested. As a result, Peter has a sound knowledge of the property and consequently is well placed to enhance the value of your investment.

CYRE TRILOGY INVESTMENT MANAGEMENT PTY LIMITED

ACN 080383679

Level 13, Royal Exchange Building, 56 Pitt Street, Sydney NSW 2000

T 1800 352 808 F (02) 8028 2829



28 March 2011

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CYRE TRILOGY INVESTMENT MANAGEMENT PTY LIMITED
ACN 080383679

Level 13, Royal Exchange Building, 56 Pitt Street, Sydney NSW 2000
T 1800 352 808 F (02) 8028 2829

Your Fund's property at Nathan, Brisbane is unique and provides an exciting opportunity for an active manager to reposition the property prior to its sale in the near future. CYRE Trilogy, as a hands-on asset manager, can immediately execute a strategy that we believe will identify the highest and best use for the entire site and identify and extract further value prior to selling the asset in the near future.

We are of the opinion that there are a number of commercially viable options available for this property that may not have been properly explored by the current manager.

Whilst CYRE Trilogy does not have access to all the current information on your Fund's property, given Peter Arnold's previous experience with the property, it is well placed to make a relatively seamless and timely transition into the management role in respect of your property and Fund and to hit the ground running to unlock potential value.

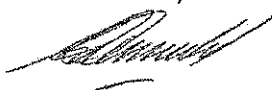
It is vital that you have your say on the future of your investment.

The appointment of Trilogy and CYRE Trilogy requires the votes of members controlling more than 50% of all of the units in the Fund.

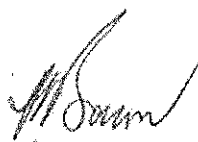
Therefore, we urge you to read the attached documents and to cast your vote "FOR" all resolutions, either in person at the meeting or by delivering in person, by post, by fax, or by email a PROXY form to Computershare as set out on the enclosed Proxy Form.

If you have any questions in relation to this document or CYRE Trilogy please call us on 1800 352 808.

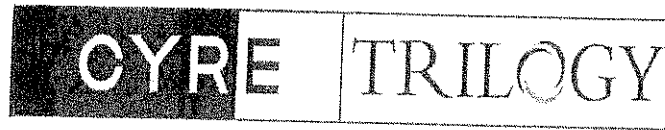
Yours sincerely



Peter Arnold
Director
CYRE Trilogy



Rodger Bacon
Director
CYRE Trilogy



Notice of Meeting
and
Explanatory Memorandum

BRISBANE PROPERTY SYNDICATE
ARSN 100 197 546

THIS IS AN IMPORTANT DOCUMENT

PLEASE READ THE INFORMATION IN THIS DOCUMENT CAREFULLY. IF YOU ARE IN ANY DOUBT ABOUT THE RESOLUTIONS OR THE ACTION TO BE TAKEN, YOU SHOULD SEEK YOUR OWN PROFESSIONAL FINANCIAL ADVICE WITHOUT DELAY.

Notice of Meeting and Explanatory Memorandum

BRISBANE PROPERTY SYNDICATE

ARSN 100 197 546

What is this document?

This document dated 28 March 2011 provides important information for a meeting of Members of the Brisbane Property Syndicate ARSN 100 197 546 ("**Fund**") which will be held at the Vibe Hotel North Sydney, 88 Alfred Street, Milsons Point, NSW, 2061, at 2.00pm AEST on 29 April 2011 ("**Meeting**"). Please note that the actual commencement time of the meeting may be slightly delayed as a number of Members of other funds have also called meetings on this day.

All information in this document forms part of the Notice of Meeting. The responsible entity of the Fund is APGF Management Limited ACN 090 257 480 ("**APGF**"). This document is not issued by APGF.

What is the purpose of the meeting?

The Meeting has been called by a group of Members (the "**Convening Members**") for the purpose of removing APGF as responsible entity of the Fund, appointing Trilogy Funds Management Limited ACN 080 383 679 AFSL 261425 ("**Trilogy**") as the responsible entity of the Fund and making certain amendments to the constitution of the Fund ("**Constitution**"). If the Resolutions are passed, CYRE Trilogy Investment Management Pty Ltd ("**CYRE Trilogy**") will take over the management of the assets of the Fund.

For the purposes of the Meeting the Convening Members have appointed CYRE Funds Management Limited as their agent to call and conduct the Meeting.

What is the recommendation?

The Convening Members' Agent, CYRE Funds Management Limited, recommends that you vote "FOR" each of the Resolutions.

Who is paying for the Meeting?

The cost of calling and conducting this Meeting will be met by CYRE Trilogy. CYRE Trilogy is not charging the Fund, nor any Member of the Fund, any fee whatsoever to call and conduct this Meeting.

Action required of Members?

- Step 1:** Read this Notice of Meeting and Explanatory Memorandum.
- Step 2:** If you have any questions about this document or the Meeting, please contact our Investor Services Team on 1800 352 808. If you are in any doubt on how to vote on the Resolutions or the action to be taken, please seek your own professional financial advice without delay.
- Step 3:** Vote on the Resolutions either by attending the Meeting or by completing and returning the enclosed Proxy Form **prior to 8.00 am AEST on Wednesday 27 April 2011** by any of:

By Mail: Computershare Investor Services Pty Limited
GPO Box 2062 Melbourne
Victoria 3001 Australia
Please use the reply paid envelope enclosed

By Fax to: (within Australia) (03) 9473 2145
 (outside Australia) +61 3 9473 2145

By Email to: quorum@computershare.com.au

By Hand to: Computershare Investor Services Pty Limited
452 Johnston Street
Abbotsford, Victoria, 3067

Updates to the Notice of Meeting and Explanatory Memorandum

The Convening Members' Agent may update the Notice of Meeting and Explanatory Memorandum. Such updates will be available for inspection on the CYRE Trilogy website (www.cyretrilogy.com.au). A hard copy of any updates can be obtained by calling 1800 352 808.

Notice of Meeting

BRISBANE PROPERTY SYNDICATE

ARSN 100 197 546

NOTICE IS GIVEN pursuant to section 252D of the Corporations Act 2001 (Cth) that a meeting of Members in the Brisbane Property Syndicate ARSN 100 197 546 will be held at the time, date and place detailed below, or such later time and date as notified to Members, to consider and vote on the extraordinary and special resolutions in this notice.

Date: 29 April 2011
Place: The Vibe Hotel North Sydney
Address: 88 Alfred Street, Milsons Point NSW 2061
Time: 2.00pm AEST

Please note that the actual commencement time of the Meeting may be slightly delayed as a number of Members of other funds have also called meetings on this day.

BUSINESS

1. Extraordinary Resolution—Removal of current responsible entity

To consider and, if thought fit, pass the following resolution as an extraordinary resolution:

"That, subject to the passing of all of the Resolutions, APGF Management Limited ACN 090 257 480 be removed as responsible entity of the Brisbane Property Syndicate ARSN 100 197 546 in accordance with section 601FM(1) of the Corporations Act 2001 (Cth)."

2. Extraordinary Resolution—Appointment of new responsible entity

To consider and, if thought fit, pass the following resolution as an extraordinary resolution:

"That, subject to the passing of all of the Resolutions, Trilogy Funds Management Limited ACN 080 383 679 be appointed as responsible entity of the Brisbane Property Syndicate ARSN 100 197 546 in accordance with section 601FM(1) of the Corporations Act 2001 (Cth)."

3. Special Resolution— Amendments to the constitution

To consider and, if thought fit, pass the following resolution as a special resolution:

"That, subject to the passing of all of the Resolutions, the constitution of the Brisbane Property Syndicate ARSN 100 197 546 be modified in accordance with section 601GC(1)(a) of the Corporations Act 2001 (Cth) and its constitution, as set out in the instrument on the CYRE Trilogy website (www.cyretrilogy.com.au) immediately prior to the Meeting and tabled at the meeting and substantially in the form explained in the Explanatory Memorandum accompanying this Notice of Meeting."

By order of the Convening Members' Agent



Peter John Arnold
Director
CYRE Funds Management Limited
Dated: 28 March 2011

Explanatory Memorandum

1. Why is this Meeting being held?

Many Members of your Fund have been demonstrably unhappy with the performance of APGF as responsible entity and asset manager of the Fund for some considerable time and this was brought to a head with the recent attempt by APGF to merge certain syndicates under its control. As a result, CYRE has been approached by Members to convene a meeting of Members and to submit a proposal pursuant to which CYRE takes over the management of your Fund. CYRE has partnered with Trilogy to make such a proposal.

This Meeting is therefore being held to give Members the opportunity to consider and vote on the Resolutions, being:

- an extraordinary resolution to remove APGF as the responsible entity of your Fund;
- an extraordinary resolution to appoint Trilogy as the responsible entity of your Fund; and
- a special resolution to amend certain provisions of the Constitution of your Fund.

The purpose of this Explanatory Memorandum is to provide information to Members on the Resolutions to be considered at the Meeting and to assist Members to determine how to vote on the Resolutions.

2. What is the proposal?

In general terms, it is proposed that:

- APGF be removed as responsible entity of your Fund;
- Trilogy be appointed as the new responsible entity of your Fund;
- CYRE Trilogy be appointed to manage the assets of your Fund; and
- certain amendments be made to your Fund's constitution regarding the allocation of management fees between APGF and the new responsible entity. The total management fees payable by your Fund will be as set out in the PDS and constitution as at the time of your investment.

Further details about the proposal are set out in this document.

A similar proposal is being put forward in respect of a number of funds currently managed by APGF. A list of all the relevant funds is set out in the Schedule to this document.

3. Why Vote for the Proposal

3.1 Asset Management

In our view APGF has been a reactive manager of your investment and relies on external property managers to manage its properties under management on its behalf. As a result:

- APGF does not appear to be dealing directly with the lessees and seems to be an absentee landlord;
- the outgoings and maintenance of your asset do not appear to be closely controlled;
- some properties under APGF's management have not been well maintained and this detracts from a re-leasing position and has an effect on achievable rentals; and
- other properties under APGF's management have not been well positioned prior to commencing a marketing campaign to maximise a sale price.

CYRE Trilogy on the other hand will be an active hands-on manager of your Fund's assets. In particular it makes commercial sense for CYRE Trilogy to concentrate on extending the leases on the properties prior to selling them within the terms of the original PDS, as any performance fee payable to it will be based on the uplift in value that CYRE Trilogy can achieve on and from the date of its appointment as manager (refer to section 5 for further details on the fee regime).

It is CYRE Trilogy's intention to inspect the properties and maintain regular direct contact with the lessees of the properties. It will concentrate on controlling the costs while maximising the rental returns over the long term which should ensure that the sale price of the properties is also maximised.

Peter Arnold, a director of CYRE Trilogy, was one of the original founders of Austgrowth Property Syndicates Limited (being the previous responsible entity of your Fund). As such, he was one of the people responsible for the establishment of your Fund (and ALL of the funds listed in the Schedule) and has a sound knowledge of the relevant properties and a good relationship with a number of the tenants.

When your Fund's property was originally purchased there was a specific asset strategy to add value, but little if any of these strategies appear to have been implemented under APGF's management.

Given that most of the funds listed in the Schedule expire over the next 2 years, if CYRE Trilogy is appointed as the replacement manager then it will use its historical knowledge and experience of the specific building and tenants and its overall property expertise to concentrate on maximising the value of these buildings so as to achieve the best possible value and return for investors.

3.2 The Merger Proposal

APGF's lack of understanding of the requirements and wishes of investors was highlighted in the recent merger proposal involving certain syndicates under their control. In particular:

- the merger proposal completely changed the nature of the original investment and time lines for investors;

- the proposal added considerable costs, including establishment fees and additional stamp duty on those funds that accepted the proposal;
- third party costs such as independent expert reports, legal opinions and valuation reports were *directly incurred and allocated* to the funds proposed to be involved despite their rejection of this proposal;
- the proposal was designed to provide APGF with an additional performance fee with no “high water” mark which meant performance fees became payable annually and could be payable even though the value of the property was below the original cost; and
- the effect of the merger appeared to be to provide additional surety of repayment of \$13.4 million in loan funds and deferred fees owed to APGF or its associated entities.

In CYRE Trilogy's view, the merger proposal was overwhelmingly for the benefit of APGF rather than the investors.

4. Who is CYRE Trilogy?

CYRE Trilogy is a joint venture between:

- CYRE Funds Management Limited, whose directors include Peter Arnold, a founder of Austgrowth Property Syndicates Limited (being the previous responsible entity of your Fund); and
- Trilogy Funds Management Limited, which currently has mortgage and property funds under management of approximately A\$450 million.

These two partner firms share a similar conservative investment management philosophy and approach.

4.1 Who is CYRE?

CYRE Funds Management Limited (“CYRE”) is part of the CYRE group of companies. CYRE is a Sydney based unlisted public corporation that specialises in identifying and unlocking sustainable value in property assets and presenting the asset to investors.

CYRE has a very ‘vanilla’ approach to direct property investment. It does not believe in using complex financial structures to artificially inflate the yield of a property investment or re-leveraging property to pay investors inflated distributions. CYRE believes that an investment in a property managed by CYRE should have similar characteristics to what you would expect if you had purchased the entire asset on its own – with one very distinct advantage – by participating in a syndicate you have the ability to gain access to significant assets with quality tenants coupled with a hands-on management team.

CYRE's directors include Peter Arnold who has over 20 years' experience in funds management, including extensive commercial, industrial and retail property trust expertise gained with one of Australia's leading unlisted REITs.

Peter was a co-founder of Austgrowth Property Syndicates Limited, which was established in 1997 and which (as well as being the previous responsible entity of your Fund) was the responsible entity for over \$230 million of syndicated commercial, industrial and retail property. Peter has been a responsible officer on a number of Australian Financial Services Licenses.

CYRE's other directors include Matthew Sweeney who has international experience in finance, investment banking and taxation and Mark Sweeney who has hands-on experience in all aspects of property development having been involved in over \$200 million of property transactions over the last 15 years.

All aspects of CYRE's management are guided by its strategic principles:

Investors for Life, Tenants for Life, Assets for Life

These principles ensure that every person participating in the business keeps a focus on the foundations of a successful property business.

4.2 Who is Trilogy?

Trilogy Funds Management Limited ("Trilogy") was formed in 1998 and came under its current ownership in 2004. Trilogy holds an Australian Financial Services License No. 261425. It acts as responsible entity and manager for a number of mortgage funds, property syndicates (REITS) and asset based investment trusts, and currently has funds under management of approximately A\$450M across Queensland, New South Wales and Victoria. Trilogy has offices in Brisbane, Sydney and Melbourne and representative offices in Tokyo and Taipei.

Trilogy is experienced in change-overs of responsible entities, as in July 2009 Trilogy in association with Balmain NB Corporation Limited was successfully voted in as the new manager by the members of the City Pacific First Mortgage Fund replacing the failed City Pacific Limited. Trilogy is now the responsible entity for that fund (now called the Pacific First Mortgage Fund).

Trilogy's objective is to offer investors, both institutional wholesale and retail, competitive investment performance and high quality services through a range of managed investment products and investment mandates. The underlying philosophy of all Trilogy products and services is the belief that property represents one of the most significant planks for generating secure income streams and wealth creation for all investors, large or small.

Trilogy's strength is underpinned by the quality and experience of its directors, senior management and staff – harnessing more than 150 years' of management experience

across property investment, mortgage management, financial services and law. Trilogy's management team includes former Challenger International senior executives Rodger Bacon, John Barry and David Hogan who have channelled their combined property and funds management expertise into developing a solid business organisation.

At Challenger International, Rodger, John and David were responsible for the Howard Mortgage Trust which became the largest commercial mortgage trust in Australia, Challenger Annuities which grew to capture 30% of long term annuity sales in Australia and investments both as principal and via property syndicates which together amounted to a property portfolio of over A\$2.5 billion in Australia, the United Kingdom and the USA.

The role of Trilogy in acting as responsible entity is to ensure that fund assets are managed and dealt with in accordance with the fund's constitution, the Corporations Act and ASIC regulations.

A strong compliance structure is integral to Trilogy's continued business success. Robust compliance procedures are paramount and include an independent compliance committee and an independent audit, compliance and risk management committee.

5. What will be the management fee arrangements under the Constitution?

The total management fees payable by your Fund will be as set out in the PDS and constitution as at the time of your investment.

In addition the annual management fee and other fees (including fees that are payable on the sale of a property) are payable to that party which is the responsible entity at the relevant time (and not to any former responsible entity).

This is to ensure that the interests of the responsible entity are properly aligned with the interests of Members. It will also ensure that the responsible entity is properly incentivised and remunerated for the work that it does in adding value to your investment and maximising the sale price of the property.

There will however be an exception to the above. It is proposed that those performance fees that are only payable where the net sale price of a property sold exceeds its acquisition cost by a factor of 10% or more are divided between the new responsible entity and any former responsible entity on a more equitable basis as follows:

- (a) Recognising that it is the responsible entity current at the time of the sale of the property that performs the work necessary to achieve the sale of the property, it is proposed that the rights of a former responsible entity to receive any part of this performance fee that becomes payable is limited to a share of such fee calculated on the basis of the amount by which the value of the property at the time of their removal or retirement (being the lesser of the book value of the

property as set out in the last audited financial accounts before the time of their removal or retirement and any revaluation of the property obtained within 6 months of the date of their retirement or removal) less the estimated costs of sale, exceeds the acquisition costs.

- (b) It is further proposed that the definition of "acquisition cost" for the purpose of this calculation be adjusted to include the initial fees paid to the responsible entity and the initial costs incurred in establishing the Fund. The effect of this change may lead to a reduction of fees that are ultimately paid by your Fund.

The proposed changes to the Constitution may be inspected on the CYRE Trilogy website (www.cyretrilogy.com.au). Alternatively, you may request a hard copy of the proposed changes by calling 1800 352 808.

6. Resolutions are interdependent

Members should note that the Resolutions are interdependent. This means that if any one of the Resolutions is not approved by the requisite majority, then none of the Resolutions may be passed or implemented.

7. The Consequences of the Resolutions

(a) Change of Responsible Entity

If all the Resolutions are validly passed then Trilogy has agreed to provide its consent to being appointed as the responsible entity of the Fund. Trilogy will lodge a notice with ASIC in accordance with section 601FM(2) of the Corporations Act asking ASIC to alter the record of the registration of the Fund to name Trilogy as the new responsible entity.

(b) CYRE Trilogy to become manager of the Fund

Once Trilogy is the responsible entity of the Fund, it will enter into a management agreement pursuant to which CYRE Trilogy will be appointed to act as the manager of the Fund. CYRE Trilogy will then promptly take steps to implement its asset management strategy as set out in section 3.1 and the letter accompanying this Explanatory Memorandum. Trilogy will pay CYRE Trilogy's fees from its own resources and not out of the Fund.

(c) Changes to the Constitution

If all the Resolutions are validly passed then the responsible entity will execute a deed amending the terms of the Constitution in the manner set out in section 5 and will lodge a copy of the deed with ASIC. The change to the Constitution will take effect once the document is lodged with ASIC.

(d) Taxation consequences

There should be no change to the tax treatment of the units held by a Member of the

Fund when APGF is replaced by Trilogy as the responsible entity. The tax treatment of investments held by the Fund should not change. Where the Fund has carried forward revenue or capital losses, those losses should continue to be available subject to satisfying the trust loss rules.

You should consult your own tax advisor in relation to the tax consequences of the change in responsible entity of the Fund as the advice provided above is general in nature and does not consider the position of individual holders.

(e) Financing consequences

The change of responsible entity may be a review event under some or all of the Fund's financing documents. However, given CYRE Trilogy's expertise and experience, CYRE Trilogy does not believe that the proposed change of responsible entity should adversely impact the Fund under its financing documents.

8. Why is Member approval required?

Member approval is required under:

- section 601FM of the Corporations Act in relation to the removal and appointment of a responsible entity of a registered managed investment scheme; and
- section 601GC of the Corporations Act in relation to the proposed amendments to the Constitution.

The Resolutions are important as they affect who will be responsible for the ongoing operation of your Fund. You are encouraged to exercise your votes on the Resolutions by either sending in your Proxy Form **prior to 8.00am AEST on Wednesday 27 April 2011** or attending the Meeting.

9. What happens if the Resolutions are not passed?

If any one or more of the Resolutions are not passed then the removal of APGF as responsible entity of the Fund will not proceed and APGF will remain as the responsible entity and manager of the Fund. Furthermore, the proposed change to the Constitution will not be made.

All Resolutions are interdependent. This means that a Resolution will only be passed if all other Resolutions are passed.

10. Convening Members' Agent's Recommendation

The Convening Members' Agent (CYRE) believes that the proposal to replace APGF with Trilogy as the responsible entity of the Fund and the amendments to the Constitution are in the best interests of the Members and accordingly recommends that you vote **"FOR"** each of the Resolutions.

11. Questions

If you have any questions about the Meeting or the Resolutions please contact our Investor Services Team on 1800 352 808 from Monday to Friday between 8:30am and 5:30pm AEST. Alternatively please speak to your financial adviser.

12. Definitions

AFSL	Australian Financial Services Licence
APGF	APGF Management Limited ACN 090 257 480, the current responsible entity of the Fund
ASIC	Australian Securities and Investments Commission
Constitution	The constitution of the Fund (as amended from time to time)
Convening Members	The Members, who together hold interests carrying greater than 5% of the votes that may be cast at a meeting, who called the Meeting
Convening Members' Agent	CYRE Funds Management Limited ACN 127 728 394, the agent appointed by the Convening Members to call and conduct the Meeting
Corporations Act	Corporations Act 2001 (Cth)
CYRE	CYRE Funds Management Limited ACN 127 728 394
CYRE Trilogy	CYRE Trilogy Investment Management Pty Limited ACN 150 001 157
Explanatory Memorandum	The explanatory memorandum contained in this document
Fund	Brisbane Property Syndicate ARSN 100 197 546
Meeting	The meeting of Members to be held at 2.00pm AEST on 29 April 2011 at the Vibe Hotel North Sydney or such later date and time as notified to Members
Members	The registered holders of units in the Fund
Notice of Meeting	This document, including the notice of meeting set out on page 6 of this document
PDS	The product disclosure statement that was originally issued in respect of the Fund.
Proxy Form	The proxy form enclosed with this document
Resolutions	The resolutions set out in the Notice of Meeting (or any one of them, as the context requires)
Schedule	The schedule to this Explanatory Memorandum on page 17.
Trilogy	Trilogy Funds Management Limited ACN 080 383 679

Schedule

Meetings are being called for the following funds:

SYNDICATE	ASSOCIATED UNIT TRUST (if any)
Austgrowth Property Syndicate Number 18 ARSN 104 390 016	Austgrowth Property Syndicate Number 18 Unit Trust ARSN 104 389 933
Austgrowth Property Syndicate No. 20 ARSN 105 382 250	Austgrowth Property Syndicate No. 20 Unit Trust ARSN 105 382 438
Austgrowth Property Syndicate No. 21 ARSN 107 016 044	
Austgrowth Property Syndicate No. 22 (Frenchs Forest) ARSN 109 579 366	
Austgrowth Property Syndicate No. 23 (St Kilda Road) ARSN 108 542 043	
Austgrowth Property Syndicate No. 24 (533 Little Lonsdale Street) ARSN 114 228 590	
Brisbane Property Syndicate ARSN 100 197 546	Brisbane Unit Trust ARSN 100 197 555
Burwood Property Syndicate ARSN 086 646 086	Burwood Unit Trust ARSN 086 645 481
Canberra Property Syndicate ARSN 099 015 013	Canberra Unit Trust ARSN 099 015 031
Melbourne Property Syndicate ARSN 101 809 269	Melbourne Unit Trust ARSN 101 809 401

Important Information about the Meeting

BRISBANE PROPERTY SYNDICATE

ARSN 100 197 546

This information forms part of the Notice of Meeting.

Calling the Meeting: In accordance with the Corporations Act, Members who together hold interests carrying greater than 5% of the votes that may be cast at a meeting may call a meeting themselves directly or retain an agent to do so on their behalf. In order to co-ordinate, and cover the expenses of, the calling and conduct of the Meeting, the Convening Members appointed CYRE as their agent to call and conduct the Meeting. CYRE represents the interests of the Convening Members who collectively carry in excess of 5% of the votes that may be cast at this Meeting. Consequentially CYRE has standing to call this Meeting on the Convening Members behalf.

Changing the time and date of the Meeting: The Convening Members reserve the right to postpone the Meeting to a later time or date. If the Convening Members make such a determination, they will notify all Members by placing an announcement on the following website www.cyretrilogy.com.au. The Convening Members will endeavour to notify Members of any such postponement prior to the original date and time of the Meeting, however, the postponement of the Meeting will not be invalidated by the failure to do so.

Who is paying for the meeting: The cost of calling and conducting the Meeting will be met by CYRE Trilogy. CYRE Trilogy is not charging the Fund, nor any Member, any fee whatsoever to call and conduct the Meeting.

Quorum: The quorum required for the Meeting is ten Members present in person or by proxy and a quorum must be present at all times during the meeting.

Resolution voting requirements: The resolutions that are extraordinary resolutions must be passed by at least 50% of the total votes that may be cast by Members entitled to vote on the resolution (including Members who are not present in person or by proxy). The resolution that is a special resolution must be passed by at least 75 per cent of the votes cast by Members entitled to vote on the resolution present in person or by proxy.

Voting: As your vote is important, you are encouraged to attend and vote at the meeting. If you propose to attend the meeting, then please arrive at the meeting venue early so that the registration formalities can be completed on time. If you cannot attend the meeting, then CYRE recommends that you complete and return a PROXY FORM and appoint Peter John Arnold as your proxy (see enclosed Proxy Form).

Voting eligibility: For the purposes of this meeting, persons who are registered holders of Units in the Fund at the time that is 48 hours prior to the Meeting will be entitled to vote.

Voting exclusions: Under section 253E of the Corporations Act 2001, the responsible entity of a registered scheme and its associates are not entitled to vote on a resolution if they have an interest in the resolution or matter other than as a Member.

How do you vote: The Resolutions will be decided on a poll. On a poll, each Member has one vote for each dollar of the value of the total interests they have in the Scheme.

Voting by proxy: If you cannot, or prefer not to, attend the meeting, then you are entitled to appoint another person/s to attend and vote for you as your proxy(ies). A proxy does not need to be a Member, but should be a natural person over the age of 18 years. A form of appointment of proxy is enclosed. The Proxy Form must be signed by the Member or his/her attorney duly authorised in writing. The Proxy Form (and the power of attorney or other authority, if any, under which the Proxy Form is signed) must be completed and returned to Computershare Investor Services Pty Limited, prior to 8.00am AEST on Wednesday 27 April 2011 by any of:

By Mail: Computershare Investor Services Pty Limited
 GPO Box 2062 Melbourne
 Victoria 3001 Australia
 Please use the reply paid envelope enclosed

By Fax to: (within Australia) (03) 9473 2145
 (outside Australia) +61 3 9473 2145

By Email to: quorum@computershare.com.au

By Hand to: Computershare Investor Services Pty Limited
 452 Johnston Street
 Abbotsford, Victoria, 3067

If you appoint two proxies, then you may specify the proportion or number of votes each proxy is entitled to exercise. However, if you do not specify the proportion or number of your votes for each

proxy, then each proxy may exercise half of the votes.

If you appoint Peter John Arnold, Rodger Ingle Bacon or the Chairman as your proxy and you do not direct how Peter John Arnold, Rodger Ingle Bacon or the Chairman are to vote, then you will be taken to have directed that Peter John Arnold, Rodger Ingle Bacon or the Chairman vote in favour of the Resolutions and Peter John Arnold, Rodger Ingle Bacon or the Chairman will vote accordingly.

Appointment of Computershare as Proxy Collector: To ensure the integrity of the proxy voting process, CYRE Trilogy has engaged a professional and independent expert, Computershare Investor Services Pty Limited ("**Computershare**"), to properly collect and collate all Proxy Forms returned by Members. Computershare is under strict obligations pursuant to its appointment to at all times handle the Proxy Forms with due care and skill and to safeguard the Proxy Forms against tampering, filtering or other inappropriate handling. Separately, each of CYRE, Trilogy and CYRE Trilogy has entered into a Deed Poll in favour of Members pursuant to which they undertake to ensure that the Proxy Forms are handled appropriately and to hold Computershare to account (including by way of commencing legal action if required) in respect of their obligations regarding the Proxy Forms.

Please note that in order for your proxy to be effective, Computershare will need to forward your Proxy Form to APGF so it is received by APGF no later than 48 hours prior to the Meeting.

In order for it to do so, please return your Proxy Form as soon as possible.

This document: It is important you carefully read the Notice of Meeting and the Explanatory Memorandum which sets out in further detail the purpose of the Meeting. If there are any amendments to the information in this document, or any developments in respect of the Meeting (including any postponement or adjournment of the Meeting), notification of such amendments or developments will be posted on the following website www.cyretrilogy.com.au.

Brisbane Property Syndicate
ARSN 100197546

Lodge your vote:

By Mail:

Computershare Investor Services Pty Limited
GPO Box 2062 Melbourne
Victoria 3001 Australia
Please use reply paid envelope enclosed

By Fax:

(within Australia) 03 9473 2145
(outside Australia) +61 3 9473 2145

By Email:

quorum@computershare.com.au

By Hand:


Computershare Investor Services Pty Limited
452 Johnston Street
Abbotsford, Victoria 3067

For all enquiries call:

(within Australia) 1300 567 815
(outside Australia) 61 3 9415 4262

000001 000 BPPQ
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Proxy Form

 For your vote to be effective it must be received by 8.00am (AEST) Wednesday 27 April 2011.

How to Vote on Items of Business

All your units will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of units you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of units for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of units for each in Step 1 overleaf.

A proxy need not be a member of the Brisbane Property Syndicate.

Signing Instructions

Individual: Where the holding is in one name, the member must sign.

Joint Holding: Where the holding is in more than one name, all of the members should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the Fund, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate unitholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the Convening Members' Agent, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form ➔

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐ Change of address. If incorrect, mark this box and make the correction in the space to the left.



I 9999999999

IND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1

Appoint a Proxy to Vote on Your Behalf

I/We being a member/s of Brisbane Property Syndicate hereby appoint

XX

☐ Mr Peter John Arnold **OR**

PLEASE NOTE: Leave this box blank if you have selected Peter John Arnold. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, Rodger Ingle Bacon, or failing Rodger Ingle Bacon, then the chairman of the meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the meeting of Brisbane Property Syndicate to be held at The Vibe Hotel, 88 Alfred Street, Milsons Point NSW 2061 on Friday, 29 April 2011 at 2.00pm (AEST) and at any adjournment or postponement of that meeting.

STEP 2

Voting Instruction

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

RESOLUTION 1 - EXTRAORDINARY RESOLUTION

For Against Abstain

Removal of current responsible entity

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Convening Members' Agent's Recommendation

<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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RESOLUTION 2 - EXTRAORDINARY RESOLUTION

For Against Abstain

Appointment of new responsible entity

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------

Convening Members' Agent's Recommendation

<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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RESOLUTION 3 - SPECIAL RESOLUTION

For Against Abstain

Amendments to the Constitution

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Convening Members' Agent's Recommendation

<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Mr Peter John Arnold, Rodger Ingle Bacon and the chairman of the meeting will vote undirected proxies in favour of each of the resolutions.

SIGN

Signature of Member(s)

This section must be completed.

Member 1

Sole Director and Sole Company Secretary/
Director 1

Member 2

Director 2

Date of Execution / /

Contact
Name

Contact
Daytime
Telephone

BPPQ

999999A

Computershare

Brisbane Property Syndicate

Syndicate Update

The property comprises four stand-alone buildings that provide office, warehouse and workshop facilities across ground floor and mezzanine accommodation. The 6.891 hectare allotment is located in Nathan approximately 9km from the Brisbane CBD.

Upon taking over management, we have undertaken a feasibility review of the site including a potential subdivision to increase value. Whilst undertaking this review we have been approached by a potential buyer and can advise that we have had a firm offer for the purchase of the site. We have received this week a heads of agreement which, once signed, will formalise the offer subject to due diligence and set the offer price. At this stage we can advise that the indicative offer is above the previous valuation and settlement would take place prior to the end of the year. The offer is from a Queensland based developer, is a cash offer and not reliant upon finance.

We will be contacting you again once the contract has been exchanged. At this stage we are likely to accept the offer currently being discussed as it represents good market value for the site and is a positive return to investors.

Property Market Update - Brisbane

Queensland's economy began to recover in late 2010. While the extent and pace of the recovery has been patchy, most key indicators do appear to be heading in an upward direction. Increased demand since late 2010 and a lack of stock is likely to lead to an increase in development activity during 2011 particularly in the speculative development sector.

We note that yields continued to firm in the first half of 2011 with prime yields at June 2011 ranging from 8.00% to 9.50% while secondary yields ranged from 8.50% to 10.00% which represents a 25 – 75 basis points firming over the year to date.

We have seen very active leasing in the large end of the market with small to medium business activity also remaining steady. It is our understanding that incentives in this area are currently at around 10% which is decreasing thus allowing an upswing in rental rates over the next 18 months.

Distribution

In our previous letter to Investors we indicated a likely difficulty in making a distribution and we now confirm that no distribution has been declared or paid for the June 2011 quarter. As a result the total annual distribution has fallen to 5.65 cents per unit for the year ended 30 June 2011. A copy of the quarterly Distribution Statement is enclosed and we expect that the Annual Tax Distribution Statements will be posted by the end of July.

BRISBANE PROPERTY SYNDICATE ARSN 100 197 546

BRISBANE UNIT TRUST ARSN 100 197 555

Important Information

We would like to bring to your attention the following issues discovered after the takeover of your Fund which largely led to the inability to pay a distribution this quarter:

- Prior to handing over the Fund APGF depleted the bank account to only \$4,000 by paying outstanding creditors. This included a recovery of the failed merger costs of \$44,154 which is above the amount previously indicated to you. These costs have been allocated in equal proportion to the 10 syndicates involved, not on an NTA basis as previously advised by APGF. We will be seeking to recover these fees from any performance fee due to APGF.
- Despite those payments there still remained over \$240,000 in unpaid invoices and we received a legal letter of demand from APGF for over \$30,000 of deferred management fees and \$171,000 for the hail netting. They demanded payment within 14 days or legal action against the Fund would commence. Further to this APGF advised that legal action would commence if the Investors were paid any distribution prior to APGF being paid, putting their interests above the Investor. Neither prior to or during the takeover process, nor in the March 2011 quarterly report did APGF mention that the Fund had such high exposure to creditors.
- In regard to the hail netting, a capital works budget should have been accumulated over the recent years to cover the inevitable replacement. It also appears that no discussions had been held with the bank to provide any additional funding and thus it has to be paid from cash flow which would otherwise have been available for distribution.
- We undertook an analysis of the cash flow to understand why creditors had increased. Our conclusion was that tenant arrears on Outgoings had been allowed to accumulate to unacceptable levels. We have now recovered over \$180,000 which will allow us to help clear outstanding creditors.

We appreciate the support that the Investors gave us during the recent months and look forward to completing the mandate we have been entrusted with – to maximise the value of the Fund on disposal.

Our Aims for the Next Quarter

Our aims for the next quarter are as follows:

- Complete the due diligence and enter into a formal sales contract.
- If the contract does not proceed, negotiate with the tenants to strengthen the lease and explore the option of subdividing the site. In this case we would aim to recommence distributions for the September quarter.
- Finalise our communication strategy for Investors and post all reports to the website.

Fund Snapshot

NTA	\$1.46/unit *	Valuation (30 September 2010)	\$13,300,000
Loan to Valuation Ratio	47.4%	Maturity Date	18 February 2013
WALE (Weighted Average Lease Expiry)	4.58 years	Net Building Income	\$ 947,713

* This NTA is based on the current market value (\$13,300,000) and does not take into account any selling costs or performance fees associated with a sale. After allowing for these the estimated cash return to Investors at this market value is more likely to be \$1.32 per unit.

IMPORTANT: This newsletter has been prepared as general information only and is not intended to be a recommendation or take the place of professional financial advice. While due care and caution has been taken in the preparation of this information, Trilogy reserves the right to amend this material as additional information becomes available.

CYRE Trilogy Investment Management Limited

ACN 150 001 157

Level 13, Royal Exchange Building
56 Pitt Street, Sydney, NSW, 2000

T 1800 352 808 F (02) 8028 2829 info@cyretrilogy.com.au

14 December 2011

Dear Investor

As 2011 draws to a close, we would like to take this opportunity to update you on the Austgrowth syndicates and unit trusts CYRE Trilogy took over on your behalf earlier this year.

This year has been a challenging one for property investors. In this environment we have worked consistently to ensure your property investment not only retained value, but locked in long-term sustainable improvements since we were appointed in May this year.

Brisbane Property Syndicate and Unit Trust (Nathan, Brisbane)

We are pleased to confirm that we have successfully negotiated and settled the sale of the Nathan Property for \$15 million.

The sale price represents an increase of more than 50% in profit over the previous independent valuation of \$13.3 million undertaken in September 2010.

Investors in the Fund will receive a return of approximately \$1.40 per unit from their original \$1.00 per unit investment. The yield on the sale value based on the current rent is approximately 7.97% which compares favourably with other (although limited) transactions of this type which were selling in the range of 9-11%.

This is a substantial result for Investors in the Fund, particularly amid a subdued property market. Rents and yields have been relatively flat in the Brisbane market over the last year as the GFC, the January floods and, more recently, increased volatility in European financial markets took their toll on investor confidence. Brisbane industrial rents had been drifting down and only steadied as the supply of better located, more traditional industrial properties began to tighten.

Canberra Property Syndicate and Unit Trust (Gungahlin, Canberra)

We remain well advanced in lease negotiations with the current tenant of the Canberra Property, the Woolworths Lowe's Joint Venture (the WL Joint Venture). The Property is a substantial hardware retail centre on Gundaroo Drive, Gungahlin in Canberra with a total land area of 21,250m². The Joint Venture became the new tenant in 2010 when it purchased the Magnet Mart Home Warehouse business. CYRE Trilogy, upon taking over as Manager in May, met with the Joint Venture to discuss their strategy for the business and the possibility of a long term lease renewal.

The Joint Venture is in the process of rebranding the store under its new name, Masters Home Improvement, which it has estimated could cost up to \$6 million. They have therefore expressed a desire to extend the lease in order to spread the capital outlay over a longer period. An in principle agreement for the extension of the lease has been received from the Board, although the final lease is yet to be documented.

An extension of the lease by the Joint Venture would mean that the Canberra Property would become one of the only leased Masters stores in Australia.

With the Fund approaching the end of its term, an assessment will need to be made whether to hold the Property beyond its initial term or sell the Property and wind up the Fund. While the extension of the lease would produce a very saleable property, the caliber of the tenant combined with the long term nature of the lease would lock in a strong and sustainable income stream for Investors should they elect to rollover the Fund for a new fixed term. For this reason, and with market volatility and uncertainty expected to continue in the New Year, continued participation in the Fund will no doubt be viewed as an attractive option for many Investors.

As you can appreciate, a large organisation such as Woolworths Lowe's does not move quickly when making important decisions. We assure Investors in this Fund that we will push forward with negotiations and keep you informed along the way.

Austgrowth Property Syndicate No. 18 and Unit Trust (Mulgrave, Melbourne)

The Property is a two story commercial office building situated at 9-11 Miles Street, Mulgrave, Victoria. It is situated on an 8,087m² site, 22 kilometers east of the Melbourne CBD.

We continue to negotiate a lease renewal with the Property's current tenant ADP, which has occupied the premises for the past 20 years and will reach the end of its lease in 2013.

Upon taking over the management of the Fund we were advised that ADP was in advanced discussions regarding relocating at the end of its lease. The tenant cited significant issues and concerns with former manager APGF regarding the management of the building. The building was found to be in a poor state of repair as a result of years of disputed management issues.

Upon taking over, we promptly met with ADP representatives to discuss their concerns and, at their request, prepared and submitted a lease renewal proposal. While the outcome of this proposal is not yet known, we remain committed to addressing ADP's concerns with the goal of securing their ongoing tenure.

We have developed a capital works program designed to return the building to a high quality and commercially acceptable standard and are actively communicating with them with a view to strengthening the relationship and building their confidence in our management approach. While the cost of capital improvements to the building may be significant, we believe this would be more than offset by the additional value resulting from a renewed long term lease.

We will keep you updated in relation to our negotiations with ADP. Should ADP decide to relocate however, we will immediately commence discussions with alternative tenants as the demand for space in this market appears to be strengthening.

If you have any queries in regards to your existing investment or would like to discuss upcoming investment opportunities please contact Peter Arnold on 02 8244 9496.

Trilogy First Mortgage Income Trust

We have enclosed a flyer on the Trilogy First Mortgage Income Trust.

The Trust offers investors the chance to invest in loans secured by a first mortgage over property assets. The Fund provides flexibility for investors who may not wish to lock themselves into a fixed term property trust.

It has provided an averaged annualised¹ rate of 9.25% p.a. to investors paid monthly for the year ended 30 June 2011 and was one of only a few mortgage funds that remained open and continued to pay full distributions throughout the GFC.

Should you require further information about this investment opportunity or a copy of the PDS please contact Trilogy's Client Services team on 1800 230 099.

We wish all of our Investors a safe holiday period and a prosperous New Year.

Yours sincerely



Peter Arnold
Director



Rodger Bacon
Director

¹ The yield for the Trilogy First Mortgage Income Trust (Trust) is variable and is affected by a number of factors that will vary over time. Past performance is not a reliable indicator of future performance.

DISCLAIMER

This letter provides general information only and does not take into account your personal circumstances and is not a personal recommendation. Investors should read the PDS prior to making an investment in the Trust. Investments in the Trust involve risks which could lead to loss of part or all the capital. Investments in the Trust are not bank deposits and are not Government Guaranteed.

26 February 2013

Dear Investor,

Canberra Property Syndicate and Unit Trust – Final distribution

Following the sale of the Gungahlin property (the Property) in October 2012, we are pleased to advise that a final distribution of approximately \$0.06 per unit will be processed on or before 30 April 2013.

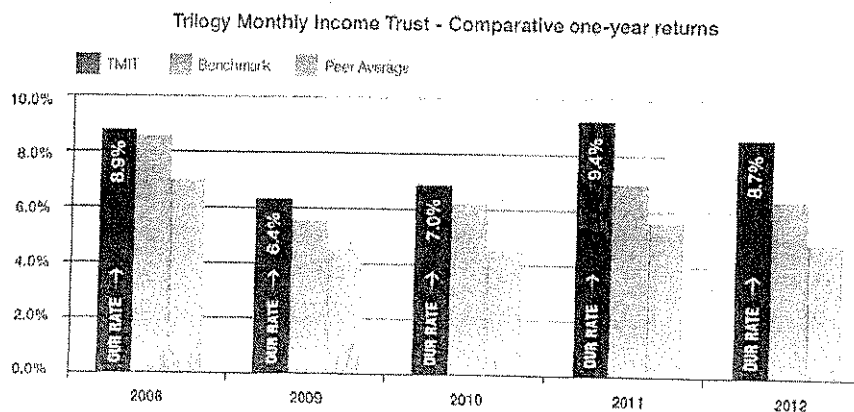
This follows the initial and interim distributions of \$1.00 and \$0.46 per unit respectively and brings the total estimated return paid to investors from sale of the Property to \$1.52 per unit.

The final distribution will be paid to you in accordance with your preferred method of payment. Upon the completion of the interim financial report, we will commence work on the final audit and wind up of the Syndicate.

Investment opportunities - Update

Trilogy is currently investigating a number of property syndication opportunities in major capital cities. A common characteristic of these properties is that they are predominantly modern office buildings with quality tenants and long term leases.


Should you be looking to allocate a portion of your portfolio to a non-property syndicate investment, an alternative is the Trilogy Monthly Income Trust. The Trust has paid investors an average annualised rate of 8.85% p.a.¹ for the 2013 financial year to date and has outperformed its peers and benchmark since inception (see below).



Source: SQM Research, *Trilogy Monthly Income Trust Independent Assessment*, 30 November 2012, p.6.

To find out more about the Trilogy Monthly Income Trust simply complete the 'more information' coupon on the enclosed monthly rate flyer and return it to us in the reply paid envelope provided or fax it to 1800 997 705. Alternatively you can call us on 1800 230 099 or email info@trilogyfunds.com.au

Yours sincerely

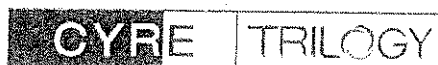


Peter Arnold
Director



Rodger Bacon
Director

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Focused on improving investor outcomes

31 January 2013

Address
Address
Address
Address

Dear [Salutation]

Austgrowth Property Syndicate Number 18 (Mulgrave)

We believe it timely to provide you with a further update in relation to your investment in Austgrowth Property Syndicate Number 18 (the Syndicate).

As advised in our previous correspondence we have been in negotiations with the tenant (ADP) at 9-11 Miles Street, Mulgrave (the Property) in relation to their 'make good' obligations.

In November 2012 the tenant made an unconditional offer of a cash settlement of \$600,000 but failed to provide the supporting documentation outlining how this amount was quantified. Based on our assessment of the tenant's 'make good' obligations we believed that this offer was unacceptable and could not be formally considered without the supporting documentation.

Just prior to Christmas 2012 the tenant submitted a schedule of the proposed work which fell well short of its obligations under the lease. Based on the receipt of this schedule we have now advised the tenant that the scope of works provided is deficient as defined under the terms of the lease and are in the process of providing the tenant with a detailed breakdown of its additional 'make good' obligations.

We believe that the final figure will be substantially higher than the present offer.

Marketing campaign for the sale of the Property

Knight Frank Melbourne has been conducting weekly inspections with both prospective tenants and potential buyers however, at the time of this update, a formal offer has not been received. Potential buyer interest has been mainly from developers with some interest from locally based owner occupiers.

The main issue for both developers and owner occupiers is quantifying the 'make good'. For owner occupiers, this amount would be factored into any offer received and we believe that it is important to have a final binding agreement with the tenant, which the buyer can rely on. Alternatively, should a developer wish to purchase the asset and not factor in the 'make good' we are of the view that as a manager we also need to quantify this amount against the sale price in order to establish the net result of a sale for investors.

CYRE Trilogy Investment Management Pty Ltd

Level 10, Brisbane Club Tower, 241 Adelaide Street, Brisbane, QLD, 4000

P 1800 352 808 F (07) 3099 2829 W www.cyretrilogy.com.au ACH 150/001 157

From a leasing perspective, we believe that quantifying the 'make good' is a major factor in having the building and its facilities upgraded for any incoming tenant.

As part of the marketing campaign we have provided the agents with architectural plans and elevations demonstrating how the building could be subdivided to accommodate a number of smaller tenancies or strata title lots. In addition to this we have undertaken a review of the existing car park layout to demonstrate to potential purchasers or lessees the maximum number of parking spaces that could be achieved on site.

Once we have reached agreement with the tenant on their 'make good' obligations we will broaden the marketing campaign with the joint appointment of Knight Frank Melbourne and Colliers International's Mulgrave industrial office.

One advantage for a buyer to act now is the benefit of a 'going concern', which eliminates the GST liability on the purchase of the asset.

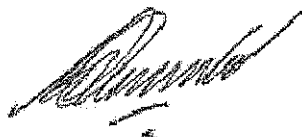
We anticipate that we should have reached agreement with the tenant by mid-February 2013 and, providing we can agree on a cash settlement for the 'make good', we believe that the outcome for investors will be greatly improved.

Should you have any questions please call Client Services on 1800 230 099 Monday to Friday, 8.30am to 5pm AEST or email clientservices@cvretrilogy.com.au

Yours sincerely



Rodger Bacon
Director



Peter Arnold
Director

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8 July 2013

Dear [Salutation]

Austgrowth Property Syndicate No. 18 (Mulgrave)

We would like to take this opportunity to update you in relation to your investment in the Austgrowth Property Syndicate No. 18 (the Syndicate).

As advised in previous correspondence we have been negotiating with the previous tenant (ADP) at 9-11 Miles Street, Mulgrave (the Property) in relation to their 'make good' obligations.

We are pleased to advise that we have now reached agreement with ADP and have secured a cash settlement of \$1.38 million. This is a significant increase over the unconditional offer of \$600,000 made by the ADP in November 2012. Furthermore, ADP remains liable for any site contamination that may have occurred during their occupation of the premises.


In relation to our efforts to market the Property for sale, Knight Frank Melbourne, acting as the 'lead' agent, also invited a number of other agencies to help increase the Property's exposure to the market. Unfortunately, despite a comprehensive marketing campaign, the Property has not sold.

In light of the feedback received from both prospective buyers and agents involved throughout the campaign, we have been advised to upgrade the building's facilities and present the Property for lease, before re-listing the Property for sale with a tenant in place. As such, we are currently assessing what works are deemed necessary in order to attract a tenant to the Property. The proceeds received from ADP's 'make good' obligation will be used to carry out these works.

Once the works have been completed we intend to appoint at least two major leasing agents and offer an incentive to prospective whole-of-building tenants. We will also follow up any previous enquiries.

While this new strategy to sell the Property will take longer, we believe it is necessary in order to deliver the best possible result for investors. Should you have any questions please call Client Services on 1800 230 099 or email clientservices@cyretrilogy.com.au

Yours sincerely



Rodger Bacon
Director



Peter Arnold
Director

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Dear Investor

We would like to take this opportunity to provide investors with an update in relation to your investment in Austgrowth Property Syndicate No. 21 (the Trust), in particular the recent marketing campaign for the sale of the property at 156-160 Grafton Street (the Property).

As you would be aware, prior to our appointment as manager of the Trust, the former manager had also undertaken a marketing campaign to sell the Property. This campaign yielded only one buyer, a Singapore-based healthcare fund seeking to acquire a portfolio of healthcare assets in Australia. The offer was heavily conditioned, subject to satisfactory due diligence and dependent on their ability to secure a number of other assets in line with the Cairns asset. Upon our appointment, we entered into negotiations with the buyer to try and conclude a sale. We were subsequently advised that the buyer was unable to secure the balance of the proposed portfolio and was not prepared to proceed on a single sale basis.

We do not understand why a manager would grant an incentive to an existing lessee structured on an annual rental discount and allow that incentive to form one of the conditions of the lease. When an incentive is granted it is normal industry practice to grant the incentive upfront in the first year of the lease so as not to discount the capitalised value of the property.

Marketing campaign for the sale of the Property

CVHE Integry Investments Management Pte Ltd

[illegible]

the Property for sale. At this stage, we are currently negotiating a sale with three separate interested parties. One of these parties is a well known investment group and does not require bank funding to complete the purchase of the Property. We continue to work closely with this potential buyer and have provided additional information as per their request.

The term of the Trust - Investor survey

As you may be aware, the Trust is due to terminate on 5 February 2013. However, it is our view that with a declining interest rate environment the property market will begin to improve and, as such, believe it is favourable to extend the term of the Trust and allow extra time to negotiate with potential purchasers. As a result, Trilogy has extended the term of the Trust by one year to 5 February 2014.

Despite the strong returns being received by investors in this Trust (particularly when compared to the current returns being offered by cash based investments) there are a number of investors who wish to have the Property sold and the Trust wound up. At the same time, many investors would prefer to continue in the Trust for a further term of, say, three years and hold the Property until market conditions improve.

To ensure we act in the best interest of all investors, we ask that you please complete and return to us the enclosed survey indicating your preferred course of action.

There are two options available to you:

Option A Sell the Property in the open market and return investors capital and capital gains, if any, as soon as possible.

Option B Extend the Trust for a further term of up to three years (from 5 February 2014).

In the meantime, we will continue to negotiate with interested parties and will keep you informed of our progress. Should you have any questions please call Client Services on 1800 352 808 Monday to Friday, 8.30am to 5pm AEST or email clientservices@cyretrilogy.com.au

Yours sincerely



Rodger Bacon
Director



Peter Arnold
Director

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INVESTOR SURVEY

Austgrowth Property Syndicate No. 21 (Cairns)

Post

CYRE Trilogy Investment Management Pty Limited
Level 13 / 56 Pitt St
SYDNEY NSW 2000

Scan and email

Peter.arnold@cyretrilogy.com.au

Fax

CYRE Trilogy Investment Management Pty Limited
07 3039 2829

Please tick to indicate your preference:

☐ **Option A**

I would like the Property to be sold and my funds returned as soon as possible.

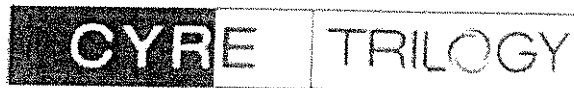
☐ **Option B**

I would like the Trust extended for a further term of up to 3 years.

Investor name _____

Investor address _____

Please note that this does not constitute a proxy form.



Focused on improving investor outcomes

20 June 2013

Dear Investor

Sale of Austgrowth Property Syndicate No. 21 (Cairns)

Further to our March 2013 update, we are delighted to report that a contract for the sale of 156-160 Grafton Street (the Property) was exchanged on 17 May 2013 and subsequently settled for \$11.1 million on 5 June 2013.

This sale price represents a \$3.3 million or 35% increase in the value of the Property since it was purchased in 2004. In part, we attribute this result to the successful renegotiation for new leases over two of the Property's four tenancies, which increased the average lease expiry from 5.95 years to 8.45 years prior to placing the property on the market.

Out of the gross proceeds of the sale the Syndicate is required to pay the Responsible Entity's performance fee, agents' commission, legal fees and other costs related to the Property's disposal. In addition to this, the Syndicate is required to pay an amount equal to \$475,000 for all unexpired incentives granted to tenants by the former manager. This payment will unfortunately reduce the net proceeds available for distribution to investors.

Until all accounts have been finalised we are unable to accurately predict the final NTA per unit return to investors but estimate investors will receive between \$1.20 and \$1.30 per unit net of all costs. An initial return of capital of \$<insert amount> which represents \$1.00 per unit will be paid to you on 1 July 2013. We will provide an update regarding subsequent capital returns in due course.

Should you have any questions, please call Client Services on 1800 352 808 or email clientservices@cyretrilogy.com.au

Trilogy Melbourne Office Syndicate – Cheltenham

We are pleased to present you with an outstanding opportunity to invest in an ultra-modern office building which is **fully leased until 2021 to iSelect**, Australia's leading private health insurance intermediary.

This closed-ended, unlisted direct property syndicate will offer:

- Forecast initial distribution of **8.75%¹ p.a. paid monthly**
- **Tax deferred** advantages – forecast to be **70%** in year one
- Initial **5 year term**

CYRE Trilogy Investment Management Pty Ltd

1000 Lakeside Drive, Suite 100, Lakeside, Victoria 3042
P 03 9493 1000 F 03 9493 1001 W www.cyretrilogy.com.au

- **Value add potential**, planning permit in place for an additional 5,325 sqm of office space
- **Low gearing** – maximum 45%
- **Suitable for self managed super funds**, individuals, companies and trusts

A virtual tour of the property is expected to be available on Wednesday 26 June at www.trilogyfunds.com.au/cheltenham

Please use the expression of interest form provided to indicate your interest in this opportunity. Please send this form to us on or before 28 June 2013.

For further information please phone Gary Connolly on 1800 230 099 or email infor@trilogyfunds.com.au

Yours sincerely



Rodger Bacon
Director



Peter Arnold
Director

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3 April 2013

Dear Investor

Austgrowth Property Syndicate No. 24 - Initial distribution

Following the sale of 533 Little Lonsdale Street, Melbourne (the Property) for \$19.5 million, we are pleased to advise that we reached settlement on 26 March 2013. An initial distribution of approximately \$0.48 per unit was processed on 3 April 2013 and paid to you in accordance with your preferred method of payment.

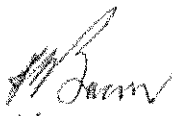
The remaining capital is expected to be paid to you in two installments - an interim distribution (expected to be paid in June) and a final distribution (expected to be paid in October). We estimate the total remaining capital to be around \$0.10 per unit but will be in a better position to provide a more definitive estimate upon finalisation of the accounts. We will update you at that time.

Alternate investment opportunities

Trilogy is currently investigating a number of property syndication opportunities in major capital cities. A common characteristic of these properties is that they are predominantly modern office buildings with quality tenants and long term leases. Should you be looking to allocate a portion of your portfolio to an income style investment, the Trilogy Monthly Income Trust has paid investors an average annualised rate of **8.80% p.a.**¹ for the 2013 financial year to date.

To find out more about the Trilogy Monthly Income Trust simply call Client Services on 1800 352 808, Monday to Friday, 8.30am to 5pm AEST.

Yours sincerely



Rodger Bacon
Director



Peter Arnold
Director

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