



Pipeclay Lawson Ltd
ACN 163 013 732
AFSL 437838

Sulphur Street Property Trust
ABN 26 534 679 327

Sulphur Street Property Trust Investor Distribution Emails

03 August, 2017

On August 3, 2017, the Trust made its maiden distribution of \$7.09 per Unit. We expect distributions to continue at this rate for the remaining 11 months of the current financial year.

Please do not hesitate to contact any team member if they can assist with any information. All email addresses are firstname@pipeclaylawson.com.au. Irene Cheung is in charge of all payments and receipts and I, Lachlan Philips, am a Property Executive whose focus is on the physical management of the properties.

If you would like to see the Trust's bank statements, please advise Irene and copies will be emailed to you monthly.

We have made contact with the tenant concerning on-going maintenance.

In the Lease, it was agreed that the Landlord has the right to complete some minor works, the most important of which has been arranged. A contractor has been lined up to provide safe roof access to both warehouses, which we are hopeful will be completed this month.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to Irene via email at irene@pipeclaylawson.com.au.

We welcome your input; Sandy can be contacted on 0438 505 624, David on 0407 631 255 (but please bear in mind that they are in Europe), Emil on 0427 929 358, or I on 0431 377 678.

Best Regards,
Lachlan

01 September, 2017

On September 1, 2017, the Trust made a distribution of \$7.09 per Unit.

As outlined last month, the most important of the Lessor's works in the purchase agreement is the installation of safe roof access. This has now been completed, and regular maintenance of the roof will now be commenced.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to Irene via email at irene@pipeclaylawson.com.au.

We welcome your input; David can be contacted on 0407 631 255, Emil on 0427 929 358, or I on 0431 377 678.

Best Regards,
LACHLAN C. PHILIPS

04 October, 2017

On October 4, 2017, the Trust made a distribution of \$7.09 per Unit.

I will provide a progress update on the remainder of the Lessor's works next month.

There have been no material developments and everything is proceeding satisfactorily.

Please be advised that as no distributions were made during the 2017 financial year, the Sulphur Street Property Trust will not be issuing an Annual Tax Statement.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to Irene via email at irene@pipeclaylawson.com.au.

We welcome your input. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358, and Sandy on 0438 505624.

Best Regards,
LACHLAN C. PHILIPS

03 November, 2017

On November 1, 2017, the Trust made a distribution of \$7.09 per Unit.

The following capital works are currently being arranged onsite:

1. The installation of a sewerage backflow device in-line with the main water meter. This is device is important for health and safety reasons.
2. Replacement of the corroded doors of the main switchboard, and an investigation of its water proofing.

These are the last remaining items of capital works required in the short-term, and we have budgeted \$15,000 for the combined works. These items had been allowed for at purchase.

In his email of June 30, David advised that:

"the Trust entered into a 4 year swap, 3 years forward (5.7.20 – 26.4.24) at a rate of 3.15% p.a. In the IM we forecast a swap rate of 3.2% p.a. The marginally better outcome represents circa 10bps per Unit p.a. of performance safety net for the years in question. The Trust has not entered into an interest rate swap for the period prior to 5/7/2020. We have decided that the current swap rate of 2.31% p.a. represents too high a premium over 3 months BBSY which is presently at 1.71%. The Manager intends to monitor rates closely and expects to enter into an interest rate swap shortly."

The Trust has now entered into a swap for the period 5/7/18 to 5/7/20. Having regard to the rates incurred on rolls to-date and assuming that the rate incurred on 7/1/18 and 7/4/18 will not

exceed 1.75%, the Trust will achieve a saving of \$8,000 over the period 30.6.17 to 5.7.20, as compared to the IM forecast rate of 2.13% for the 37 months period. We will report any material deviation from 1.75% on the two remaining unlocked rolls, should it occur.

There have been no other material developments and everything is proceeding satisfactorily.

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We welcome your input. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358, and Sandy on 0438 505624.

Best Regards,
LACHLAN C. PHILIPS

06 December, 2017

On December 4, 2017, the Trust made a distribution of \$7.09 per Unit.

There have been no material developments this month and everything is proceeding satisfactorily. An update will be provided when the last of the Lessor's Works are finalised.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to Irene via email at irene@pipeclaylawson.com.au.

We welcome your input. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358, and Sandy on 0438 505624.

Best Regards,
LACHLAN C. PHILIPS

09 January, 2018

On January 2, 2018, the Trust made a distribution of \$7.09 per Unit.

There have been no material developments and everything is proceeding satisfactorily. Given the season, it is unlikely that anything substantive to report will arise over the next month.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to Irene via email at irene@pipeclaylawson.com.au.

We welcome your input. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358, and Sandy on 0438 505624. Please be aware however, that David, Emil and Sandy are currently overseas and will be returning later in January.

With compliments of the season,
LACHLAN C. PHILIPS

06 February, 2018

On February 5, 2018, the Trust made a distribution of \$7.09 per Unit.

There have been no material developments and everything is proceeding satisfactorily.

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We welcome your input. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358, and Sandy on 0438 505624.

Best Regards,
LACHLAN C. PHILIPS

06 March, 2018

On March 5, 2018, the Trust made a distribution of \$7.09 per Unit.

There have been no material developments and everything is proceeding satisfactorily.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to Irene via email at irene@pipeclaylawson.com.au.

We welcome your input. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358, and Sandy on 0438 505624.

Best Regards,
LACHLAN C. PHILIPS

06 April, 2018

On April 5, 2018, the Trust made a distribution of \$7.09 per Unit.

The main switchboard on the property is in need of a replacement hood, door and seals to ensure that it remains weatherproof. This was a task identified during our due diligence when purchasing the property, and whilst a Trust expense, has been budgeted for. I expect that the work will be completed this month.

There have been no other material developments and everything is proceeding satisfactorily.

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We welcome your input. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358, and Sandy on 0438 505624.

Best Regards,

LACHLAN C. PHILIPS

03 May, 2018

On May 2, 2018, the Trust made a distribution of \$7.09 per Unit.

Last month I wrote to you about works which we are having done to weatherproof the main switchboard. These works have been completed on schedule, and no further capital works are forecast.

There have been no other material developments and everything is proceeding satisfactorily.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to Irene via email at irene@pipeclaylawson.com.au.

We welcome your input. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358, and Sandy on 0438 505624.

Best Regards,
LACHLAN C. PHILIPS

05 June, 2018

On June 5, 2018, the Trust made a distribution of \$7.09 per Unit.

Last year Varley partnered with Israeli company Rafael Advanced Defense Systems for the purpose of delivering the Australian production and assembly of Spike missiles, which are currently only produced in Israel. The two companies intend to open a new Australian manufacturing facility for this purpose.

This month, the Defence Department confirmed that it will be fitting these missiles onto the CRV vehicles which are being supplied by Rheinmetall. This is promising news for the Rafael Varley joint venture.

The companies anticipate that the scope of their partnership will expand over time, and it is expected to improve the skills, technology and infrastructure of Varley. Whilst not directly relevant to Varley's operations at Sulphur St, this is promising news for the company long-term.

There have been no other material developments and everything is proceeding satisfactorily.

Irene Cheung will be finishing her employment with Pipeclay on Friday, June 8. Camilla Cable has been appointed General Manager Finance & Company Secretary. Camilla's mobile number is 0412 520 121 and her email address is camilla@pipeclaylawson.com.au

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We welcome your input. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358; Sandy is overseas during June.

Best Regards,
LACHLAN C. PHILIPS

04 July, 2018

On July 3, 2018, the Trust made a distribution of \$7.09 per Unit. This is the last distribution for FY 17/18.

Distributions for 2018/2019 will be increased to \$7.29 per Unit per calendar month. This distribution represents an 8.75% yield on equity invested, which matches the IM forecast.

I visited Sulphur Street last month to carry out an annual inspection of the property. The tenant's onsite management has recently changed, and I am pleased to have established a positive relationship with them. Whilst several minor maintenance issues arose during this inspection (which the tenant has indicated they will resolve promptly), no unexpected or concerning items arose.

During this inspection I was given the impression that the site is currently being utilised at approximately 75-80% capacity, and that the current configuration of improvements suits the tenant well. I am making efforts to better understand their business requirements and operations and should any potential improvements to the site be conceived I will report further on the topic.

There have been no other material developments and everything is proceeding satisfactorily.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to me.

We welcome your input. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358; Sandy is away until September.

Best Regards,
LACHLAN C. PHILIPS

03 August, 2018

On August 2, 2018, the Trust made a distribution of \$7.29 per Unit. This is the first distribution for FY 18/19.

There have been no material developments and everything is proceeding satisfactorily.

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We welcome your input. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358; Sandy is away until September.

Best Regards,
LACHLAN C. PHILIPS

06 September, 2018

On September 5, 2018, the Trust made a distribution of \$7.29 per Unit. This is the first distribution for FY 18/19.

There have been no material developments and everything is proceeding satisfactorily.

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We welcome your input. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358, and Sandy on 0438 505 624.

Best Regards,
LACHLAN C. PHILIPS

04 October, 2018

On October 4, 2018, the Trust made a distribution of \$7.29 per Unit.

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We welcome your input. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358, and Sandy on 0438 505 624.

Best Regards,
LACHLAN C. PHILIPS

02 November, 2018

On November 2, 2018, the Trust made a distribution of \$7.29 per Unit.

Following a review and the marketing of the Property to several insurers, the Property's existing insurance policies have been renewed and the sums insured increased.

There have been no other material developments and everything is proceeding satisfactorily.

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We welcome your input. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358, and Sandy on 0438 505 624.

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Best Regards,
LACHLAN C. PHILIPS

03 January, 2019

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There have been no material developments, and everything is proceeding satisfactorily.

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We welcome your input. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358, and Sandy on 0438 505 624.

Best Regards,
LACHLAN C. PHILIPS

04 February, 2019

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There have been no material developments and everything is proceeding satisfactorily.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to me.

We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Best Regards,
LACHLAN C. PHILIPS

06 March, 2019

On March 4, 2019, the Trust made a distribution of \$7.29 per Unit.

There have been no material developments and everything is proceeding satisfactorily.

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Best Regards,
LACHLAN C. PHILIPS

04 April, 2019

On April 2, 2019, the Trust made a distribution of \$7.29 per Unit.

The Queensland government has required that owners of certain types of buildings, including industrial, be registered on the Safer Buildings website, to help identify all buildings in the state which may contain combustible cladding. The property has been registered. We believe that there is no combustible cladding present in the building.

There have been no other material developments and everything is proceeding satisfactorily.

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Best Regards,
LACHLAN C. PHILIPS

03 May, 2019

On May 2, 2019, the Trust made a distribution of \$7.29 per Unit.

Pursuant to the Trust's Bank facility agreement with NAB, the Trust is obliged to reduce the Loan Valuation Ratio to 57.5% before December 31, 2019. Pipeclay believes that the Trust has comfortably met this obligation and has asked NAB to obtain a valuation (at the Trust's expense) and to confirm that the covenant has been satisfied.

There have been no other material developments and everything is proceeding satisfactorily.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to me.

We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Best Regards,
LACHLAN C. PHILIPS

03 June, 2019

On June 3, 2019, the Trust made a distribution of \$7.29 per Unit.

The Trust's financing facility requires the revaluation of the property. Knight Frank has been commissioned to complete it. If you would like a copy of the final report, please send me an email and I will provide it when it becomes available.

I conducted my annual inspection of the property last month. I am pleased to report that the property presents extremely well, and only minor maintenance items were identified, the most notable of which are:

- Some superficial cracking to the concrete hardstand which will be investigated further, although no movement or significant structural deterioration was evident
- The translucent roof panels require cleaning. The tenant has commissioned a roof condition report, the results of which I will report on if significant

My inspection and discussions with the tenant revealed that the site is underutilised. It is designed such that the two warehouses can contain separate operations. To this end, both have separate office spaces and amenities. For our tenant, Varley, the result is an excess of office space onsite. Varley is currently using a surplus of both office and carpark space for storage space. The warehouse space is also underutilised as it is not staffed to full capacity.

The current lease expires in 2027, and we are not currently concerned about Varley's financial position on a national level. Our focus is on maximising the value of the property for the tenant, so to that end we have agreed to meet them in 3 months' time to discuss the potential subletting of surplus office and parking areas onsite. I will report further once these discussions have occurred.

There have been no other material developments this month.

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We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Best Regards,
LACHLAN C. PHILIPS

05 July, 2019

On July 2, 2019, the Trust made a distribution of \$7.29 per Unit.

This is the June distribution, and the last for FY19.

Last month I wrote to you that we were having the property revalued by Knight Frank. We have received their final report. If you would like a copy, please let me know. Knight Frank have advised that the market value of the property is \$12,600,000. By comparison, the Trust purchased the property in June 2017 for \$10,565,000.

We have provided the new valuation to NAB and are in the process of renegotiating the bank facility. Pipeclay has decided that the Trust should not seek the maximum debt available but should reduce gearing to circa 57.5% (from 60%). Gearing at that level is expected to allow for a capital return in August. Once the terms of the facility have been agreed, a distribution level for the balance of FY20 will be determined. In the meantime, distributions will continue at the monthly rate of \$7.29 per Unit.

I wrote to you last month about my inspection of the property which revealed that the translucent roof panels require cleaning. I have just received a roof report which the tenant commissioned which was conducted by a contractor with whom Pipeclay has an existing relationship. This report identified several further issues with the roof, which do not appear to be major. Cost discovery and allocation of responsibility between the tenant and the Trust should be completed in August and I shall then report further. In the meantime, if you would like a copy of the report, please let me know.

A number of the Trusts' Unitholders have asked Pipeclay to provide them with its estimate of the value of the units in the Trust at 30 June. Pipeclay does not have any valuation expertise and there is no active market against which to measure Unit values.

In order to advise the Unitholders as to Pipeclay's perception of Unit values, a dual process is undertaken. First, from the latest valuation for mortgagee purposes the following are deducted: interest swap break-costs as advised by the Bank as at June 30, the current bank debt and the outperformance fee that would be payable if the Trust was terminated (working capital and selling costs are ignored). The resultant number is then divided by the number of Units on issue. Secondly, Pipeclay considers what it would regard as an appropriate yield for the Units and the consequently implied Unit value. The lower of these two numbers is then adopted by Pipeclay as its perception of Unit values. Pipeclay's perception is that the current value of Units in the Trust is \$1,100 per Unit.

There have been no other material developments this month.

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We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Best Regards,
LACHLAN C. PHILIPS

05 August, 2019

On August 2, 2019, the Trust made a distribution of \$7.50 per Unit.

This is the first distribution of FY20. This increased distribution amount is expected to be kept constant for FY 20 and is in line with the IM forecast.

Negotiations with the banks are taking longer than expected but we hope to finalise them this month.

There have been no other material developments this month.

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We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Best Regards,
LACHLAN C. PHILIPS

05 September, 2019

On September 3, 2019, the Trust made a distribution of \$7.50 per Unit.

Last month I wrote to you that the bank facility is being renegotiated in line with the new valuation. Unfortunately, we were not able to obtain satisfactory terms from NAB, the Trust's existing bank, and it is likely that the facility will be refinanced with the CBA. Consequently, the capital return will therefore likely not take place until October.

There have been no other material developments this month.

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We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Best Regards,
LACHLAN C. PHILIPS

03 October, 2019

On October 2, 2019, the Trust made a distribution of \$7.50 per Unit.

The Property's insurances have been renewed this month following a review, and the sums insured increased.

There have been no other material developments this month.

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We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Best Regards,
LACHLAN C. PHILIPS

05 November, 2019

On November 4, 2019, the Trust made a distribution of \$7.50 per Unit.

David has been approached by an agent asking whether the Trust would sell the property on a yield of 6.25%. The agent said that he has a buyer at that level. Unless Unitholders think otherwise, Pipeclay does not intend to pursue/investigate this approach.

There have been no other material developments this month.

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We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Best Regards,
LACHLAN C. PHILIPS

04 December, 2019

On December 3, 2019, the Trust made a distribution of \$7.50 per Unit.

There have been no material developments this month.

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We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Best Regards,
LACHLAN C. PHILIPS

08 January, 2020

On January 7, 2020, the Trust made a distribution of \$7.50 per Unit.

Changes to the Property Management Team

Sadly, for Pipeclay, Lachlan has resigned in order to pursue further studies. He was already studying (actually aceing) part-time the Property Economics/Management degree at UTS but he has decided to switch to a full-time Masters in Economics. We are appreciative of his intelligent contribution over the last three years and wish him very well for the future.

We have made three very exciting part-time appointments: -

Daniel Shafferman has a wealth of experience in industrial property management. He has managed his family's property portfolio and provided management services to major agencies and private owners in Queensland. He will be our man on the ground in Queensland.

Daryl Knighton is a mechanical engineer by training. He has decades of project management experience in industrial property. We think he will bring particular value in organizing tenders and supervising works, particularly in Sydney.

Hannah Butt will take on the additional role of Property Management Co-ordinator. A year ago, Luke automated a reminder system of all lease obligations for each property. After 10 months of testing, we are confident that the system will, in Hannah's hands, ensure that all recurrent obligations, rent reviews and end of lease activities will be timely and well directed. The next month's newsletter will come from Hannah. Hannah's email is Hannah@pipeclaylawson.com.au and her mobile is 0414 932 034.

There have been no other material developments this month.

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We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Best Regards,
David

05 February, 2020

On February 5, 2020, the Trust made a distribution of \$7.50 per Unit.

Property Management Update

Lachlan, Hannah and Daniel, inspected the property on Thursday 30th January. The property presented well, and the tenant was pleased with their new Pipeclay Lawson representatives. Positive interaction with the site contact.

Trust Update

The Trust has executed a facility agreement with CBA to refinance the property. NAB has been advised but the transfer of security and swaps is yet to be arranged between the banks. Once the refinance has taken place, we anticipate a capital return of \$150 per Unit. We do not anticipate a change in monthly distributions, which will increase the distribution yield to 10.6% p.a.

There have been no other material developments this month.

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We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Best Regards,
Hannah

03 March, 2020

On March 3rd 2020, the Trust made a distribution of \$7.50 per Unit.

There have been no material developments to report this month.

We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Best Regards,
Hannah

02 April, 2020

On April 2nd, 2020, the Trust made a distribution of \$7.50 per Unit.

We are in regular contact with Varley Group and operations continue on site, though under the business's specific pandemic response protocols.

On the Sulphur Street site, Varley is a fabricator of special purpose vehicles – ambulances, fire trucks etc. In NSW it also makes vehicles for the Defence Department. We expect these operations to be required and continue through the crises. The lease is clear of any clause that would automatically break the tenancy or relieve the Lessee of the obligation to pay rent if the business was unable to occupy the premises as a result of Federal or State response to the Covid-19 crisis.

The Trust's cash at bank fluctuates between \$100k & 200K. The Trust has recently refinanced the facility away from NAB to CBA. This has resulted in an additional draw-down of \$700k being available to the Trust. It had been our intention to make a capital return of circa \$150 per Unit to the Unitholder. However, in the current climate, it is more prudent to retain the undrawn reserve until the crisis has passed and we are confident the money is not needed by the Trust.

A roof condition report was commissioned in March as a result of water ingress issues noted by the tenant during heavy rain. We are reviewing this report (if you would like a copy, please let Hannah know) and will work with Varley on a plan to effect the recommendations made by the report.

There have been no other material developments to report this month.

We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Best Regards,
David

04 May, 2020

On May 4th 2020, the Trust made a distribution of \$7.50 per Unit.

The refinance is yet to be completed. The CBA having caused months of delay has decided that the valuation obtained last year is out of date and a new valuation is needed. Knight Frank will prepare an updated valuation at the cost of \$4,700 to the Trust. As the property is leased long term the verbal indication from KF is that the value of the property has gone up since last year and we anticipate that the refinancing will be completed this month.

There have been no other material developments to report this month.

We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Best Regards,
Hannah

04 June, 2020

On June 1st, 2020, the Trust made a distribution of \$7.50 per Unit.

The valuation by Knight Frank has now been finalised. The adopted value is \$13mil and increase of \$400k from the May 19 valuation of \$12.6mil.

The refinancing of the property with CBA can now progress.

There have been no other material developments to report this month.

We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Best Regards,
Hannah

06 July, 2020

On July 6th, 2020, the Trust made a distribution of \$7.50 per Unit.

Roof repairs as recommended by the condition report commissioned in March have been completed this month. The repairs have addressed regular maintenance items on behalf of the tenant, along with gutter replacement and new flashing installation to rectify water ingress issues.

There have been no other material developments to report.

We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Best Regards,
Hannah

07 August, 2020

On August 7th, 2020, the Trust made a distribution of \$7.50 per Unit.

To assist Unitholders which are Superannuation Trusts, the Trustee annually assesses Unit value by applying the Valuation Policy. As at 1 July, 2020 the Unit Value was assessed at \$1,140.

The Trust has agreed, in 2019, terms for a new finance facility with the CBA. Since then Bank pricing has changed and CBA appears to be reluctant to honour an executed agreement. We have

lodged a formal complaint with the Bank. We hope the matter is resolved soon and leads to the proposed capital return of between \$100 & \$150 per Unit.

There have been no other material developments to report.

We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Best Regards,
Hannah

03 September, 2020

On September 2nd, 2020, the Trust made a distribution of \$7.50 per Unit.

The Trust has received an unsolicited proposal to sell the property for \$14.6M. We have run a scenario analysis on the hold versus sell decision, and on balance, the Trustee recommends not selling the property for \$14.6M. Our assumptions used in the scenario analysis and reasons for not recommending a sale at this value are set out below.

As the annual rent increases due under the Lease are highly predictable, the key assessment in evaluating the proposal is a forecast of the net value of the property in circa 7 years' time. The significance of 2027 is dual. Under the Constitution of the Trust, the property is required to be sold within 1 year of mid-2027. The lease expires in mid-2027, though the tenant (Varley) has 2 options of 10 years' each. To forecast the future net value of the property the following the following matters had to be considered and forecast –

- i. The market rent of the property in 7 years' time.
In Pipeclay's opinion the property is currently over-rented (at \$125 p.sq.m. of GLA). We have consulted Knight Frank, the bank's valuers, who advised that in their opinion, the current market rent for the property is \$110-120 p.sq.m. If you would like to see a copy of KF's email, please advise me. We have also discussed the matter with an experienced agent from Collier's who thought that market rent was at or possibly below \$110 p.sq.m.
Pipeclay's view is that industrial rents are unlikely to grow in Brisbane in the next 2-4 years. There is no data on which to form a longer-term view for the market as a whole. There are plans to upgrade road access to Narangba which, if executed, are likely to be positive for Narangba's attraction as a location.
Pipeclay adopted two market rent cases: \$110 p.sq.m. escalating at 2% p.a. and \$115 p.sq.m. with no escalation
- ii. The yield which a sale of the property would attract in 7 years' time.
Industrial property yields are principally determined by 4 factors: interest rates, in particular the 10 year bond rate, the lease, i.e. the remaining term of the lease and the quality of the tenant, the attraction of the location of the property and the physical aspects of the property. Whilst Knight Frank and Pipeclay expect the Narangba location to increase in attraction due to road improvements, future interest rates and the future tenancy of the property are, to use an old fashioned phrase, known unknowns.
Pipeclay has adopted 6% as the likely future yield but it must be stressed that long term forecasts of acquisition yields are almost always wrong. Unfortunately, even a 25

bps deviation from forecast in the 2027 acquisition yield would have a material effect on the 7 year forward IRR.

- iii. Pipeclay has assumed that irrespective of whether Varley remains as tenant or a new tenant has to be found, the rent at the commencement of the next term will be adjusted to market rent and an incentive in line with then market practices will have to be paid. In the absence of any basis on which to forecast change from current market conditions, Pipeclay has assumed that a 15% incentive will have to be paid. In the interest of conservatism, Pipeclay has assumed that an agency fee will be incurred (which would not be the case if Varley was to remain). These expenditures reduce the future net proceed from a sale.

The other issues/assumptions made by Pipeclay were –

- a. For the next 7 years, the rent will increase in accordance with the lease at 3% p.a. The Lease provides for annual increases at the higher of 3% and CPI
- b. The much-anticipated return of capital of \$150 per Unit will take place this month
- c. We have also considered the likelihood that the bank's valuer will, in the light of the offer and contraction in yields over the last year, adopt \$14.6M as the value of the property. Consequently, we considered the possibility that bank borrowings will be able to be increased leading to a further return of capital of \$150 per Unit, early in 2021

If the Trust were to accept the \$14.6M proposal and sell the property, the net (after all fees and expenses) return to Unitholders would be \$1,170-\$1,200 per Unit (after the capital return of \$150 per Unit) resulting in a 17.9% IRR since the Trust's inception. Retaining the property would be a decision to invest circa \$1,200 per Unit. We have therefore considered the IRR that would be derived from such an investment. Given our range of possible assumptions and forecasts, as particularised above, our forecast forward IRR range from holding the property is 5.83-8.19% over the next 7 years.

At what price the Trust would be willing to sell the property depends on the IRR that Unitholders target in the present environment. We are keen to hear from you. Given that 10-year bonds currently yield circa 72 bps, the Principals regard 5.5% & 6.5% as the proper IRR bounds for the Sulphur Street property. If those IRR targets are accepted, then, the appropriate current price range is, depending on the mix of assumptions used, between \$14.37M and \$15.61M.

Currently there is a material premium for scale. The Trustee is considering whether a joint sale of a number of Queensland properties owned by Pipeclay Trusts would result in the best outcome to Unitholders of each of the Trusts.

Luke Libling has joined Pipeclay as an Analyst. Luke studied computer programming at Melbourne University. Prior to joining Pipeclay, Luke has worked as an Analyst for MBP Advisory.

There have been no other material developments to report.

We look forward to your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Best Regards,
Hannah

06 October, 2020

On October 2nd, 2020, the Trust made a distribution of \$7.50 per Unit.

The Expressions of Interest (“EOI”) marketing campaign commenced this week. EOIs are due on Thursday, October 22. This is a joint campaign with an EOI campaign with the Oxley Property Trust, which owns a property leased to Chep in Blunder Rd. The expectation is that a better result can be achieved for each of the trusts because of the scale premium which is currently available in Brisbane. If you would like to view a copy of the Information Memorandum, please let me know. If the campaign results in a proposal which the Trustee believes to be in the interest of the Unitholders, a meeting of Unitholders to approve a sale will be called.

The refinance of the loan facility to CBA has been put on hold due to the sale campaign. NAB has extended the current facility.

There have been no other material developments to report.

We look forward to your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Best Regards,
Hannah

03 November, 2020

On November 2nd, 2020, the Trust made a distribution of \$7.50 per Unit.

The Expressions of Interest (“EOI”) marketing campaign ended on Thursday, October 22. The campaign did not result in an offer which the Trustee believes to be in the interest of the Unitholders.

Feedback from the Agent attributed the result to two factors. First, the inability of Sydney and Melbourne buyers to inspect. Secondly, the high price bar set by the Trust.

The refinance of the loan facility will now go ahead as previously communicated.

Varley have confirmed that the recent roof repairs have held in a recent weather event. A building wash will be scheduled in the coming weeks as weather permits.

There have been no other material developments to report.

We look forward to your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Best Regards,
Hannah

04 December, 2020

On December 4th 2020, the Trust made a distribution of \$7.50 per Unit.

The refinance of the loan facility is still in progress.

The building wash has now been completed. If you would like to see photos please let me know.

There have been no other material developments to report.

We look forward to your input. Each member of the team can be contacted by email. Our email addresses are formatted `firstname@pipeclaylawson.com.au` as per my own details below.

Best Regards,
Hannah

06 January, 2021

On 6 January, 2021, the Trust made a distribution of \$7.50 per Unit.

There are no material developments to report.

Hannah is on leave.

I wish you and all yours a happy and successful 2021!

Yours,
David

04 February, 2021

On 4 February, 2021, the Trust made a distribution of \$7.50 per Unit.

The Trust has received an offer to sell the property for \$16,685,000. The terms of the sales contract have been agreed and the contract is expected to be signed on Monday.

The draft contract is subject to Unitholder approval and purchaser due diligence. The Trustee has concluded that a sale at that price would be in the interests of the Unitholders.

If the Contract is executed, the Trustee will call a meeting of Unitholders to approve the sale.

The refinance to CBA has been put on hold while the outcome of the above offer is in progress.

There are no other material developments to report.

Regards,
Hannah

03 March, 2021

On 2 March, 2021, the Trust made a distribution of \$7.50 per Unit.

A conditional contract for sale at \$16,685,000 was signed on 8th February 2021. If you would like to receive a copy of the contract, please let me know.

The purchaser is currently undertaking due diligence, which expires on 9th March. To date the purchaser has not raised any issues with DD.

A Unitholder meeting to approve the sale has been called for 8th of March at 11.00am.

As Easter falls at the beginning of April this year, please note April distributions will likely be paid after Easter Monday.

There are no other material developments to report.

Pipeclay has carried out an analysis of its investment performance to date. A Unitholder who invested in a 100 Units (or any other consistent number) in every Pipeclay Trust would as at 30/6/2020 have an IRR of 23.09% based on the Directors estimate of unit values as at that date. A Unitholder who took up a consistent percentage of the equity in each Pipeclay Unit Trust would have done slightly better (23.68%) over the same period. If you would like to see or discuss the analysis, please contact Luke (0433 446 643).

Pipeclay will recalculate the IRR as at 1/7/21 and will advise the updated outcomes when it advises Unit values as at July 1.

Regards,
Hannah

15 March, 2021

I am delighted to advise that the sale of the Sulphur Street property settled today.

We expect that a final distribution (circa \$90 per unit) will be made within 4 months. As the property has been sold, there will be no further distributions or emails until then.

Subject to adjustments in estimated trust closing costs, our investment will have delivered, after all fees, over 22% IRR to each Unitholder. This is pleasingly in excess of the 11% IRR which we specified in the IM as the target. On the other hand the duration of the fund (4 years) has been shorter than anticipated in the IM (10 years). As we said in the IM, one of our core values is "to constantly assess the market and to sell the property if the market conditions or **property specific opportunity** is unlikely to be maintained in the future".

I hope you have enjoyed the investment experience in the Sulphur Street Property Trust and that I shall see you in the morrow.

Best regards,
David

20 May, 2021

On 20th May, the Trust made a final distribution of \$100.63 per unit. This is the last distribution from the Trust. The final IRR for Unitholders, after all fees and expenses, is 23.02%.

The final accounts will be reviewed by the Trustee's accountants, MBP Advisory. These accounts should be available in August. Should you wish to have a copy of these accounts when they are available, please let Camilla know.

Annual Tax Statements will be prepared following completion of the accounts and will be sent to you separately, in August. Immediately after the statements are sent, the Trust will cease to exist.

I hope you found investing in the Trust a positive experience.

Best regards,
David