AUSTRALIAN
RESEARCH
INDEPENDENT INVESTMENT RESEARCH

Pacific Equity Partners Capital Solutions Fund (Australasia)

Research Review

16 October 2023

This Report is for Wholesale Investors Only

INDEPENDENT INVESTMENT RESEARCH

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2) Our analyst has independence from the firm's management, as in, management/ sales team cannot influence the research in any way;
3) Our research does not provide a recommendation, in that, we do not provide a "Buy, Sell or Hold" on any stocks. This is left to the Adviser who knows their client and the individual portfolio of the client;
4) Our research process for valuation is usually more conservative than what is adopted in Broking firms in general sense. Our firm has a conservative bias on assumptions provided by management as compared to Broking firms;
5) All research mandates are settled upfront so as to remove any influence on ultimate report conclusion;
6) All staff are not allowed to trade in any stock or accept stock options before, during and after (for a period of 6 weeks) the research process.

For more information regarding our services please refer to our website www.independentresearch.com.au.

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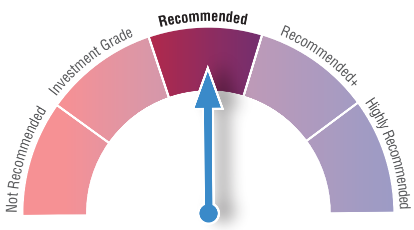
Note: This report is based on information provided by Pacific Equity Partners as at 30 June 2023 and the Information Memorandum dated August 2023. This report is for Wholesale Investors only.

Rating



Key Investment Information

Fund Name	Pacific Equity Partners Capital Solutions Fund (Australasia)
Structure	Unlisted unit trust
Term	Open-ended
Investor Type	Wholesale
Minimum Investment Amount*	$10 million
Trustee	Pacific Equity Partners Investors Administration Pty Ltd
Investment Manager	Pacific Equity Partners Capital Solutions Pty Limited
Adviser	Pacific Equity Partners Capital Solutions Advisory Pty Ltd
Investment Classification	Private Credit
Target Return	10%-12% p.a.
Applications	Monthly^
Redemptions	Quarterly with 30 days written notice prior to the end of each calendar quarter, subject to the Fund having sufficient liquidity
Distribution Frequency	Quarterly
Fees:	
Management Fee (p.a.)**	1.5%
Performance Fee	15.0%
Hurdle	7%p.a.

*Subject to negotiation with the Trustee. The minimum amount for the Pacific Equity Partners Capital Solutions Pathway Fund (Australasia) is $100,000.
**Fees are only charged on deployed capital.
^Subject to the Trustee's discretion.

The investment opinion in this report is current as at the date of publication. Investors and advisers should be aware that over time the circumstances of the issuer and/or product may change which may affect our investment opinion.

PRODUCT SUMMARY

Pacific Equity Partners Capital Solutions Fund (Australasia) (the "Fund") is an unlisted unit trust available to Wholesale investors that provides exposure to a portfolio of loans/securities to mid-market corporates where their primary operations are in Australia and New Zealand. The Fund provides debt funding in the form of structured capital with protections that seek to minimise downside risk. The Trustee is Pacific Equity Partners Pty Limited and the Manager of the Fund is Pacific Equity Partners Capital Solutions Pty Limited ("Capital Solutions" or the "Manager"). Both parties are wholly owned subsidiaries of Pacific Equity Partners Pty Limited (PEP). PEP is an investment firm with a focus on private markets that was established in 1998. Historically PEP has been focused solely on the private equity market, however in recent years has expanded into infrastructure (Secure Assets) and private credit (Capital Solutions), with the firm seeking to leverage their processes, networks and experience to these markets. Capital Solutions was established in March 2021, and has since committed over A$500 million of capital across 15 loans/securities. The Fund focuses on providing senior secured, variable rate loans however may also invest in partnership and syndicated loans and subordinated and structured securities. The Manager expects the long-term asset allocation of the Fund to be 70% senior secured loans and 30% asset-backed warehouse securities. The portfolio currently comprises 13 investments to 10 companies with 62% of committed capital allocated to senior secured loans and the remainder allocated to asset-backed warehouse facilities. Investments will typically range between $20 million and $100 million with the Fund focusing on loans/securities with a three to five year holding period. The Fund seeks to pay distributions on a quarterly basis that comprise the net income received by the Fund for the period. The Fund has a target return of 10%-12%p.a., comprised of a cash yield of 8%-10% and structured upside of 2%-4%, which is typically delivered through fees and paid-in-kind interest (capitalised interest). The Fund will seek to offer quarterly redemptions, however redemptions will be at the discretion of the Trustee and subject to the available liquidity of the Fund.

INVESTOR SUITABILITY

An investment in the Fund is suitable for Wholesale investors who are seeking to diversify their traditional fixed income investment portfolio with an investment that seeks to offer a regular quarterly income stream with low levels of capital volatility. With significant uncertainty in equity markets, the Fund provides an alternative investment that at current cash rate levels provides a return comparable to equities with lower volatility. While the Fund will offer low levels of capital volatility, an investment in the Fund is not without risks. Investors may experience a capital impairment in the event of a default of the contractual obligations of an investee company and where the Manager cannot recoup the full value of the loan. While loans/securities will be structured to provide protection against capital loss, there is no guarantee that the Manager will be able to recoup the outstanding loan value in full. The underlying investments are illiquid. While there will be turnover in investments as loans are repaid, liquidity will be limited. The Fund seeks to offer liquidity on a quarterly basis with 30 days' notice to provide the Manager with some ability to manage redemption requests, however the ability to meet redemption requests will be dependent on the levels of liquidity in the Fund and may take some time to satisfy. Given this, investors should have a long-term investment horizon and be aware that the ability to potentially redeem their investment in full may take time. The Fund seeks to pay distributions on a quarterly basis. Distributions will reflect the interest and fees paid by the loans in the portfolio at any given time. Given the focus on the floating rate loans/securities the distribution amount will vary throughout the market cycle.

RECOMMENDATION

Independent Investment Research (IIR) has assigned Pacific Equity Partners Capital Solutions Fund (Australasia) a **Recommended** rating. The Manager seeks to provide debt funding to what it considers to be quality companies, in which the Manager is able to underwrite a base level of cashflow, however companies in the Fund's investment universe would typically be considered sub-investment grade. As such, there are additional risks associated with an investment in these companies. The performance of the Fund is dependent on the due diligence undertaken by the Manager, the structuring abilities of the Manager to ensure sufficient protections are in place in the event of a deterioration of the business and the ability of the Manager to actively manage the Fund's position in the event issues arise. In this regard, IIR views the Manager in high regard with the Manager having a stringent and disciplined due diligence and loan selection process as well as the operational and structural expertise to manage positions effectively. Access to deal flow is also a key component of the performance of the Fund. The Manager has good access to deal flow through the PEP network as is evidenced by the Fund reviewing around 100 investment opportunities per year. The Fund is designed to be concentrated with the Manager expecting the portfolio to comprise 15 to 20 loans/securities once at scale. As such, investors should be aware of and comfortable with the additional risks associated with a concentrated portfolio.

SWOT

Strengths

- The Capital Solutions team is led by Jake Haines, who has a significant amount of experience in private markets and the broader PEP business, with Jake originally joining PEP in 2002. The investment team is further supported by the Investment Committee, which comprises three of the Founding Managing Directors of PEP, whom have a significant amount of experience in private markets in Australia.
- The Fund provides access to the growing alternative debt market. Historically, the debt market in Australia has primarily been funded by the banks. There are a number of forces at play that has resulted in traditional lenders not servicing certain areas of the market. This is providing a growing opportunity for alternative lenders to meet the unmet demand.
- The Manager undertakes exhaustive due diligence on potential investment opportunities, selecting only those investments where the Manager can underwrite strong asset support or a baseline set of cashflows to service interest payments and deleverage over time. The approach is reflective of the process undertaken across all PEP funds which involves gaining a detailed understanding of the market in which companies operate, their competitive positioning and potential external impacts that could cause disruption to operations. Of the ~100 investment opportunities reviewed in a year, less than 20% pass the initial screening process.
- The Fund is currently 100% exposed to floating rate loans/securities, which means the Fund is insulated from the risk of rising interest rates. While the Manager is focused on floating rate investments, the Fund may participate in fixed rate loans/securities. Loans typically incorporate floors in the contractual agreements to provide a minimum base rate in the event of a declining interest rate environment.
- The Fund seeks to provide attractive risk-adjusted returns with the debt funding provided generating high margins above the base rate (BBSW or comparable rate). Given the current weighted average margins above the base rates the Fund is receiving from investments, the Fund is expected to provide an attractive risk-adjusted return in all market conditions, including a declining interest rate environment, subject to the Fund not incurring any material capital impairments.
- Alignment of interest with investors is high with the investment team and IC members having a significant investment in the Fund. Team members are expected to invest a material portion of their annual compensation back into the Fund.
- The strong level of distributions in the March and June 2023 quarters has resulted in the Fund performing strongly compared to the peer group. We note however, that the performance comparison is based on a short time period. This level of returns is not guaranteed to continue.
- All income generated by the Fund, net of fees and expenses, goes to unitholders. There are no upfront, advisory or arranging fees charged by the Manager.

Weaknesses

- With a management fee of 1.5%p.a. and the Manager eligible for a performance fee of 15% of the portfolio returns (net of management fees and expenses) subject to the Fund maintaining a net 7%p.a. return on deployed capital, fee leakage will be high. A couple of things to note with regards to fees: (1) fees (both management and performance) are only charged on deployed capital; and (2) the Fund is seeking to generate an attractive net return to investors. Investors should remain focused on the net returns and ensure the net returns remain attractive irrespective of fees. While fees are considered high, the fees are broadly in line with a number of the funds in the peer group and reflects the hands on, transactional nature of private credit.

- A feature of private credit is the lack of liquidity of the underlying investments. The loan is typically made for a specified period of time with the capital typically only able to be redeemed at the maturity of the loan. While loans can be traded, the investments of the Fund are not traded on a liquid market exchange and therefore liquidity for investors is limited. The Fund is seeking to offer redemptions on a quarterly basis, however redemptions will be subject to the liquidity of the Fund and may take time to meet subject to new capital inflows and the maturity profile of the portfolio at any given time. While the principal invested may be illiquid, the strategy returns a regular cash distribution.

Opportunities

- The Fund provides investors the opportunity to gain access to a portfolio of loans/securities to mid-market corporates which is designed to generate high levels of cash distributions and low levels of volatility. The Fund will seek to minimise the risk of capital loss through a number of protections, including LVRs, debt covenants and de-risking mechanisms such as an orderly repayment of debt (amortisation) in the event certain triggers are hit.
- Private credit provides diversification to traditional fixed income investments, with private credit potentially providing an enhanced income and lower capital volatility.
- The Fund provides the opportunity for investors to access the skillset, processes and network developed by PEP over its 25 year history in private markets.

Threats

- The alternative debt market is growing which has resulted in a number of new entrants. Increasing competition may impact on the ability of the Fund to generate targeted returns. We note the PEP team has an extensive network of relationships with senior executives across Australia and New Zealand and has developed strong relationships with the intermediary and advisory community providing preferential access to investment ideas and opportunities. Further to this, the increased presence of alternative lenders may result in a decreasing reliance on traditional lenders which may be favourable to the market.
- There is the potential for conflicts of interest with the broader PEP group as the Fund can invest in PEP companies. There are adequate conflict of interest policies and procedures in place to deal with conflicts as they arise. While the Fund can invest in PEP companies, the Manager expects this to be only a small part of the portfolio at any given time (no more than 25% of the portfolio value).
- The portfolio is expected to be relatively concentrated with the Fund targeting 15 to 20 loans/securities. The current portfolio is highly concentrated with the top 3 investments accounting for 49% of the committed capital of the Fund. In a concentrated portfolio, the performance of a single loan/security will have a substantial impact on the performance of the Fund. While the portfolio has been concentrated in the initial years, the Manager expects individual investments to be no more than 10% of the portfolio value when then Fund is scaled.
- The Fund has a limited history with the Capital Solutions business and the Fund being established in March 2021. While, the Fund has a limited track record, PEP has been investing in private markets since 1998 with combined transactions of more than $44 billion across more than 190 investments. While PEP has historically been involved in control equity transactions, the team has significant experience in operational and structural aspects of companies and debt transactions.
- The success of the Fund will be determined by the investment opportunities available. The Manager has a strong pipeline with the Manager screening around 100 investment opportunities a year. However, in the event of a prolonged downturn the requirement for expansion capital may recede leaving the Fund few investment opportunities that pass its due diligence processes. This may impact the returns for the Fund.
- A prolonged economic downturn could result in increased borrower stress which could result in an inability of the borrower to meet their contractual obligations. This may have an adverse impact on the cash flows and value of the Fund. The Manager undertakes significant due diligence and has a number of protections in place to reduce the risk of loss, however in the event the Manager cannot recoup the full amount borrowed, the value of investor's capital will be impaired.

PRODUCT OVERVIEW

The Pacific Equity Partners Capital Solutions Fund (Australasia) (the "Fund") is an unregistered unlisted unit trust available to Wholesale investors. The Fund seeks to provide debt funding to mid-market corporates whose operations are predominantly based in Australia and New Zealand. Mid-market corporates are typically defined as companies with an annual turnover of between $10 million and $250 million.

The Trustee of the Fund is Pacific Equity Partners Investors Administration Pty Ltd and the Manager of the Fund is Pacific Equity Partners Capital Solutions Pty Limited. Both parties are wholly owned subsidiaries of Pacific Equity Partners Pty Limited (PEP). PEP is an investment firm with a focus on private markets that was established in 1998. Historically PEP has been focused solely on the private equity market, however in recent years has expanded into infrastructure (Secure Assets) and private credit (Capital Solutions). PEP had assets under management (AUM) of A$8 billion as at 28 September 2023 across five investment strategies. The Fund will be managed by the Capital Solutions team, which was established in March 2021. In its two and a half years since being established, the Capital Solutions business has committed over A$500 million of capital across 15 loans/securities.

The Fund invests across the debt capital structure with a target holding period of three to five years. The Fund will focus on senior secured loans, however the Fund may invest in partnership and syndicated deals and subordinated or structured securities. The Manager expects the long-term asset allocation of the Fund to be 70% senior secured loans and 30% asset-backed warehouse securities. However the asset allocation of the portfolio at any given time will depend on the opportunities identified by the Manager. The Fund's investments will typically range between A$20 million and A$100 million. The largest investment in the portfolio at 28 September 2023 was A$80 million, of which 70% is drawn.

The Fund is looking to service borrowers who are seeking non-dilutive capital to fund growth in their business. For some transactions, the Fund will provide the only debt the borrower has while for other transactions there may be an existing lender and the Fund is serving the capital needs of the business beyond the appetite of the existing lender. We note that one should not assume that lending beyond the appetite of an existing debt provider does not mean it is bad debt. It just means that the existing lender, most likely a bank, has restrictive lending and risk parameters which don't allow them to provide additional capital. This means that to pursue its growth ambitions, the company either needs to find an alternative source of debt funding or sell equity in the business to raise capital.

The Fund seeks to provide "premium capital" to mid-market corporate borrowers with the Manager offering the ability for borrowers to leverage their operating and capital structuring expertise in addition to the capital. The Fund does not seek to invest in high risk, cyclical businesses. Instead, the Fund is focused on providing debt funding to mid-market corporates that meet the Manager's criteria of a quality business. A quality business for the Manager is typically a market leader with stable earnings and cashflow and controllable growth.

The Fund is seeking to generate an absolute return of 10%-12%p.a. Returns are expected to comprise a cash yield of 8%-10%p.a. and structured upside of 2%-4%p.a., which is typically delivered through fees and paid-in-kind interest (capitalised interest). The additional return that may be generated from paid-in-kind interest is attributable to the value-add provided by the Manager's operational skillset combined with the cashflow needs of the business.

The Fund may provide debt funding to PEP equity funds (PEP Assets), which are typically financed with external debt. The Fund expects no more than 25% of the assets of the Fund will be invested in PEP Assets over the medium-term. The portfolio currently has 1 investment in a PEP Asset, representing 2.9% of the total capital committed. The investment in PEP Assets does create a conflict of interest. PEP has sufficient conflicts of interest policies and procedures in place to manage any conflicts of interest that arise. Further details are provided in the Investment Process section below.

The Fund may utilise leverage as both a bridging facility to initially finance investments and/or to increase exposure to an investment opportunity and enhance returns. The target leverage for the Fund is 25% over the medium-term. The Fund has a A$75 million debt facility in place with the potential for this to be expanded to A$500 million. At 20 September 2023, the Fund had drawn $46.6 million from the facility which was used as a bridge for investments. The Fund has since repaid the drawn capital with investor capital raised. The debt facility provides the Fund with flexibility with respect to the mismatch between the timing of investments and raising capital. The funding is provided at a price whereby interest payments will be sufficiently covered by interest from investments given the current margins being generated on loans/securities in the portfolio and the use of debt is expected to be value accretive to investors based on current margins. The Manager has advised the debt will be used primarily for short-term bridging purposes.

The Fund intends to offer unitholders the opportunity to redeem units at the end of each calendar quarter. Redemption requests will be required to be provided no later than 30 days prior to the end of each calendar quarter. The Trustee will seek to satisfy redemption requests within 30 days after the end of each calendar quarter, however the satisfaction of redemption requests will be subject to the Fund having sufficient liquidity. If there is insufficient liquidity available to meet redemption requests in a particular quarter, unitholders whose redemption requests have been accepted will be redeemed pro rata having regard to the size of their redemption request relative to aggregate redemption requests and the liquid assets the Trustee has resolved to treat as available to satisfy redemption requests in that quarter.

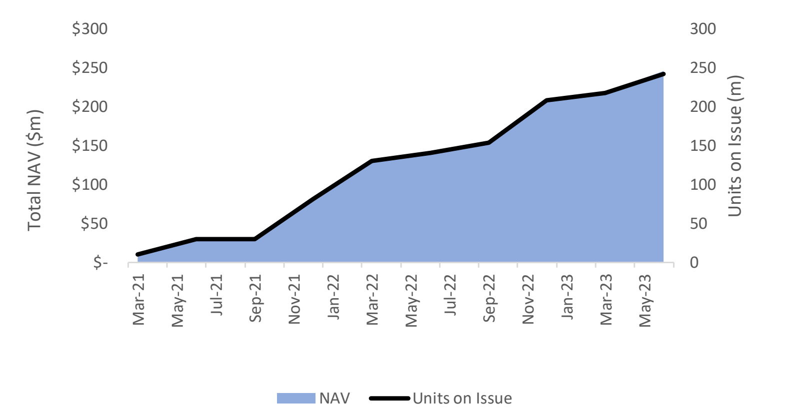
The Fund intends to make distributions on a quarterly basis but retains the discretion to make distributions at other times. The Trustee intends to distribute all net income received by the Fund during each quarterly period. Given the trust structure and the nature of the underlying investments, distributions will be unfranked.

The Fund will pay a management fee of 1.5%p.a. (plus GST), accrued daily and paid monthly in arrears. Management fees will only be charged on deployed capital. The Manager is also eligible for a performance fee of 15% of the portfolio returns on deployed capital, net of management fees and expenses, subject to the Fund maintaining a net return of 7%p.a. on deployed capital. The performance fee will be accrued monthly and paid quarterly. Where the accrual of a performance fee for a month would reduce the net return of deployed capital below 7%p.a., the performance fee will be reduced accordingly to maintain a 7%p.a. net return on deployed capital.

Fund Growth

The Fund has grown relatively quickly since its establishment in March 2021. The Fund has grown to have AUM of $245.75 million at 30 June 2023 and 242.14 million units on issue. As detailed in the Fund Structure section below, the Master Fund is the primary investment vehicle for the Fund.

NAV & Units on Issue (Master Fund)



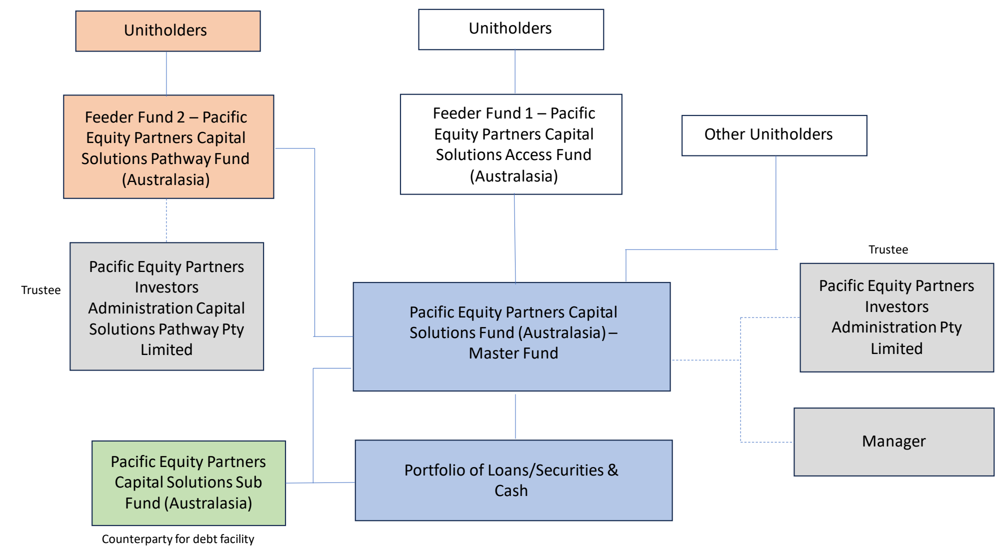
Fund Structure

The Master Fund, which is the primary investment vehicle, accepts capital directly from investors and through feeder funds, of which there are currently two. Feeder Fund 2 - Pacific Equity Partners Capital Solutions Pathway Fund (Australasia) (highlighted in orange in the below chart) is the vehicle in which most investors are expected to gain access to the Master Fund moving forward. This fund has a separate trustee responsible for managing and allocating assets to unitholders.

In addition to the below, there is a Co-Invest Fund. The Co-Invest Fund was established with an institutional investor and co-invests in select loans/securities alongside the Master Fund. The Co-Invest Fund is currently invested in two investments alongside the Master Fund with the capital expected to be returned upon realisation of the investments.

There is also a sub-fund, Pacific Equity Partners Capital Solutions Sub Fund, which is used as the counterparty for the borrowing facility. The Sub Fund represents a portion of the Master Fund holdings and is aligned entirely with the Master Fund strategy. Only relevant loans/securities will be used as collateral for borrowed capital.

Fund Structure



INVESTMENT MANAGER

The Manager of the Fund is Pacific Equity Partners Capital Solutions Pty Limited, a wholly owned subsidiary of Pacific Equity Partners Pty Limited (PEP). PEP is an investment manager focused on private investment markets. The business was established in 1998 and has a track record of delivering strong returns to investors through its private equity investments. PEP is owned and controlled by the four founders - Tim Sims, Rickard Gardell, Simon Pillar and Paul McCullagh. Three of the founders, Tim Sims, Rickard Gardell and Simon Pillar, remain as Managing Directors and are actively involved in the investment process across all PEP funds and strategies.

At 28 September 2023, PEP had A$8 billion in AUM across its five investment strategies (tabled below). PEP has made over 190 private market investments for a combined value of over A$40 billion, financed by a series of PEP funds and co-investment vehicles. PEP has over 80 staff including 14 Managing Directors and over 25 support staff across finance, legal, HR, technology and other support functions. PEP was originally started as a joint venture with Bain Capital, a global private investment firm founded by partners from the global management consulting firm Bain & Company. Ten of the Managing Directors of PEP are former senior-level employees of Bain & Company.

PEP AUM

Strategy	AUM (A$ billion)
Private Equity	3.2
Secure Assets	1.9
Capital Solutions	0.4
Gateway	0.1
Continuation Funds	2.3
Total	**8.0**

Capital Solutions was established in March 2021 to expand the capital structure coverage of PEP to the private credit market. Capital Solutions was created to meet what has been identified as an unmet demand for non-dilutive capital in support of high quality, mid-market businesses. PEP looks to address the funding gaps that are emerging as traditional lenders shift their focus to retail lending and larger, higher-rated corporate borrowers. Since being established, Capital Solutions has committed over $500 million of capital across 15 investments to 11 companies.

Capital Solutions has a dedicated investment team of 7 investment professionals. The team is led by Jake Haines. Jake is a Managing Director and has over 20 years' of principal investing experience. Jake originally joined PEP in 2002, rejoining the firm in 2008 after spending the previous three years in the US where he was involved in establishing the US private equity group for Babcock & Brown. Jake has been heavily involved throughout his career across all aspects of the firm's investing activities, including extensive experience structuring financings in Australia and New Zealand and offshore. Prior to 2002, Jake was a consultant with Bain & Company based in Toronto.

Given the concentrated nature of the of the portfolio, IIR views the investment team to be sufficiently resourced, noting that the investment team has access to the broader PEP firm resources. In the event the Fund was to scale substantially and the portfolio expanded beyond the expected 15 to 20 investments at any given time, there may be a requirement for additional personnel.

Investment Team

Name	Position	Tenure with PEP (years)	Experience
Jake Haines	Managing Director	18	Jake has over 20 years of principal investing experience. Jake originally joined PEP in 2002, rejoining the firm in 2008 after spending the previous three years in the US where he was involved in establishing the US private equity group for Babcock & Brown. Jake has been heavily involved throughout his career across all aspects of the Firm's investing activities, including extensive experience structuring financings in Australia and New Zealand and offshore. Prior to 2002, Jake was a consultant with Bain & Company based in Toronto.
Alexander Wheen	Director	4	Prior to joining PEP, Alexander worked for credit and equity funds in the US and Australia after beginning his career at JPMorgan in New York. Alexander received an MBA from the University of Oxford and a Bachelor of Arts from Harvard University.
Angus Larcombe	Director	2	Angus has nearly 10 years' experience in structured finance with RBC and Investec. Angus has a broad base of experience structuring and executing debt transactions across the capital structure both locally and offshore. Angus completed a Bachelor of Commerce (Liberal Studies) at the University of Sydney and is a CFA Charterholder.
Ben Webster	Associate Director	4	Ben joined PEP in 2019. Prior to PEP, Ben worked in the financial markets in London for BGC Partners. Ben holds a Bachelor of Commerce (Finance) from the University of New South Wales.
Andrew Robertson	Associate	2	Prior to joining PEP, Andrew spent four years as a corporate lawyer, specialising in private equity, M&A and corporate governance across a range of sectors. Andrew received an MBA from INSEAD and Juris Doctor (Law) and Bachelor of Arts degrees from the University of Melbourne.
James Scott	Associate	1	James joined PEP in 2022. Prior to joining PEP, he worked at Commonwealth Bank of Australia within Institutional Bank & Markets, most recently in the Private Equity and Structured Financing team. James completed a Bachelor of Commerce (Finance) at the University of Sydney.
William Chen	Associate	<1	William is the newest addition to the team, joining the firm in 2023. Prior to joining PEP, he worked in credit, special situations and private equity at Banyan Tree and Aura Group. William received a Bachelor of Commerce and Laws from the University of Sydney.

The Investment Committee (IC) plays an important and active role in the investment process. All PEP funds have an IC through which a consensus or near consensus decision is reached for investments. The IC comprises the three Founding Managing Directors that remain active within the firm, the Chief Operating/Compliance Officer and the senior members of the investment team. The Founding Managing Directors sit on the ICs for all PEP funds.

Investment Committee		
Name	**Position**	**Experience**
Tim Sims	Founding Managing Director	Tim is a founder of Pacific Equity Partners and is a member of the firm's Operating Committee. Prior to founding PEP, Tim was the Chair and managing director of Bain & Company's Australasian and African operations and a member of the Bain & Company's Global Executive Committee. Tim has also served on a number of government committees and led national strategy projects. Tim received a Bachelor of Arts / Master of Arts from Oxford University where he was a Mitsui European Scholar and a Master in Public Administration from Harvard where he was a Kennedy Scholar. In 2019, Tim was made a member in the general division of the Order of Australia (AM) for significant services to the community through philanthropic initiatives.
Rickard Gardell	Founding Managing Director	Rickard is a founder of Pacific Equity Partners and a member of the firm's Operating Committee. Prior to founding PEP, Rickard was a director of Bain & Company and had 14 years of consulting experience in Europe, Asia and Australasia. Rickard received a Bachelor of Science from the Stockholm School of Economics (SSE) where he was awarded Carl Liljevalchs Scholar and IMP Scholar. As IMP Scholar he attended the MBA program in McGill University for his last year.
Simon Pillar	Founding Managing Director	Simon is a founder of Pacific Equity Partners and chairs the firm's Operating Committee. Prior to founding PEP, Simon was a Partner of Bain & Company and worked as a strategy consultant in the US, Singapore, and Sydney. He started his working life as an engineer with The Royal Dutch/Shell Group in The Netherlands. Simon received a Bachelor of Science in Civil Engineering from the University of Bristol, where he received the Institution of Civil Engineers Award and a Master of Business Administration from the Wharton School, where he was a Thouron Scholar and George Washington Business Scholar.
Sam Kong	Chief Operating/ Compliance Officer	Sam joined Pacific Equity Partners in 1998. Sam was a senior accountant at PricewaterhouseCoopers where he advised clients in the financial services, retail, shipping and manufacturing industries. Also, he was involved in several mergers and acquisitions in the Greater China region. Sam received a Bachelor of Economics from the University of Sydney and a Master of Business Administration from the Australian Graduate School of Management, University of New South Wales. He is a Certified Practising Accountant.
Jake Haines	Managing Director	See above.
Alexander Wheen	Director	See above.
Angus Larcombe	Director	See above.

PRIVATE CREDIT MARKET

What is Private Credit

Private credit refers to debt funding provided to corporates by non-bank lenders (also referred to as alternative lenders). Private credit is typically provided to privately owned SMEs and middle market companies, however can also be provided to publicly traded companies. The debt funding is not issued or traded on public markets. As such, investments are illiquid with capital typically redeemed upon repayment of the loan. Private credit has low levels of capital volatility given loan values are only written down in the event of a loan impairment (default event in which the face value of the loan is not able to be fully recovered).

The private credit market is one of the fastest growing segments in the lending landscape globally according to Moody's. The private credit market in Australia has grown rapidly in recent years, driven by increased regulation for traditional lenders (major banks) which has resulted in a reduced risk appetite from the banks in certain areas of the market. Mid-market corporates are a section of the market that have been impacted.

The corporate loan market in Australia is sizable with over $1.2 trillion in outstanding loans to corporates as at 31 July 2023, with around half of these loans made to small and medium sized businesses, according to figures provided by the RBA. The market is dominated by the major banks with the market share of non-bank lenders around 7.5%. The market share of non-bank lenders in Australia is low when compared to global markets. Given the current environment, many industry participants expect non-bank lenders will play a growing part in the credit market in the years ahead.

Why Invest in Private Credit

Private credit investments can be a complementary investment to traditional fixed income strategies (such as government bonds, corporate bonds and hybrids), with private credit investments potentially generating enhanced returns and providing a level of diversification. Some of the key features and benefits of private credit include:

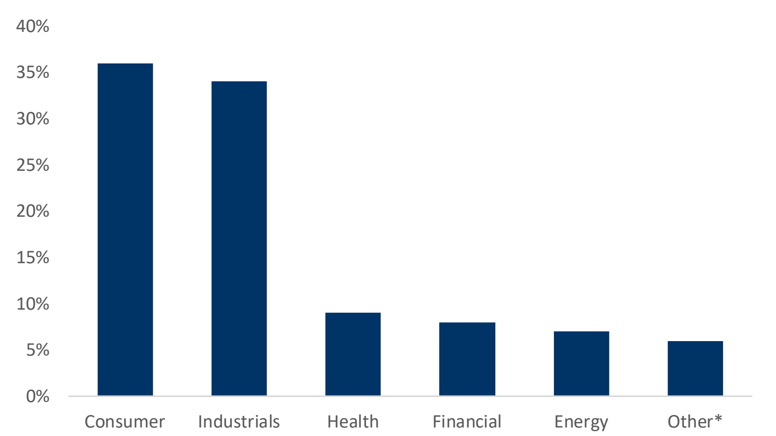
- Investments generate a regular income stream underpinned by the contractual obligation of interest payments from loans/securities.
- Investments are often senior secured and provide the benefit of being at the top-end of the capital structure. Loans are secured by the assets of a company with senior creditors first in line to get paid. Senior secured loans are made with contractual arrangements defining control rights in outcomes in the event of underperformance.
- Often loans have a floating rate structure which means there is limited duration risk, with investors benefiting from higher interest rates in an inflationary environment. The level of income received from investments will vary throughout the cycle for floating rate loans/securities.
- Loans are typically marked at book value with an offsetting provision for expected credit loss (ECL) based on specific criteria. The ECL provision is included in the fund's NAV, such that the unit price reflects a provision for potential losses.
- Loans are not typically traded on a public market and are therefore illiquid. While interest is paid along the way, capital will only be recouped upon the repayment of the loan. Changing business circumstances may result in the loan repayment term being extended or the requirement for a further capital injection to ensure capital is recovered.

It's important to note that banks withdrawing from financing a specific corporate or segment of the market may be a reflection of the restrictive capital requirements imposed by regulators rather than the credit quality of the relevant borrowers. The private credit market services those borrowers who are seeking capital to fund the ongoing operations of their businesses and any expansions or acquisitions. With that said, the private credit market often services small and mid-market businesses. These businesses often entail greater levels of risk with many businesses likely to be sub-investment grade. As such, there are increased risks associated with lending to these businesses. It is important to understand the skills of the Manager of a private credit fund to ensure they have the skill set to understand the underlying business and assess the potential risks (both internal and external) associated with a business.

The Fund's Investment Universe

According to the Manager, there are approximately 4,500 mid-market corporates in Australia and New Zealand that fit within the Fund's investment universe. These include corporates with revenue of $50 million to $500 million and excludes retail, resources/ mining companies. The below chart shows the breakdown of the investment universe of the Fund. The Fund does not seek to invest in cyclical businesses, which may include retail and mining companies. The Fund seeks to invest in businesses that have earnings and cash flow stability and where the Manager can underwrite a baseline set of cashflows to service the debt.

Investment Universe

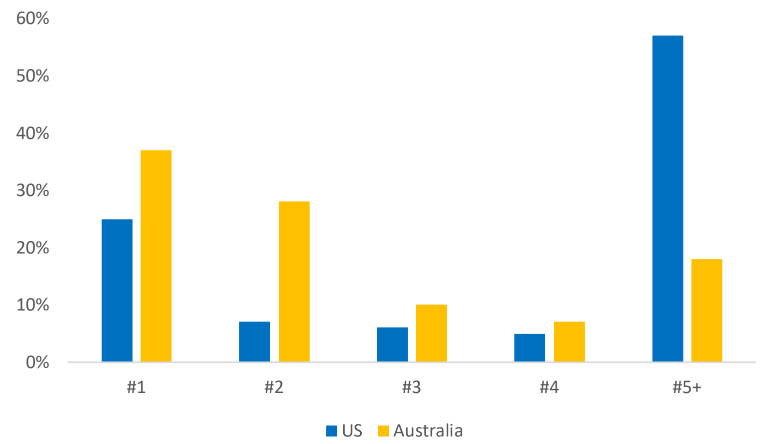


*Other includes education, technology and media.

Source: Pacific Equity Partners Capital Solutions Pty Ltd.

The landscape of Australian and New Zealand mid-market businesses differs from global markets with many mid-market businesses in Australia benefiting from an ordered market structure where typically one or two companies have a clearly leading market position. This compares to the US where markets tend to be more fragmented, as shown in the below chart. The Manager believes this provides a compelling opportunity for the private credit market.

Market Position of Australian/New Zealand Mid-Market Compared to US



Source: Pacific Equity Partners Capital Solutions Pty Ltd.

INVESTMENT PROCESS

The Manager has a rigorous and disciplined investment process that can be broken down into three key stages: (1) Sourcing/Origination; (2) Due Diligence & Execution; (3) Investment Monitoring.

1) Sourcing/Origination

PEP is a large and active participant in the Australia and New Zealand private capital markets. This, combined with PEP's experience and deal execution capability, enables it to access a broad and often proprietary flow of investment opportunities. Investment opportunities are typically sourced through four channels:

- **Corporate Network -** the broader PEP team has an extensive network of relationships with senior executives across Australia and New Zealand. This professional and personal network allows PEP to gain early and often preferential access to investment ideas and opportunities.
- **Brand Presence with Advisers & Intermediaries -** PEP has developed strong relationships with the intermediary and advisory community. PEP often sources opportunities through this network.
- **Internal Analysis -** PEP tracks potential investment opportunities on an ongoing basis, identifying situations where there is a known, or potential, catalyst. Additional due diligence is conducted to refine their strategy before approaching companies to initiate discussions.
- **Deal Development -** PEP maintains a database of potential targets that have the attributes of good businesses including growth potential and strong management teams and monitors this list on an ongoing basis. PEP conducts market research to gather information about businesses and their capital position in search for investment opportunities.

Capital Solutions benefits from PEP's corporate network and its strong relationships with intermediaries and advisers and utilises PEP's tools and philosophies in its analysis of potential targets for the Fund.

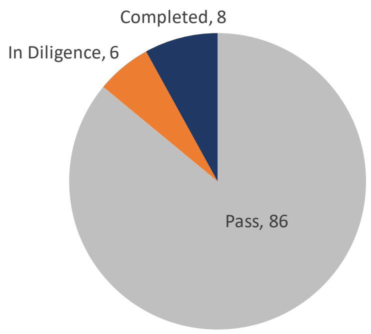
2) Diligence/Execution

For investment opportunities identified, the Manager undertakes an initial screening process to determine whether the investment warrants more involved due diligence. The initial screening process involves formulating a view of the soundness of the underlying business fundamentals, including the size and sustainability of earnings. The initial screen starts with what the Manager refers to as "the good business checklist". Whilst not an exhaustive list, the good business check list highlights key features the Manager is looking for when assessing a business. The checklist includes:

- **Market -** stable or growing market of appropriate scale.
- **Competitive Position -** scale player capable of maintaining/growing market share.
- **Business Model -** clear understanding of how the business makes money and the sustainability of earnings.
- **Management -** high quality management team with integrity, supported by experienced people and processes.
- **Reporting -** clear information covering key metrics which reconcile and contain limited errors.
- **Financials -** ability to reconcile financials and develop a clear view of the key drivers of performance.
- **Risks -** identify and size key risks, both controllable and uncontrollable.
- **Strategy -** clear articulation of growth objectives and a focused strategy to achieve the objectives.

The Manager typically looks at ~100 investment opportunities per year. The initial screening process results in the majority of transactions not progressing past the initial due diligence phase. As is highlighted in the below chart, the figures for which are provided by the Manager, of the 100 potential transactions that the Manager reviews, more than 80% will typically not progress beyond the initial screening stage. The reasons for not progressing beyond the initial screening stage include business quality, structure and use of capital.

Results from Initial Screening



Source: Pacific Equity Partners Capital Solutions

The Manager is focused on identifying companies in which Capital Solutions can have a positive value impact and where there is a clear and identifiable path to growth. The average EBITDA growth of companies that the Manager has provided funding to is approximately 15% (over the past 18 months). This growth is primarily driven by revenue growth, with some benefit derived from operating leverage and acquisitions.

For those opportunities that pass the initial screen, the Manager then undertakes an extensive diligence process that involves the evaluation of controllable levers available to improve the company's cashflows and de-lever the capital structure through both paydown and enterprise value expansion. The investment team undertakes a significant amount of work to understand the operating plan and critically assess any potential risks. The structure of the investment is then formulated and assessed. As part of this process, trading and transaction multiples are reviewed to inform a perspective on the level of security and protections required to maximise the ability for capital recovery. Security in the form of realisable assets or other forms of collateral and capital are also considered. This is an extremely hands-on, highly involved process during which the deal team, PEP's senior internal resources and the Investment Committee members work with specialist legal counsel, financial advisors, restructuring and administration/receivership experts and other key advisors.

The Manager seeks to engage directly with company management wherever possible to refine the operating plan and tailor the capital structure. The Manager has a strong focus on internally generated analysis in the assessment of opportunities, which is supplemented by expert opinions and resources from its network of advisers.

Throughout the diligence process there are multiple Investment Committee (IC) meetings to discuss the business, operating plan, potential risks and downsides, capital structure, and approach. The Manager has a consensus approach, in which the IC members all have to reach consensus or near consensus for an investment to be permitted into the portfolio. All relevant members of the investment team attend IC meetings. IC meetings typically include presentations from members of the investment team at all levels as a key development exposure and forum.

Investment in PEP Assets

The Fund may invest in PEP Assets. Where the Fund is considering an investment in a PEP Asset, the Capital Solutions team will assess the investment opportunity independently of the broader PEP investment team and decisions regarding the investment are made solely by the Capital Solutions team. We note that the Founding Managing Directors that remain within the business sit on the IC for all PEP funds. While the Capital Solutions team will make a decision independent of the broader PEP team, the investment team will consult with the IC members who will likely have an in-depth knowledge of the investment opportunity being reviewed.

3) Investment Monitoring

Responsibility for monitoring the portfolio companies is distributed across the team. Investments are allocated to team members, with a senior and junior member allocated as the primary point of contact and given the responsibility to monitor the investment. The Manager seeks to have the team members that were directly involved in the deal maintain oversight.

The investment team undertakes regular reviews of financial and reporting packages prepared for board meetings and maintain regular interaction with management teams. Where the Manager has specific information and access rights, it will often request additional information and reporting based on specific areas of focus. Regular discussions take place within the team and relevant questions are submitted to the investee companies as required. These include questions and observations about short-term financial performance but also monitoring of specific milestones relating to strategic initiatives and other longer-term targets.

Information collected is put into a tracking tool for that particular investment which seeks to track the key operating metrics and help identify any potential risks or issues with an investment. Investments are reviewed formally at a weekly meeting which is held on Monday. All investments in the portfolio are reviewed at the regular weekly meeting.

In addition to the ongoing review of investments at the weekly meeting and by the team members responsible for monitoring the investment, the team undertakes a detailed review on a quarterly basis of each investment with the view to determining whether the Manager would still invest under the same terms if the investment were made at the time of the review. The goal here is to ensure the Manager is aware of any material changes in the business, including the market and competitive landscape, that may impact on the view of the investment.

The Manager has a proactive approach to the management of investments with the Manager seeking to identify potential issues early so that an action plan can be put in place to resolve any issues. The Manager will seek to work with the company as best it can to generate an outcome that is satisfactory for all parties. However, if contractual terms are breached and a resolution cannot be found between the parties, the loan will be determined to be in default and the Manager will evaluate all available options including the possibility of enforcing against the loan security and collateral. This typically involves engaging external counsel to enforce the contractual arrangement and recoup the outstanding loan amount and any outstanding fees and interest.

The IC remains an active part of the investment process throughout the term of the loan. Any material changes regarding an investment are required to be presented to the IC as well as any decisions that are required to be made with respect to the management and/or enforcement of any loan.

Operating Committee

In addition to the underlying due diligence and ongoing monitoring of investments to identify and mitigate risks by the investment team, the Fund is subject to the oversight and input of the Operating Committee (OC). The OC is comprised of the Managing Directors of PEP, of which there are 14, although we note attendance is dependent on availability. The OC meets on a quarterly basis or as otherwise deemed necessary and provides oversight around portfolio construction, the investment progress against the plan and discipline with respect to remediation and liquidity. The OC provides each of the PEP funds a level of supervision and oversight to manage and review potential investment risks and ensure funds are meeting their target objectives.

Portfolio Construction

The Fund has a flexible mandate with no maximum individual or sector allocation limitations. The Fund will focus on senior secured, variable rate loans, however can invest in partnership and syndicated loans and subordinated and structured securities. The investment size will typically range from $20 million to $100 million with the Manager expecting the Fund to comprise 15 to 20 investments at any given time. However, the Fund may comprise more or less investments. There are no formal limitations regarding the concentration of an individual investment. The portfolio has been concentrated in the initial years with the Manager expecting investments to be no more than 10% of the portfolio value once the Fund has scaled up.

Key Portfolio Features	
Investment Universe	Mid-market corporates
Investment Size	Typically $20 million to $100 million
Number of Investments	Typically 15 to 20
Asset Allocation	Over the long-term the Fund is expected to have an allocation of 70% to senior secured loans and 30% to asset backed securities (ABS).
Maximum Weighting	No limitation, however the Manager expects investments to represent no more than 10% of the portfolio value once scaled up.
Leverage	The Manager has a debt facility with target leverage for the Fund of 25% over the medium-term.

PORTFOLIO

The Fund can invest across the debt capital structure with a flexible mandate to allow the Manager to take advantage of opportunities as they arise. The Fund is focused on senior secured, variable rate loans, however there is flexibility for the Fund to invest in second lien and mezzanine debt where the Manager views the risk-adjusted returns to be attractive.

The portfolio currently comprises 13 investments to 9 companies. The Fund has committed $397 million across the investments with $307 million (77.3%) of committed capital currently drawn.

The Fund has committed capital amounts ranging from $12 million to $80 million (to a single borrower/facility). The portfolio will be relatively concentrated with the Fund targeting a portfolio of around 15-20 investments at any given time. At present, the top three investments by committed capital represent just shy of 50% of the total committed capital. Investors should be cognisant of the concentration risk associated with the portfolio.

Portfolio (as at 28 September 2023)

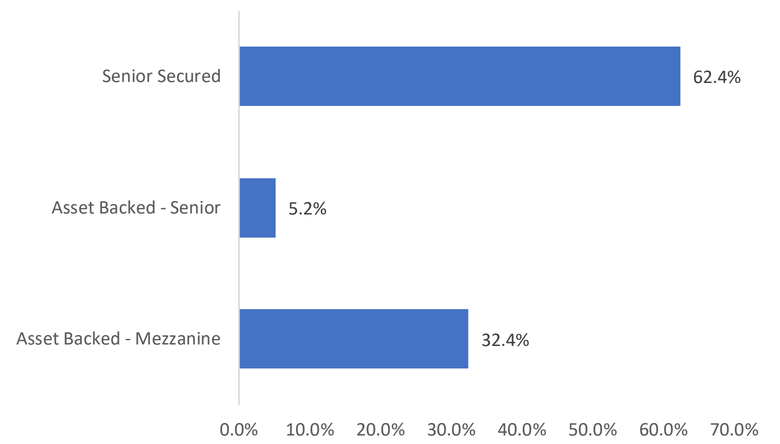
	Amount Committed ($m)	Amount Committed %	Amount Drawn ($m)	Amount Drawn %
Asset 1	12.0	3.0%	11.3	3.7%
1.1	*10.0*	*2.5%*	*10.0*	*3.3%*
1.2	*2.0*	*0.5%*	*1.3*	*0.4%*
Asset 2	50.0	12.6%	20.8	6.8%
Asset 3	25.0	6.3%	25.0	8.1%
Asset 4	62.5	15.7%	47.5	15.5%
Asset 5	26.0	6.5%	26.0	8.5%

Portfolio (as at 28 September 2023)				
5.1	*14.7*	*3.7%*	*14.7*	*4.8%*
5.2	*11.3*	*2.8%*	*11.3*	*3.7%*
Asset 6	37.5	9.4%	37.5	12.2%
Asset 7	22.5	5.7%	10.0	3.3%
Asset 8	35.0	8.8%	35.0	11.4%
Asset 9	46.0	11.6%	37.7	12.3%
9.1	*25.7*	*6.5%*	*18.7*	*6.1%*
9.2	*20.5*	*5.2%*	*19.0*	*6.2%*
Asset 10	80.4	20.3%	56.3	18.3%
Total	**397.1**		**307.1**	

Source: Pacific Equity Partners Capital Solutions

The Fund will have a focus on senior secured, variable rate corporate loans with some exposure to asset-back securities. The Manager expects the long-term asset allocation of the Fund to be around 70% senior secured loans and 30% asset-backed warehouse securities. The current portfolio is reflective of what investors can expect the long-term allocation of the portfolio to be other than individual loan concentration which is expected to be no more than 10% when the portfolio has scaled. The asset allocation however, will fluctuate depending on the opportunities identified and available to the Manager at any given time.

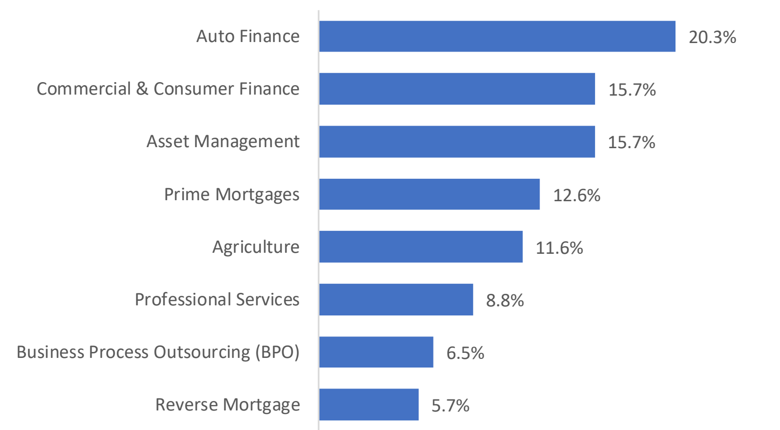
Investment Type - Committed Capital



Source: Pacific Equity Partners Capital Solutions

The portfolio is diversified by sector with the Manager only investing in those sectors they can gain comfort in and that can demonstrate earnings and cashflow stability. The Manager will avoid cyclical sectors and is unlikely to enter into the real estate debt market, given this falls outside of their expertise and there are already a number of well-established providers in that space.

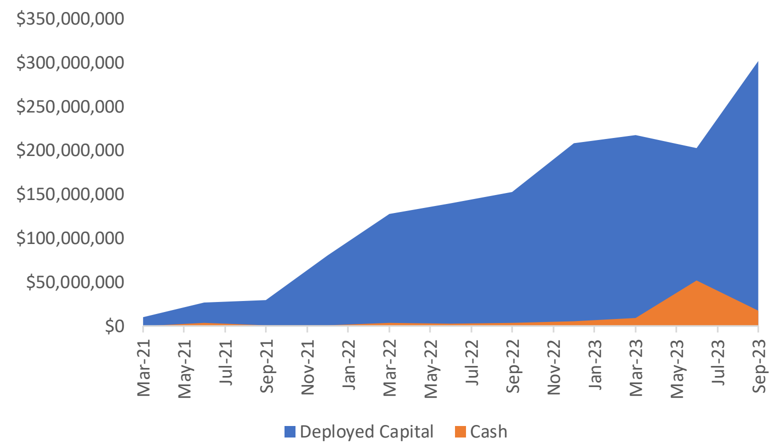
Sector Allocation- Committed Capital



Source: Pacific Equity Partners Capital Solutions

The Fund will seek to be largely fully deployed at all times with the Manager cognisant of the fact that cash can be a drag on the performance of the Fund. The level of cash holdings will depend on capital inflows and redemptions with cash levels also fluctuating as a result of the repayment of loans and the timing of the redeployment of capital.

Historical Cash vs Deployed Capital



Source: Pacific Equity Partners Capital Solutions

The Fund has a target holding period of 3 to 5 years, therefore investors should have a medium-to-long term investment horizon. There are two loans that are due for repayment within the next 12-months, however both of these are likely to roll their maturities as a normal feature of the facilities. The majority of current loans have 1 to 3 years before they are due for repayment. Given the loans/securities are all floating rate, there is no duration risk associated with the portfolio.

Maturity Profile of Portfolio

Term to Repayment Date	% of Committed Capital
<12 months	15.3%
1-3 years	48.0%
3-5 years	17.3%
5+ years	19.4%

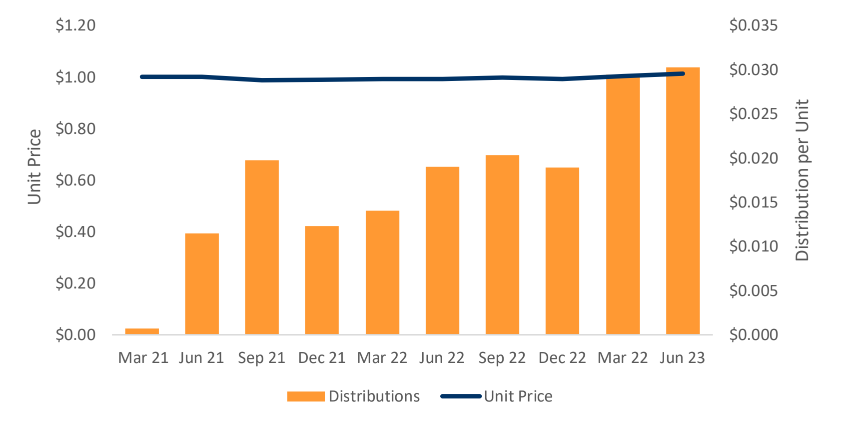
PERFORMANCE ANALYTICS

The Fund provides debt funding and therefore returns will predominantly be income in nature. We note the Fund has a limited history, being established in March 2021, with returns in the first year of operations impacted by establishment and ramp up costs.

The unit price (ex-distributions) is expected to remain around the issue price of $1.00 per unit, however it will fluctuate throughout the quarter as interest, fees and repayments are collected.

The distribution amount will vary, with quarterly distributions reflecting the net income received during any given calendar quarter. There will be the addition of investments and repayment of loans through the life of the Fund, which will impact distributions. The Fund is also focused on floating rate loans/securities, which means the income received by the Fund will increase and decrease with the base rate.

Unit Price & Distributions Per Unit

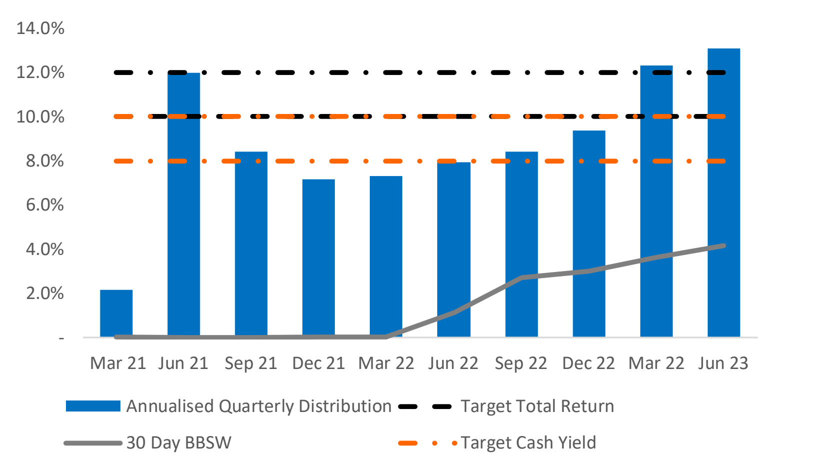


Source: Pacific Equity Partners Capital Solutions, IIR.

The Fund has a target return of 10%-12%p.a., which comprises a cash yield of 8%-10% and 2%-4% structured upside, which is typically delivered through fees and paid-in-kind interest (capitalised interest).

When looking at the annualised net quarterly distributions since inception to 30 June 2023, the Fund has achieved the target distribution in some quarters and not others. Distributions have been particularly strong in the March and June quarters for 2023, with annualised distributions of 12.3% and 13.1%, respectively. The rise in the base rate (BBSW or comparable rate) has resulted in increased income generated by the Fund flowing through to increased distributions to unitholders.

Quarterly Annualised Net Distributions on Weighted Average Deployed Capital

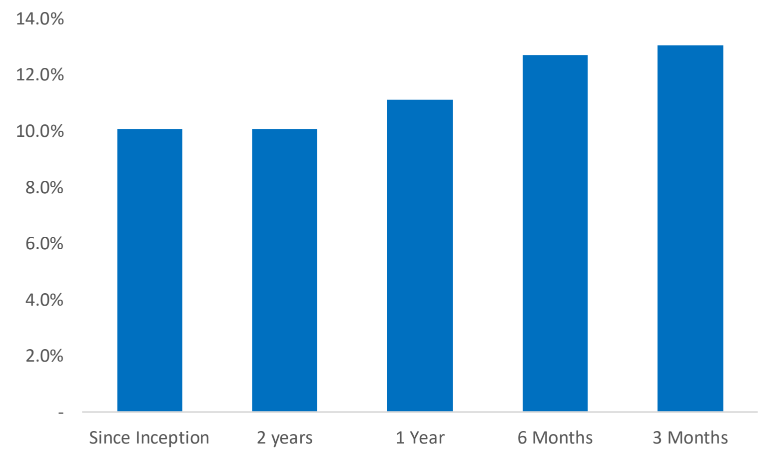


Source: Pacific Equity Partners Capital Solutions, IIR.

Since inception in March 2021 to 30 June 2023, the Fund has delivered an annualised net distribution in line with its target of 10.1%. We note the annualised returns are calculated using the weighted average capital deployed, which is considered a fair metric to use given the growth of the Fund since inception. Net distributions have only been calculated on the deployed capital and exclude the impact of cash holdings. The actual annualised return to unitholders since inception including any impact of cash is 8.5%.

With the current weighted average margin above the base rate of the portfolio and the current BBSW, IIR expects the Fund to be able to achieve the target return, subject to no material capital impairments being incurred. There is no guarantee that the Fund will be able to continue to write loans with margins that will result in the Fund being able to meet its target return objectives.

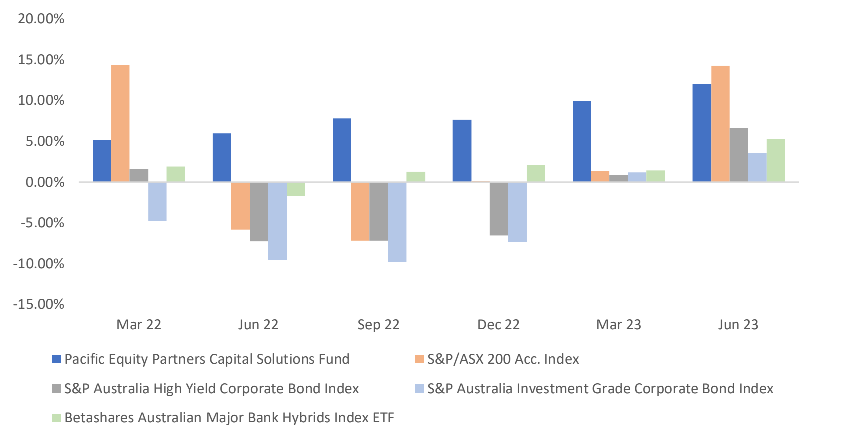
Annualised Net Distributions (based on Weighted Average Capital Deployed)



Source: Pacific Equity Partners Capital Solutions, IIR.

To put the Fund's performance into perspective, we have provided the rolling 12-month returns of the Fund since inception to 30 June 2023 compared to varying asset classes including: Australian equities (represented by the S&P/ASX 200 Accumulation Index); Australian High Yield Corporate Bonds; Australian Investment Grade Corporate Bonds; and Hybrids (represented by the Betashares Australian Major Bank Hybrids Index ETF). The stable NAV and increasing income of the Fund resulted in the Fund outperforming other asset classes during a number of periods over the last two years, with the Fund outperforming both Australian investment grade and high yield corporate bonds as a result of the decline in bond prices resulting from the increasing interest rate environment over the period. The below chart highlights the diversification benefits that private credit can provide.

Rolling 12-month Returns for Varying Asset Classes



Source: Pacific Equity Partners Capital Solutions, S&P Dow Jones Indices, Iress, IIR.

The Fund and the Capital Solutions business has a limited track record with both being established less than three years ago. While the Manager will seek to implement contractual obligations to mitigate the potential for capital loss, there is no guarantee that the Manager will be able to recoup the face value of the loan amount in full if a default event arises from an investee company. The ability to recoup the loan amount will be highly dependent on the abilities of the Manager in this situation. Given the limited history of Capital Solutions the business does not have a sufficient track record to determine if favourable outcomes will be achieved in the event of a default. However, we note the PEP business has significant expertise in operational and structuring roles which will assist the Capital Solutions team in the event a default situation arises, and provides IIR with a level of confidence regarding the execution abilities of the team in the event of a default. Further to this, the Capital Solutions team is supported by the broader PEP support staff, including internal legal counsel, with external advisers, including legal counsel, used where necessary.

PEER COMPARISON

The opportunity in the private credit market has resulted in a number of new entrants into the space. The below represents a select group of funds that IIR considers to be the relevant peers of the Fund. All funds in the peer group have a focus on direct lending to mid-market corporates in Australia.

Private Debt Fund Peer Group					
Name	**APIR Code**	**Structure**	**Minimum Investment Amount**	**Distribution Frequency**	**Inception Date**
Altor AltFi Income Fund	ALP8437AU	Open-ended	$100,000	Quarterly	Apr-18
Aura High Yield SME Fund	ARF3849AU	Open-ended	$100,000	Monthly	Aug-17
Pacific Equity Partners Capital Solutions Fund	**PEP6995AU**	**Open-ended**	**$10,000,000***	**Quarterly**	**Mar-21**
Regal Private Credit Fund	RGL8447AU	Open-ended	$100,000	Quarterly	Oct-22
Causeway Wholesale Private Debt Income Fund	AMT8959AU	Open-ended	$2,500,000	Quarterly	Mar-22
Metrics Credit Partners Diversified Australian Senior Loan Fund	PER0746AU	Open-ended	$50,000	Monthly	Jun-13
TPC Private Debt Income Fund	ETL4900AU	Open-ended	$50,000	Quarterly	Feb-23
DCF Private Debt Fund IV	AMT2564AU	Closed-ended	$500,000	Quarterly	Sep-21
Longreach Direct Lending	AMT9221AU	Closed-ended	$100,000	Quarterly	Mar-21

*Feeder Funds may have lower minimum investment amounts. The minimum amount for the Pacific Equity Partners Capital Solutions Pathway Fund (Australasia) is $100,000.

Source: Fund documents, websites.

From a fee perspective, the Fund's fees are high with the management and performance fees both at the upper-end of the peer group. The performance fee hurdle of 7%p.a. for the Fund was determined by the Fund on a "through the cycle" assessment of interest rates.

Peer Group Fee Comparison				
Name	**APIR Code**	**Management Fee**	**Performance Fee**	**Performance Fee Hurdle**
Altor AltFi Income Fund	ALP8437AU	1.50%	10.0%	RBA Cash Rate + 6%
Aura High Yield SME Fund	ARF3849AU	1.25%	20.0%	RBA Cash Rate +5%
Pacific Equity Partners Capital Solutions Fund	**PEP6995AU**	**1.50%**	**15.0%**	**7.0%**
Regal Private Credit Fund	RGL8447AU	1.25%	20.0%	7.0%
Causeway Wholesale Private Debt Income Fund	AMT8959AU	1.25%	0.0%	na
Metrics Credit Partners Diversified Australian Senior Loan Fund	PER0746AU	0.36%	0.0%	na
TPC Private Debt Income Fund	ETL4900AU	1.26%	0.0%	na
DCF Private Debt Fund IV	AMT2564AU	1.50%	18.5%	8.0%
Longreach Direct Lending	AMT9221AU	1.30%	20.0%	7.0%

Source: ASX, IIR.

The below table shows the total returns of funds in the peer group. We note we were unable to access all unit prices due to the nature of the reporting of some of the funds and therefore the table does not include the total returns for all funds.

The Pacific Equity Partners Capital Solutions Fund (Australasia) has performed strongly when compared to the peer group, however we note that this is over a short period of time. Private credit funds have typically performed strongly when compared to other asset classes over the two years to 30 June 2023 with the increasing interest rate environment and low level of defaults resulting in increased distributions and low levels of capital volatility. During the period, while there has been increased cost pressure on businesses and softening consumer demand, businesses in a number of sectors have performed above expectations. However, prolonged economic weakness could see this change. We note, given the capital structure of companies, the equity value of companies typically needs to be eroded for any impairment of capital to occur.

Each of the funds in the peer group have differing portfolios and mandates. It is important for investors to understand what a fund is investing in and the structuring and execution capabilities of the Manager to try to minimise capital losses during periods of economic weakness.

Total Returns (to 30 June 2023)

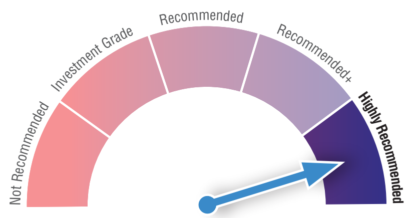
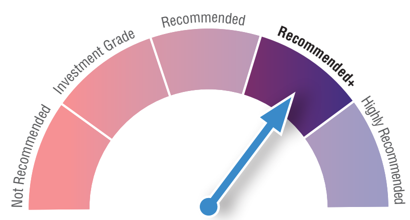
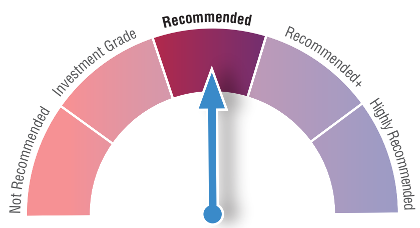
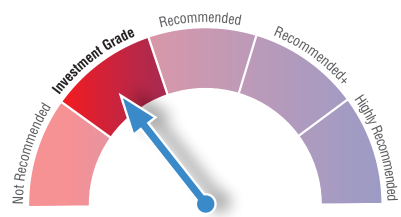
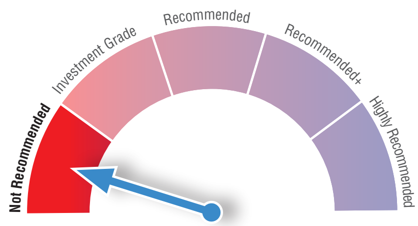
	1 year	2 year (p.a.)
Altor AltFi Income Fund	8.1%	8.8%
Aura High Yield SME Fund	8.6%	8.6%
Pacific Equity Partners Capital Solutions Fund	**12.0%**	**9.3%**
Causeway Wholesale Private Debt Income Fund	11.2%	na
Metrics Credit Partners Diversified Australian Senior Loan Fund	7.5%	5.7%
DCF Private Debt Fund IV	5.7%	na
Longreach Direct Lending	8.9%	8.6%

*Iress, Fund websites, IIR.

APPENDIX A – RATINGS PROCESS

Independent Investment Research Pty Ltd "IIR" rating system.

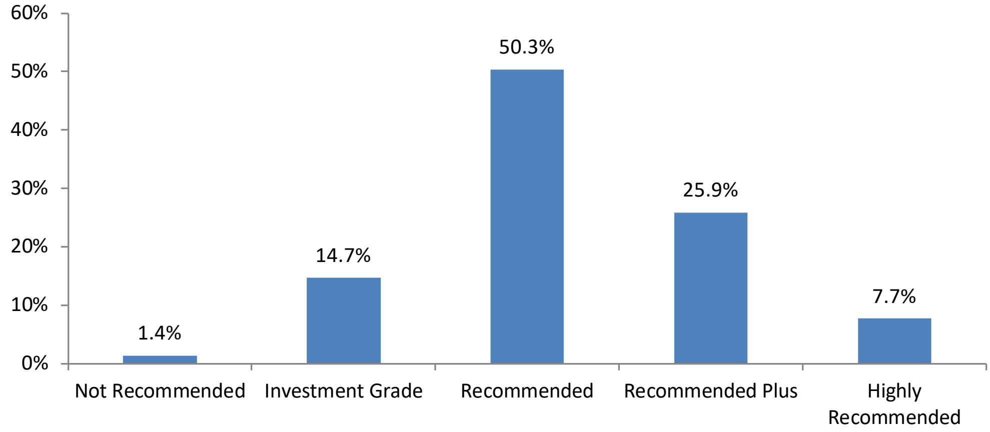
IIR has developed a framework for rating investment product offerings in Australia. Our review process gives consideration to a broad number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: product management and underlying portfolio construction; investment management, product structure, risk management, experience and performance; fees, risks and likely outcomes.

LMI Ratings	SCORE
Highly Recommended	83 and above
	This is the highest rating provided by IIR, indicating this is a best of breed product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved exceptionally high scores in a number of categories. The product provides a highly attractive risk/return trade-off. The Fund is likely effectively to apply industry best practice to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors.
Recommended +	79–83
	This rating indicates that IIR believes this is a superior grade product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved high scores in a number of categories. In addition, the product rates highly on one or two attributes in our key criteria. It has an above-average risk/return trade-off and should be able consistently to generate above average risk-adjusted returns in line with stated investment objectives. The Fund should be in a position effectively to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors. This should result in returns that reflect the expected level of risk.
Recommended	70–79
	This rating indicates that IIR believes this is an above-average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an above-average risk/return trade-off and should be able to consistently generate above-average risk adjusted returns in line with stated investment objectives.
Investment Grade	60-70
	This rating indicates that IIR believes this is an average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an average risk/return trade-off and should be able to consistently generate average risk adjusted returns in line with stated investment objectives.
Not Recommended	<60
	This rating indicates that IIR believes that despite the product's merits and attributes, it has failed to meet the minimum aggregate requirements of our review process across a number of key evaluation parameters. While this is a product below the minimum rating to be considered Investment Grade, this does not mean the product is without merit. Funds in this category are considered to be susceptible to high risks that are not reflected by the projected return. Performance volatility, particularly on the down-side, is likely.

APPENDIX B – MANAGED INVESTMENTS COVERAGE

The below graphic details the spread of ratings for managed investments rated by Independent Investment Research (IIR). The managed investments represented below include listed and unlisted managed funds, fund of funds, exchange traded funds and model portfolios.

Spread of Managed Investment Ratings



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