

**(THE TRILOGY TRUST LISTS ON THE
BENDIGO STOCK EXCHANGE CONTINUED)**

The listing of the Fund on the BSX is an additional service provided to existing and potential investors as an alternative way to exit their investment rather than waiting until the properties are sold and the Fund terminated.

Trading Volume Forecasts

It is important all investors be aware that we do not initially anticipate that there will be a significant amount of trading of your Trilogy units. You therefore should not be perturbed by seeing little activity on the BSX trading screen. PFA does not believe that there will be significant liquidity or transaction volume created by merely listing the units of the Fund on the BSX. Liquidity is influenced by a number of factors including the size and number of parcels and investors and the nature of the underlying assets

Further Information

Should you require any further information please visit the Bendigo Stock Exchange website www.bsx.com.au, contact your financial adviser or stockbroker or Property Funds Australia Limited.

**INVESTOR
SERVICES
PERSONNEL**

Who to contact?

If you have any queries about your investment, please contact our Manager - Investment Services, Bronwyn Risk or Mary Gallegos.

**CHANGE OF
PREMISES FOR PFA**

We're On The Move

Due to the expiry of our existing lease, and our continuing growth PFA are relocating to new premises at Level 3, Anzac Square, 200 Adelaide Street, Brisbane. This move will be effective from Monday, 12 May, 2003. Please note that all of our other contact details (including telephone numbers) will remain unchanged.

**PFA INTERNAL
NEWS**

It is with regret that we advise of the retirement in April of one of our founding directors, Mr Archie Douglas.

Mr Douglas has been gradually scaling back his regular business commitments in a number of areas over the last few years. Furthermore, Mr Douglas originally represented PRD Realty who for some time now have not had any financial interest in PFA.

The contribution made by Mr Douglas to PFA in its formative years has been immensely valuable. His vision and guidance has helped shape PFA into a well regarded property funds management company. We thank him for his significant contribution to the organisation. An announcement is expected later this year as to a replacement director for Mr Douglas.

**CHANGING YOUR
BANK DETAILS OR
MOVING**

Don't forget to let us know

To ensure that you keep receiving your monthly income distributions don't forget to advise us if you change your bank account details in order that the electronic credit distribution system does not reject the transfer. Likewise, if you are changing your mailing address (as shown on the Trust Register) we need to be notified.

Any changes need to be notified to us in writing and signed by the applicant/s.

**FOR FURTHER
INFORMATION CONTACT:-**

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**THE
TRILOGY
James**
AN INVESTOR UPDATE

Issue No. 3

CENTRO ON JAMES

Centro Precinct Continues to Grow

The Centro on James precinct continues to grow with the recent addition of the James Street Markets. The Markets are located approximately 100 metres from Centro - Stage 3 on the opposite side of James Street.

James Street Markets are a new concept for Brisbane providing a comprehensive food and wine emporium, housing quality specialist food providers in a contemporary 'market like' retail space. The markets consist of two separate retail areas. The rear section of the premises is essentially the fresh produce floor selling fresh fruit and vegetables, quality meats, fresh seafood, European style breads and freshly cut flowers. The front section of the market contains a delicatessen, cheese room, café, specialty nut market, patisserie, cellar and wine bar. There is also a cooking school located on the mezzanine level.

There is ample parking at the rear of the markets which provides shoppers with convenient access. Importantly the markets are attracting 'regular' shoppers to the precinct. James Street Market owner, Michael Malouf advises that other tenants in the Centro precinct have reported up to a 30% increase in passing trade in the area since the markets opened.

Centro Car Park Lot

Construction of the Centro – Stage 5 residential development known as "East Village" is now nearing completion. At the time of the issue of this update, the settlement timeframe for the purchase of the car park lot by the Trust has not been



James Street Market.

finalised. Final settlement of the purchase is expected before the end of June 2003. We will advise of the final settlement in your next Investor Update.

Upon completion, the car park lot will provide car parking for staff of Centro – Stage 3 tenancies during the day and customers of the cinema and the like in the evening.

388 QUEEN STREET

388 Queen Street 100% let

We are pleased to advise that the balance of the retail space at 388 Queen Street has now been leased to RESI Mortgage. RESI Mortgage commenced a five year lease from 1 February 2003 for the 95m² tenancy. The finalisation of the RESI Mortgage lease agreement means 388 Queen Street is now 100% let.

RESI Mortgage Corporation has been operating since 1985 and has a reputation throughout Australia and New Zealand as a leading mortgage manager. RESI currently have 31 offices throughout Australia including 5 in Queensland.

Suncorp Metway Rent Increase

Suncorp Metway is the major tenant at 388 Queen Street, occupying 76% of the net lettable area. Effective from September 2002, Suncorp Metway's rent has been increased by 4.0% in accordance with their lease agreement.

Valuation Increase

We are pleased to report that a revaluation of 388 Queen Street, Brisbane has recently been completed and adopted into the accounts of the Fund. The new valuation of 388 Queen Street is \$16.25M. The previous valuation as at 31 October, 2001 was \$16.0M.

Queen St. Frontage of the Resi Mortgage tenancy.



**PROPERTY FUNDS
AUSTRALIA LIMITED**

ACN 078 199 569



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**THE
TRILOGY
TRUST**



The Bunnings hardware outlet located within a few hundred metres to the west of the property which was completed during 2002.

New Harvey Norman Lease

As stated in the Prospectus, an important strategy for the Cairns Hypermart was retaining Harvey Norman as the major anchor tenant of the retail component of the property. Their lease of 6,027m², represents approximately 61% of the total net lettable area of the Hypermart retail component and expired in July 2005.

We also noted in the prospectus that one of the major threats to this property was the risk of their departure upon the expiry of their lease. We stated it was our intention to maintain constant dialogue with them so as to maximise prospects of their retention.

We are now pleased to advise that a new 10 year lease from 1 October, 2002 has been successfully negotiated with Harvey

Norman. The new lease agreement does however have an initial lesser rent than that previously paid by Harvey Norman. The securing of this new lease was seen as an important element in securing the future of the property. Harvey Norman are a major player in the bulky goods sector in which Hypermart sits. They are essentially an anchor tenant who attract other smaller bulky goods style tenants who wish to trade off their customer traffic. Harvey Norman provide a strong lease covenant.

Retail Vacancy

Currently there is one vacant retail area of 598m² in the Hypermart which became vacant in January this year. Leasing agents have been appointed to relet the vacant

For some time we have been investigating listing all PFA managed funds on the Australian Property Exchange (APX). It had been hoped that the APX would be operational quite some time ago. Unfortunately, this has not been the case. We also previously stated that failing the commencement of the APX, we would investigate trading opportunities on a Australian Exempt Property Market. Following our investigation of alternative markets we have made a decision to list The Trilogy Trust on the Bendigo Stock Exchange.

space and a marketing campaign has commenced.

Cairns Hypermart Re-financed

As previously advised, the Cairns Hypermart was originally financed by ING Funds Management. However, as a result of the longer term lease negotiated with Harvey Norman, the opportunity to refinance the debt facility presented itself. The debt has subsequently been reset with the Commonwealth Bank at a lower interest rate than we previously had with ING. The debt was also reduced by an additional \$900,000. The combination of these two elements will see a reduced interest cost on this property over the next few years.

About the Bendigo Stock Exchange

BSX is a fully licensed Stock Exchange and began trading in 2001. The Bendigo Stock Exchange's origins date back to Victoria's gold era. Today, the BSX is an initiative that provides a structure for the establishment of niche trading platforms for markets such as property related managed investment schemes. To this end in February, 2003 the BSX announced the establishment of a specialist property market within its exchange.

BSX is not aligned to any single industry interests group and its structure encourages open participation by traditional financial services distribution channels. Its major shareholders and strategic supporters are Bendigo Bank and Computershare.

BSX can be contacted through its web site www.bsx.com.au.

The Benefits of Listing

Property Funds Australia believes the key benefits of listing on the BSX include:-

- **An Alternative Exit:** The BSX listing will provide existing investors with an alternative exit mechanism rather than have to hold your investment until the properties are sold and the Fund terminated.
- **Some Liquidity:** Greater ability to transfer and exchange your investment. However, PFA does not believe that there will be significant liquidity or transaction volume created by merely listing the units of the Fund on the BSX. Liquidity is influenced by a number of factors including the size and number of parcels and investors and the nature of the underlying assets.
- **Enhanced Market Information and Disclosure:** This increases and is more regularly communicated to the exchange than was previously the case. This should result in growth in the confidence and ability of retail and professional investors to participate in this sector of the property industry.

- **Valuation:** BSX listing provides investors with the ability to obtain an indicative valuation of their investment by reference to the most recent trading data. Care should however be taken as the trading price may not represent the net tangible assets or net realisable value of the Fund.
- **No Transfer Stamp Duty:** The transfer of units on a recognised stock exchange like the BSX incurs no stamp duty whilst if not listed stamp duty would be incurred.

How can you Buy or Sell on the market?

To place an order to buy or sell, PFA recommends you speak directly to your Financial Advisor regarding your investment. You or your advisor will then need to instruct

an accredited BSX Broker to place an order. Each order will incur brokerage fees charged by the broker, but will not incur stamp duty.

How will the units be priced?

The BSX markets, including the Property Board within it, openly reflect current bids and offers together with details of recently completed transactions. The market will ultimately determine market prices based on a range of factors such as supply and demand of buyers and sellers at any given time. Logically, the trading price should reflect investors anticipated valuation of assets and future income or yield from the investment.

Where can I find BSX price information?

Initially, PFA Funds may not be listed in the market pages of publications such as the Australian Financial Review. However, at all times, you will be able to ascertain market prices for bid and offer by logging onto www.bsx.com.au where trading information is available. By becoming a BSX member (which is currently free) you will gain complete access to the full suite of BSX trading market services and receive the BSX monthly e-newsletter.

Distributions

Your distributions will continue to be paid on a monthly basis by electronic funds transfer. Your distributions will not be affected by the listing on the BSX. As has previously occurred, we will continue to monitor distributions levels throughout each financial year.

Investment Term

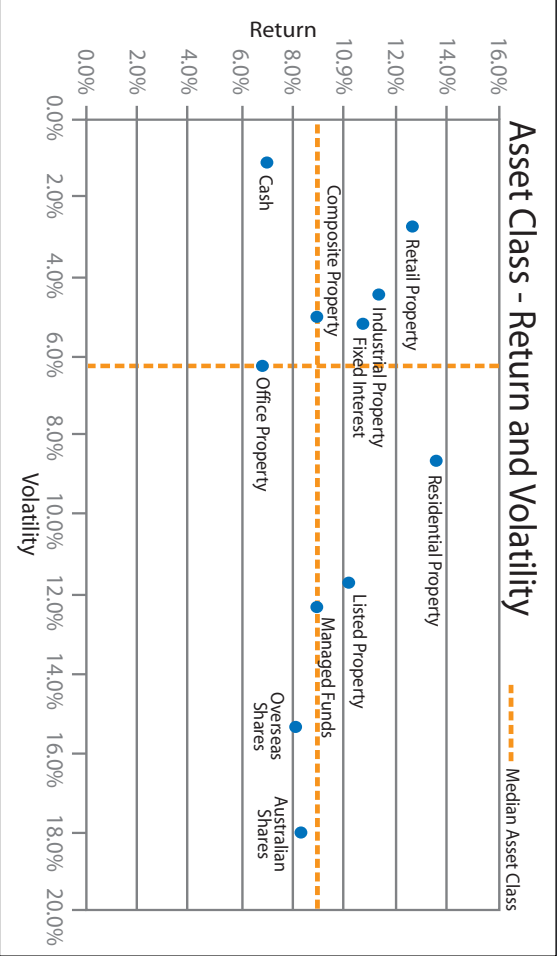
The listing of The Trilogy Trust on the BSX does not change the original term of your investment. You can still hold your investment until the properties are sold. As stated in the original prospectus, the properties may not be held later than December 2009 except in certain limited circumstances.

NEW PROPERTY RESEARCH

The Australian Direct Property Association, of which Property Funds is a member, recently commissioned a report on the long-term investment performance of property. ADPIA, the peak industry body representing direct property investment and the property syndication industry, engaged actuarial consultants Atchison Consultants to produce the long-term research on the performance of different asset classes. The research spans a 15 year time period to 30 June 2002 and closely approximates the ASX-sponsored Towers Perrin research.

Whilst the entire report is quite lengthy, we felt investors may be interested in the graph (left) which shows asset classes as a combination of volatilities and returns at index levels.

One of the key outcomes of the report is that direct property provides good returns with low volatility.



CONTINUED OVERLEAF