ASX Announcement

DATE: 27.05.2014

UPDATE ON TRINITY'S GROWTH STRATEGY

BACKGROUND

Since late 2013, Trinity Group (Trinity) has been committed to actively pursuing opportunities in the property funds management sector by either:

- the purchase of the whole or part of an existing funds management business;
- the gradual building of a new funds management business or funds; or
- a combination of both of the above.

The Trinity Board's key focus (as announced in late September 2013) is to achieve sustainable income distributions to Securityholders from and including the 2015 financial year (FY15). In line with this, the Board's objective is to declare a distribution from FY15 profits at the end of the FY15 year.

ACTIONS AND PROGRESS TO DATE

In late 2013, Trinity appointed Bevan Towning as Chief Investment Officer as a key and complementary role to Chris Morton as Chief Executive Officer for the delivery and execution of Trinity's announced growth path.

Acquisition of Property Funds Management Businesses

Since his commencement, Bevan's focus has been principally on the acquisition of established funds management businesses utilising his extensive relationships across the property funds management sector.

To date, Trinity has had discussions and negotiations (some of which are still ongoing) with a number of property fund managers as to the acquisition of material interests in their businesses. Whilst negotiations continue, none have reached an announceable stage at this time.

The timing and selection of funds management business acquisitions are a function of the identification, availability, financial and business analysis and execution of those opportunities.

Importantly, these acquisitions must meet with the investment requirements of the Trinity business and should not be significantly influenced by time factors alone.

During the course of negotiations and interactions with the available pool of target fund managers, Trinity has gained clarity about a number of factors relating to that target market including:

- most distressed property funds management businesses (which principally came about as a result of the GFC) have already been acquired or merged with existing entities;
- principally due to there being few distressed fund managers, the probability of acquiring 100% of a funds management business is unlikely in the current market. Therefore, it is more realistic that Trinity will acquire up to a 50% interest in some existing non-competing businesses; and
- there is an identified opportunity to acquire interests in fledgling and innovative funds management businesses. This approach may provide a method by which Trinity gains an interest in businesses that are operating in new property market segments and without the significant and immediate outlay which may be associated with a more established business. This would form a part of Trinity's development of exposure to revenues which can be derived from externally managed investment vehicles.

Trinity remains committed to acquiring interests in funds management businesses. Given the prolonged timeframe required for ongoing negotiations with potential business partners and due diligence requirements, Trinity's management team has contemporaneously increased its focus on establishing and building a new funds management platform of its own which is designed to sit alongside those other fund managers in which Trinity will have an interest. Research, discussions and negotiations with target businesses continues.

New Funds Management Platform

Trinity's activities for the development of a new funds management platform are focused on the creation of new externally managed property investment vehicles and acquiring property assets for those investment vehicles.

To facilitate this, work was completed since the September 2013 announcement to enable Trinity to be granted a second Australian Financial Services Licence (AFSL) in December 2013. The new AFSL will enable Trinity to effectively operate new external property funds management opportunities.

Since September 2013, Trinity has focused on gaining control of a larger portfolio of property assets (preferably off-market). In the current market it has become more difficult to execute this preferred strategy due to portfolio pricing and a change in the capital markets which followed a short-term but high level of A-REIT ASX listing activity during late 2013. Trinity has since had a number of meetings with capital markets facilitators who have confirmed that there is generally a diminished demand from brokers and investors for new A-REIT listings and larger equity raisings. However, history has shown that this situation and the market demand can change rapidly, as it did between September 2013 and January 2014.

As a consequence, Trinity has shifted its focus to smaller property portfolios and single property assets which may have a broader investor appeal in the current market.

Considerable interaction is occurring with the intermediated market (e.g. financial planners and accountants) to assist with the development and distribution of investment products to ensure that any new investment products issued by Trinity meet current investor needs in those markets and consequently reduce Trinity's execution risk.

Costs

Trinity has incurred costs relating to its growth plan, such as employment costs, travel and consultants' fees and will continue to do so while it pursues various opportunities. The Trinity Board believes its approach to incurring this expenditure is appropriate.

CONCLUSION

The Trinity Board remains committed to the growth strategy as announced in September 2013. The Board believes that the benefits of the extensive work to date by the Trinity team to implement the strategy together with Trinity's sound financial position will enable it to deliver benefits to all Securityholders within the originally stated timeframe.

ENDS

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