AUSTRALIAN
RESEARCH
INDEPENDENT INVESTMENT RESEARCH

AltX - Assetline First Mortgage Debt Fund No. 1

Initiating Coverage

September 2021

INDEPENDENT
INVESTMENT RESEARCH

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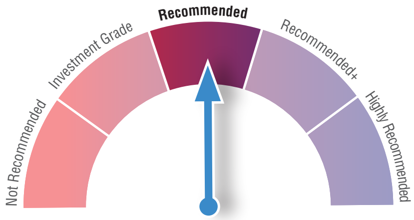
AltX - Assetline First Mortgage Debt Fund No. 1

Note: This report is based on information provided by the Manager company as at June 2021and the Information Memorandum dated 14 September 2020.

Rating



Key Investment Information	
Name of Fund	AltX - Assetline First Mortgage Debt Fund No. 1
Trustee	AltX Funds Management Pty Ltd
Investment Manager	Assetline Capital Pty Ltd
Investment Structure	Unit Trust
Eligible Investors	Wholesale
Investment Period	2 years from the First Close Date
First Close Date	30 September 2020
End Date of Investment Period	30 September 2022
Unit Price	$1.00 per unit
Minimum Investment	$100,000
Target Distribution (net of fees)	6.5%-7.0% p.a
Fund Capacity ($m)	$20m with over subscriptions at the discretion of the Manager
Capital Return	Subject to loan maturities after the Investment Period
Withdrawal Frequency	No withdrawals during the term of the Fund
Distribution Frequency	Monthly
Trustee Fee (p.a)	0.25% (plus GST)
Management Fee (p.a)	na*
Offer Document	Information Memorandum

*The Manager will not be paid fees out of the assets of the Fund, however will be entitled to be paid other fees associated with loans, such as origination fees.

Fees Commentary

In the context of managed funds in general, the management fee is at the lower-end of the fee spectrum for private debt funds.

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

The AltX - Assetline First Mortgage Debt Fund No. 1 (the "Fund") provides investors with an opportunity to gain exposure to a portfolio of loans, secured by a first ranking mortgage over Australian real estate, a guarantee by the directors of the Borrowers or other persons who control the Borrower and a security interest over the assets of the Borrower or a related party to the Borrower. AltX Funds Management Pty Ltd ("Trustee") is the Trustee of the Fund and has appointed Assetline Capital Pty Ltd ("Manager") as the Manager of the Fund. Both the Trustee and the Manager are part of the Assetline Group, a non-bank lender to the Commercial Real Estate (CRE) market. The Fund will provide exposure to a portfolio of short-to-medium term loans from 3-36 months in term, access to which will be gained through an investment in a SPV Lender or Third Party Lender. The Fund will co-invest in loans already funded by the Assetline Group, as well as new loans originated by the Manager or other lenders that may not be affiliated with the Manager. Exposure to first mortgage loans, which are the most senior part of the capital structure, is an important distinction as first ranking mortgages rank above all other creditors and equity holders. First mortgage loan providers have a greater degree of control over the loan and its management compared to the subordinated parties of the capital structure.

The Fund had an initial capital target of $20m, however has grown to $34m, with over subscriptions accepted at the discretion of the Manager. The Fund may continue to issue new units until the end of the Investment Period (two years from the first close date of 30 September 2020). The Fund will make no further investments after the Investment Period has concluded and will repay investors capital as the underlying loans are repaid post the end of the Investment Period. The Trustee is paid a management fee of 0.25%p.a (plus GST) from the assets of the Fund, accrued monthly and paid monthly in arrears. The Manager will not be paid a fee from the assets of the Fund, however is eligible to be paid fees in relation to the origination and servicing of loans.

INVESTOR SUITABILITY

The Fund is for Wholesale investors only with a minimum investment amount of $100,000. An investment in the Fund is suitable for those investors who seek to gain access to an income stream that offers enhanced yield to traditional fixed income assets. To gain access to the enhanced yield investors will take on heightened levels of risk. As such, investors should be risk tolerant and be aware of the increased risk associated with the underlying loans. The risk is mitigated to some extent through loan diversification and the short-term nature of the loans. Investors should consider an investment in the Fund as illiquid with no withdrawal opportunities provided throughout the term of the Fund. Investors will only be able to withdraw their capital after the end of the Investment Period, with capital repaid as the underlying loans in the portfolio are repaid. Based on the loan terms, capital may not be repaid up to 36 months after the Investment Period depending on the maturity profile of loans at the end of the period. Returns will be purely income in nature, with no capital return given the nature of the underlying exposure, being direct loans. Income volatility is expected to be low, however, the level of income will vary on a monthly basis depending on the interest income received by the portfolio in combination with the number and terms of the loans in the portfolio. Given the open-ended nature of the Fund, the number of loans unitholders are exposed to will likely increase as the Fund size grows.

RECOMMENDATION

IIR has assigned the AltX - Assetline First Mortgage Debt Fund No. 1 a **Recommended** rating. The Fund is managed by a specialist non-bank CRE lender who has a strong track record of almost 10 years and over $2b of loans funded with no capital loss experienced to date. We note that the loans have performed well throughout the uncertainty created by the pandemic thus far, however, we view there to be heightened risks in the current environment due to ongoing disruptions from the pandemic, particularly in NSW where the portfolio is heavily exposed. The first ranking nature of the loans means the Manager will have the ability to take control of the assets in the event of defaults. The Manager has a strong track record of recovery in the event of defaults. Of the 41 assets/projects that the Assetline Group has taken control of due to the borrower not being able to service the loan, the Assetline Group has been able to recover the full principal amount of the loan (ie. has experienced no capital impairment in every instance). This provides confidence in the Manager's abilities and processes regarding the recovery process in the event of defaults in the Fund.

SWOT ANALYSIS

Strengths

- Loans are secured on a three-tiered basis: a first mortgage over real estate; guarantees by the directors of the Borrower or persons who control the Borrower who will guarantee repayment of the Underlying Loan under a full recourse guarantee and indemnity; and a charge over the assets of the Borrower (or a related party) in favour of the lender which will be registered on the Personal Property Securities Register (PPSR).
- The interests of the Manager are aligned with unitholders with the Assetline Group co-investing in the loans and seeding the Fund with a $1m investment.
- Assetline Group is an experienced operator in the non-conforming loan market with a proven track record to date, funding and servicing over 1,000 loans with no loss of capital.
- Since its inception, the Fund has delivered monthly returns that meet its target return of 6.5%-7.0% per annum.
- The Assetline Group is well resourced with over 40 employees, with the teams experience spanning across all aspects of CRE lending including property, origination, underwriting, due diligence, valuation, transaction management, compliance, project management, valuation and quantity surveying.
- The fees paid to the Trustee of 0.25%p.a is at the low-end for CRE private debt funds. Further to this, the Manager bears the establishment and ongoing costs of the Fund.
- The portfolio is diversified with 82 loans in the portfolio at 31 May 2021 and an average weighting to an individual loan of 1.1%. This level of diversification reduces the impact of a default of any single loan in the portfolio.

Weaknesses

- Where the Manager and the Trustee are one and the same, there is the potential for conflicts of interest. The Fund may invest in Underlying Loans through a Third Party Lender that may be affiliated with the Manager, through which the Manager and affiliated entities may receive fees. We note that the Manager carries significant reputational risk that we believe reduces the risks associated with the conflicts and furthermore the Manager invests alongside investors in the Fund.
- The Fund is considered illiquid with capital typically locked-up for the Investment Period and a period following as the underlying loans are repaid. Depending on the maturity profile of the loans made, investors may not receive their capital back in full for up to 36 months post the completion of the Investment Period.
- There is no cooling off period. Given the illiquid nature of the Fund, investors should be confident that they are not going to need access to the invested capital for the term of the Fund.

Opportunities

- With interest rates at all-time lows, the Fund provides investors the ability to generate an enhanced fixed income stream, albeit taking on greater levels of risk, by a proven loan provider and Manager in the asset class.
- The market share of non-bank lenders in the CRE debt market is expected to continue to increase as the banks share of the market continues to decline. This is expected to result in a strong pipeline of investment opportunities.

Threats

- An increasing supply of lending in the second tier, non-conforming loan segment has the potential to adversely impact returns over the medium term.
- Even though the Fund is beyond it's final close date, the Trustee will continue to take capital and issue new units. If cash raised is not deployed in a timely manner this may result in yield dilution.
- Covid-19 continues to provide a level of uncertainty with lockdowns continuing to disrupt economic activity. These risks are outside the control of the Manager, with the Manager working closely with Borrowers to determine their needs and manage any additional risks that eventuate from the pandemic.
- The underlying loans are considered at the higher-end of the risk spectrum and as such capital may be impaired in the event the Borrower is unable to service the loan requirements. We note that the Manager has a strong track record to date with regard to capital recovery in the event of default.

- The Fund will co-invest in the underlying loans with third party investors that may be introduced by the Assetline Group and may co-invest in existing Assetline Group loans that satisfy the investment guidelines. Other investors may have different interests or objectives than those of the Fund and may be in a position to take action that is inconsistent with the objectives of the Fund.

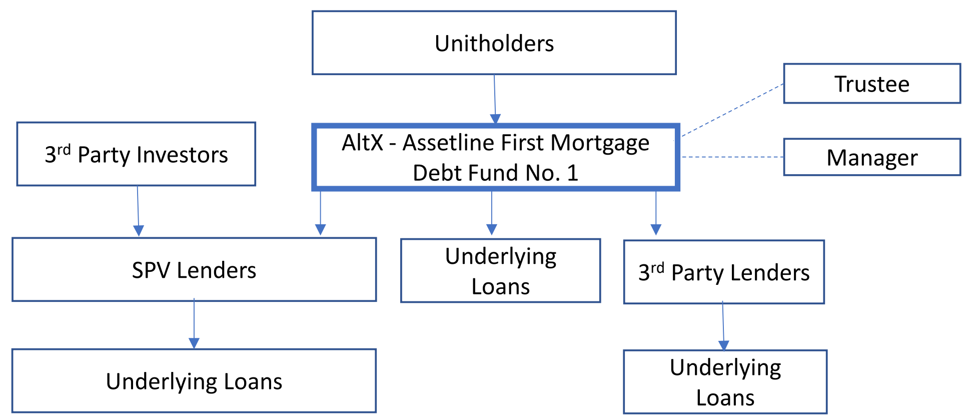
PRODUCT OVERVIEW

The Fund is an unlisted unit trust available to Wholesale investors. AltX Funds Management Pty Ltd is the Trustee of the Fund and has appointed Assetline Capital Pty Ltd ("Manager") as the Manager of the Fund. Both the Trustee and the Manager are part of the Assetline Group, a non-bank CRE lender that was established in 2012 and has funded in excess of $2b of loans.

The Fund was established in September 2020 and seeks to provide a regular monthly income stream over the life of the Fund through a portfolio of First Mortgage Loans secured against Australian real estate, a guarantee by the Directors of the Borrower or other persons who control the Borrower and a security interest over the assets of the Borrower or a related party to the Borrower. As the provider of first mortgage security, the lender ranks ahead of all other creditors (except various government offices) secured against the asset. The Fund will co-invest in loans already funded by the Assetline Group, as well as new loans originated by the Manager or other lenders that may not be affiliated with the Manager. Loans, whether originated by the Assetline Group or a third party lender, will primarily be provided through a Special Purpose Vehicle (SPV), which is owned and controlled by the Manager. The Manager may make loans directly to a Borrower with other co-lenders. While the Manager may make direct loans to date all loans have been made through a SPV in which the Fund holds notes. All loans will be subjected to the same due diligence process and security structure.

The underlying loans will have a term of 3-36 months and may be secured against residential, commercial, industrial or vacant land in Australia. Loans shall not exceed a LVR of 70% for residential property exposure, 65% for commercial and industrial property and 55% for vacant land exposure. LVR's for construction loans must not exceed 70%. Valuations supporting the underlying loans must be prepared by an independent, qualified and registered valuer. The Assetline Group will typically fund loans up to $30m with the Fund having exposure to an average total loan size of $4.1m.

Fund Structure



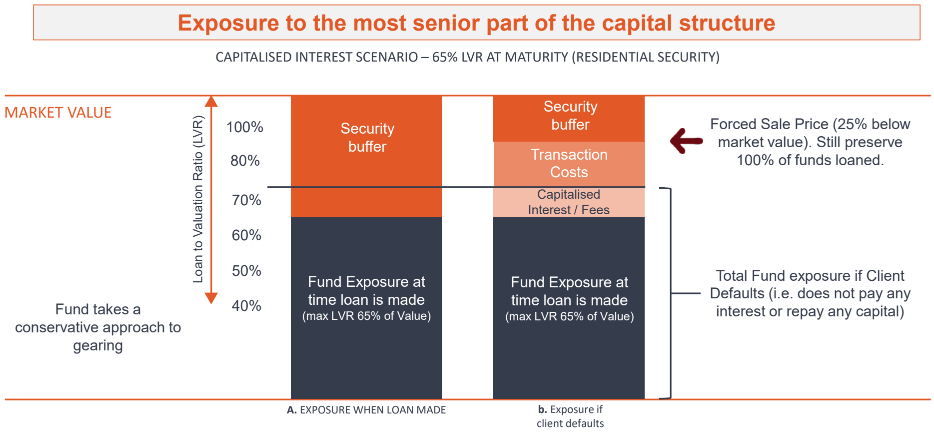
The Fund will have an Investment Period of two years from the First Close Date, being 20 September 2020. The Manager will continue to invest in loans up until the end of the Investment Period at which point the Manger will make no additional investments and capital will be returned to investors as the underlying loans are repaid.

Investors should consider an investment in the Fund as illiquid. While units may be transferred there is no organised secondary market on which the units can be traded and investors will not likely be offered an opportunity to redeem their investment during the term of the Fund. Unless otherwise determined by the Trustee, unitholders may only redeem their investment from the Fund after the end of the Investment Period, in accordance with the terms made by the Trustee.

The Trustee will receive a fee of 0.25%p.a (plus GST) of the total subscription amount raised by the Fund less the capital returned to investors, accrued monthly in arrears and paid monthly out of the assets of the Fund. The Manager will not be paid a fee out of the assets of the Fund, however, may earn fees from the underlying loans originated by the Manager in which the Fund invests, such as origination fees. These fees will be retained by the Manager and will not be retained by the Fund.

As mentioned above the Fund will invest in loans that are first ranking in nature and therefore are at the top of the capital structure. This is an important distinction with first ranking mortgages having a greater degree of control over the loan than subordinated lenders and are repaid before all other parties in the structure. An example of the capital structure is provided below.

Security Structure and Fund Exposure Example



ASSETLINE GROUP

The Trustee and Manager of the Fund form part of the Assetline Group, which was established in 2012 to capitalise on what it viewed as an under serviced market opportunity - the provision of short-term funding for high-quality property-backed transactions which sit outside normal mainstream bank policy. The Assetline Group is headquartered in Sydney, NSW but lends in all major metro centres nationwide, with a focus on the east cost. The Assetline Group has originated and managed in excess of 1,000 loans secured by registered first mortgages. These loans have primarily been advanced through individual special purpose vehicles (SPVs) set up to fund each transaction.

The Assetline Group originates and services non-conforming loans in the CRE sector with short-medium loan terms ranging from 3-36 months. Clients/Borrowers are sourced both directly and through an extensive network of mortgage brokers, finance brokers, lawyers, accountants, estate agents and related groups. The business is run by its founding shareholders who maintain substantial investments in Assetline Group entities.

The Assetline Group, through its various entities, provides first mortgage loans to the CRE market. The Group provides loans for scenarios such as:

- Residential, commercial or land bridging loans, to unlock the equity in an existing property or to allow a buyer to accelerate their settlement on a property under contract;
- Refurbishment loans, to allow for the completion of a property's refurbishment, or minor development works not requiring a Development Application;
- Development finance, for the commencement or refinancing of residential and commercial projects from established developers within metropolitan areas;
- Loans to SMSFs through a Limited Recourse Borrowing Arrangement for the purchase of commercial or residential property;
- Loans against a developer's residual stock in a completed development; and
- Deals secured against residential and commercial property, designed for non-Australian residents.

The table below summarises the track record of the Assetline Group to date:

Assetline Lending Track-Record	
Number of Loans Funded	1,000+
Total Deals Funded	$2.05b
Default Rate	0.48%
Capital Loss	0.0%

Investment team

The Manager is well resourced with over 40 employees that support the origination and servicing of loans. This includes a Credit and Property Research team of eight and a dedicated asset development finance team of six. The team includes projects managers, valuers and quantity surveyors that can provide valuable insight into the underlying loan security.

As detailed in the Investment Process section below, the Manager has established a Credit Committee that is responsible for assessing the merits of all loans considered for investment with loans requiring approval from the Credit Committee to be included in the Fund. The Credit Committee comprises the three co-founders of the Assetline Group, including the Co-CEO's of the Assetline Group. The Credit Committee members are detailed below:

- **Steven Beinart - Co-CEO, Credit Committee:** Mr. Beinart has over 20 years of international senior management and Board experience in the Facility Services, Healthcare, Personal Care and Finance Industries. He founded the Ecowize Group, a specialist outsourced services Group which today operates in the USA, Australia, New Zealand and in South Africa (5,500 employees globally). Mr. Beinart is a Co-Founder of the Assetline Group and has a BComm (Economics).
- **Nick Raphaely - Co-CEO, Credit Committee:** Mr. Raphaely has experience in Investment Banking at Merrill Lynch International (London, Sydney, Melbourne) and Funds Management at the Ashton Group (a privately owned alternative investment management Group). He is a Co-Founder of the Assetline Group and has an MA (law) from Cambridge University (United Kingdom) & a Bachelor of Business Science Degree (1st Class Honours with Distinction in Economics) from the University of Cape Town (South Africa).
- **Sean Katz - Credit Committee:** Mr. Katz has experience at Ernst and Young, Liberty Asset Management, Peregrine Group. He is a co-founder of Peregrine Group, listed on Johannesburg Stock Exchange (South Africa). Mr. Katz currently runs an Investment Management Group focused on global private equity, property and equity investing. He is an active mortgage-backed debt investor in Australia and a Chartered Accountant CA (SA), actively involved global capital markets.

INVESTMENT PROCESS

Assetline Group's clients are sourced both directly and through an intermediary network of 7,000+ mortgage brokers, finance brokers, lawyers, accountants, estate agents and related groups. Eligible loans are reviewed for related party activity and include:

- Purchase of land or existing property;
- Construction of a new property;
- Alteration, extension or renovation;
- Debt consolidation, where previous conduct is checked on all facilities being refinanced;
- Refinancing of existing property, where loan conduct is checked;
- General business purposes; including purchase of plant and equipment, business expansion, payment of ATO debts, buying business premises, consolidating business debt and general working capital;
- Equity release; and
- SMSF loans, with a review of related party activity to ensure all transactions are 'arm's length' and not for cash-out or residential owner occupation.

Underlying Loans in which the Fund will invest must satisfy the following criteria:

- Underlying Loans must be made to Australian registered companies;
- Repayment of all Underlying Loans must be secured by first ranking registered mortgages over Australian real estate;

- All Underlying Loans must be supported by guarantees by the directors of the Borrower or other persons who may control the Borrower, and a charge that is registered by the lender on the PPSR over the Borrower, a related entity or both. The guarantee and security must be executed and enforceable prior to the loan advance;
- The minimum term for each Underlying Loan may not be less than 3 months;
- The maximum initial term for each Underlying Loan may not exceed 36 months which may be extended subject to the approval of the Manager. However, where Underlying Loans are provided through an SPV Lender or Third Party Lender, any extension of the term of the Underlying Loan will also be subject to the terms of the notes in the SPV Lender or the interests in the Third Party Lender;
- Maximum LVR's by type of underlying loan security are as follows:

Maximum LVRs	
Residential Property	70%
Construction Loans	70%
Commercial and Industrial Property	65%
Vacant Land	55%

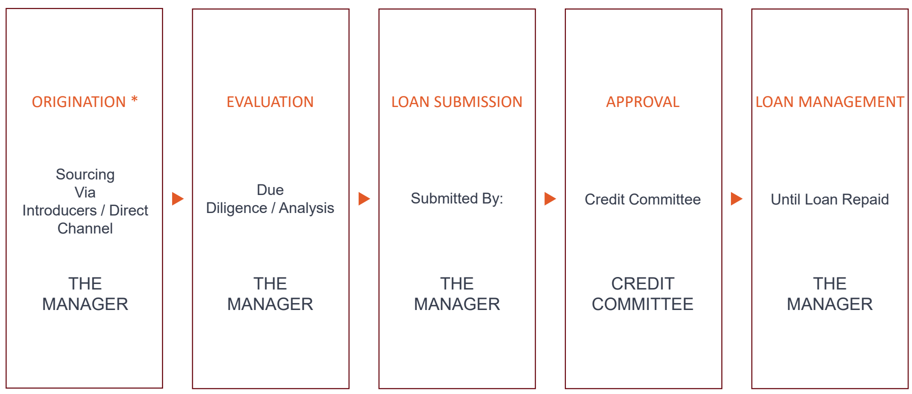
- Valuations supporting the Underlying Loans must be prepared by an independent, qualified and registered valuer prior to advancing loan funds against a property being offered as security; and
- Written confirmation must be provided by the Borrower confirming that adequate insurance over the property to be mortgaged is in place and that the security interest of the Trustee or the SPV Lender, or the Third Party Lender (as the case may be) as mortgagee is noted on the relevant policies.

Where the Fund invests in an Underlying Loan through an SPV Lender, the Fund will acquire secured notes in the SPV Lender which will then on-lend those funds to the Borrower. The notes will be secured by a charge over the assets of the relevant SPV Lender registered on the PPSR and will rank equally with all other co-investors who hold notes in the SPV Lender. Where the Fund invests in an Underlying Loan originated through a Third Party Lender, it will hold interests in that Third Party Lender which may include units or notes (depending on whether the Third Party Lender is a unit trust or a company).

Loan Assessment and Management Process

The Manager follows its established, rigorous evaluation process, an overview of which is shown in the below diagram.

Loan Approval Process



Note: Only applies to investments through SPV Lenders.

Due diligence involves a rigorous process and includes external, independent valuations. The Manager considers:

- Strength of property assets securing the Underlying Loan;
- Strength of Borrower and guarantor;
- Borrower income verification; and
- Exit strategy from the Underlying Loan.

For loans to fund construction projects the following is also considered:

- Strength, track record and experience of builder; and
- Financial viability of the project;

The Manager has established a Credit Committee which is responsible for assessing the merits and approval of all loans considered for investment. The remit of the Credit Committee is not limited to assessment and consideration of proposed investments of the Fund and extends to all loans originated by the Manager for its portfolios. All decisions of the Credit Committee must be unanimous and the Credit Committee determines the amount of capital to lent to a Borrower, interest rate to be charged, any changes to the standard security package, any extension to loans, any enforcement of legal actions and an exceptions or changes to the credit policy.

Following approval, the performance of Underlying Loans originated by the Manager is regularly monitored by the Manager with respect to the timely payment of interest, adherence to ongoing reporting requirements and specific Underlying Loan covenants. To mitigate the risks associated with mortgage lending, the Manager seeks to ensure that when the Fund invests in an Underlying Loan that is originated by the Manager or a Third Party Lender affiliated with the Manager: an appropriate rate of interest is set relative to the nature and risk of the Underlying Loan; that in the case of Underlying Loans where the interest is serviced monthly, the Borrower pays all their interest payments as and when they fall due; that in the case of Underlying Loans where the interest is capitalised or pre-paid, that the structure, payment terms and exit strategies are appropriate for this form of Underlying Loan; that the Borrower complies with ongoing Underlying Loan conditions during the loan term; and that the Borrower repays the full amount of the Underlying Loan as and when it falls due.

The Manager monitors any Underlying Loans in default or arrears where those Underlying Loans have been made by the Trustee directly on recommendation of the Manager or through SPV Lenders. Typically, in the event that a Borrower is in default of a condition under the Underlying Loan or is in arrears by failing to make an interest payment on the due date, the following actions will generally be taken by the lender, which may be the Trustee or Manager, the SPV Lender or the Third Party Lender:

- the Borrower will be contacted to arrange collection of the arrears;
- solicitors may be engaged to commence recovery procedures;
- enforcement proceedings may commence in accordance with the following process:
  - the mortgagee may become a `mortgagee in possession' or appoint a suitably qualified administrator;
  - a new valuation of the secured property may be sought;
  - the underlying security may be placed on the market for sale; and
- recovery action may also be instigated under the guarantee and Borrower security arrangements securing the Underlying Loan.

Where the Fund lends directly or through an SPV Lender, the Credit Committee will monitor the progress of the enforcement proceedings and any other action taken by the Manager in connection with the default or arrears.

Portfolio Construction

The Fund's policy of Underlying Loan diversification is designed to reduce the risk of loss by ensuring the risk of default under Underlying Loans is not concentrated with one particular Borrower or group of Borrowers, in one particular geographical area or one type of property. The Trustee is of the view that it would be difficult for most individual investors to match this diversification when investing on their own.

At a Fund level, the portfolio must satisfy the following criteria:

- No individual Underlying Loan exposure may exceed 20% of the total asset value of the Fund;
- A direct Underlying Loan made to a Borrower must be accompanied by participation in the Underlying Loan by 3rd party lenders (which may include entities related to the Manager) on the same commercial terms;

- The Fund's investment in a SPV Lender or Third Party Lender must be accompanied by an investment by third party investors (which may include entities related to the Manager) in the SPV Lender or Third Party Lender on the same commercial terms (i.e. the Fund may not be the sole investor in the SPV Lender or Third Party Lender); and
- Subscription amounts not invested in Underlying Loans must be held in cash, in an interest- bearing bank account in the name of the Fund with one of the major Australian banks. While the Trustee intends for the Fund to be fully deployed in direct or indirect investments in Underlying Loans, the Fund will hold at a minimum such cash reserves the Trustee considers necessary for the Fund to meet its expenses not otherwise payable by the Manager.

These formal constraints set the framework around risk exposure limits. However, over and above the formal constraints, is the qualitative assessment process outlined above. As such, it is not so much about property type per se (apartment versus free-standing house, for example), rather the quality of the valuation, the property, the underlying market fundamentals and the ease with which the asset could be realised if need be.

PORTFOLIO

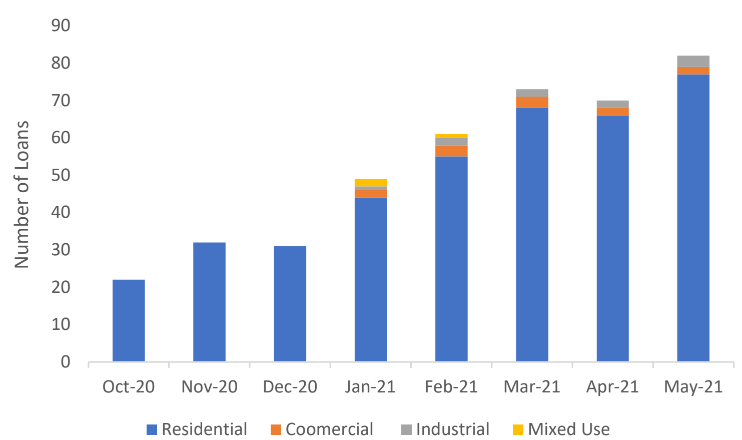
As at 31 May 2021, the portfolio comprised 82 loans with all loans having a maturity profile of less than 3 years, with the majority of loans having a maturity profile of 2 years or less. All loans within the portfolio meet the LVR requirements for their respective security with a weighted portfolio LVR of 59.4%.The majority of loans are secured by residential property with 84.4% of the loans secured by assets in NSW and VIC.

The largest exposure to a single loan was 12.0% of the assets of the Fund with an average loan weighting of 1.1%. The Manager will deploy capital wherever possible as opposed to holding cash, with the Manager aware of the impact of cash drag on the distribution for non-deployed capital.

Portfolio Overview as at 31 May 2021	
Number of loans	82
Weighted LVR	59.4%
Minimum Individual Loan LVR	19.1%
Maximum Individual Loan LVR	70.0%
Average Loan Weighting	1.1%
Minimum Loan Weighting	0.002%
Maximum Loan Weighting	12.0%

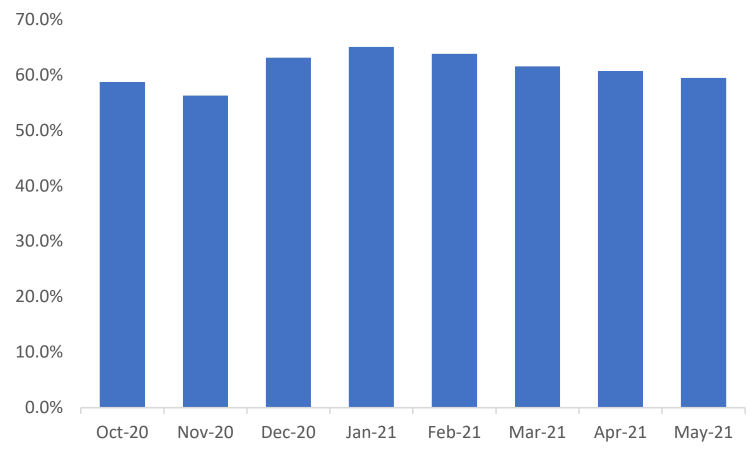
As the Fund has progressed, it has increased the number of loans in the portfolio as shown below. As the Fund issues additional units, additional loans will be added to the portfolio, the extent of which will be dependent on the amount of capital raised and the loans available for investment by the Fund. Loans have historically been primarily secured by residential property with a small exposure to commercial, industrial and mixed use properties.

Underlying Loan Security



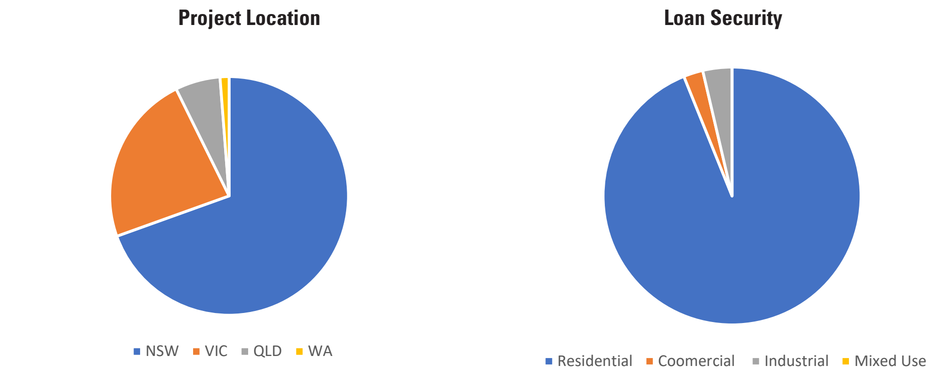
The weighted LVR of the portfolio has ranged between 56.3% an 65.1% over its history. At 31 May 2021, the portfolio had a weighted LVR of 59.4%.

Portfolio Weighted LVR



A snapshot of the Fund as at the end of May 2021 is provided below. The portfolio is heavily exposed to Residential security with 93.9%of the portfolio allocated to Residential loans. The security is mainly located in NSW and VIC with 69.5% of the properties located in NSW.

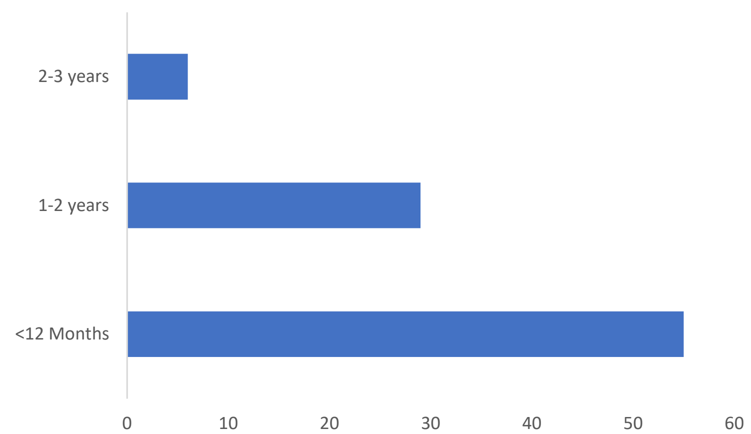
Portfolio Composition as at 31 May 2021



The loan maturity profile of the portfolio of loans is currently less than three years with the 93% of loans expected to mature in the next two years. The Manager will redeploy the capital once loans are repaid until the end of the Investment Period.

The Fund is open-ended with the Trustee continuing to issue units. In the event new units are issued the Manager will deploy the capital in line with the investment strategy and this may change the makeup of the portfolio.

Maturity Profile of Loans

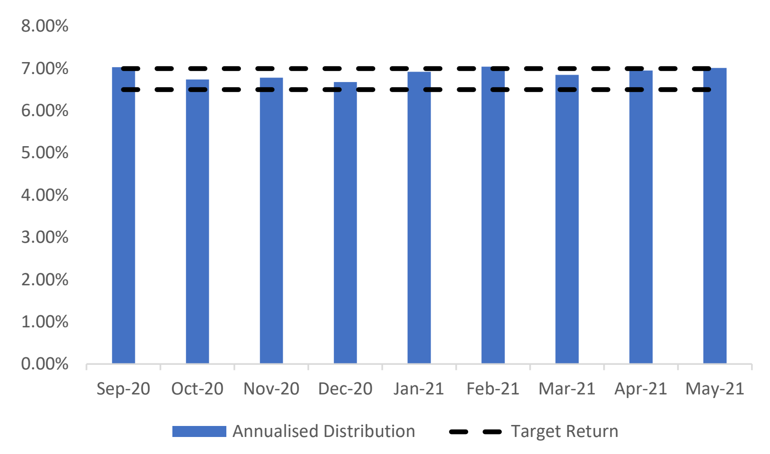


PERFORMANCE ANALYTICS

Returns to investors are purely in the form of income, with monthly distributions based on the interest generated from the portfolio of loans, net of the fees and costs. As such, while NAV will increase over the course of any given month as monthly interest payments accumulate, it returns to the initial level following the distribution of the income to investors.

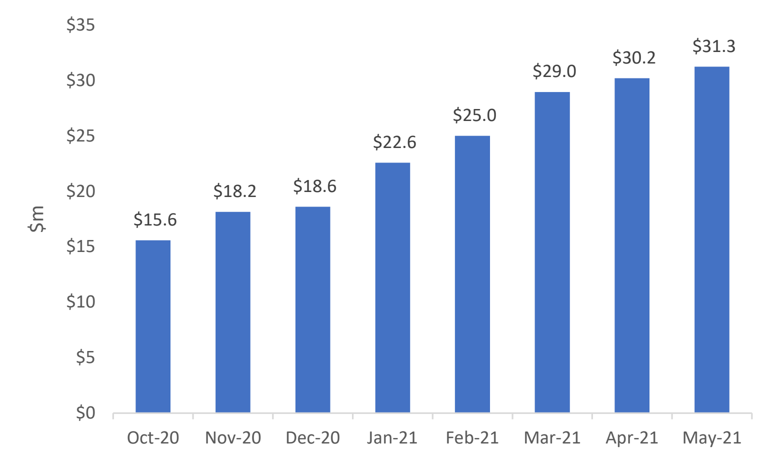
The Fund was launched in September 2020 and therefore has a limited history. We note however, that the Fund is short-term in nature with the Investment Period finishing on 30 September 2022. Since its establishment, the Fund has achieved its target returns on an annualised basis, as shown below.

Monthly Distribution History (Annualised)



The following graph demonstrates the Fund's growth since inception. As at 31 May 2021, the Fund has grown to $31.3m, exceeding the $20m initial target. Given the open-ended nature of the Fund, it will be important to manage the incoming cash flow effectively to reduce the cash drag on the distribution yield to existing unitholders. Given the capital is locked up for the term of the Fund, the Manager does not have to manage redemptions. To date, the additional capital raised has been able to be deployed swiftly and has not impacted on the Fund meeting the target distribution rate.

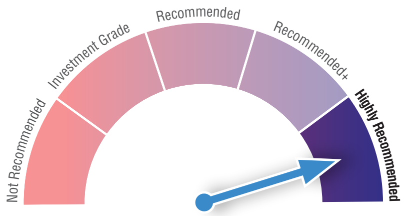
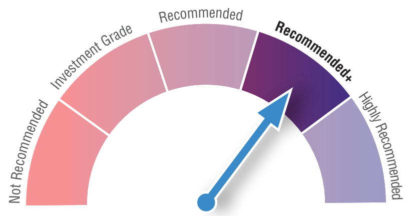
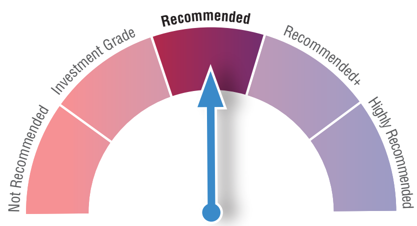
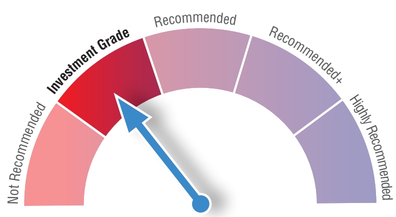
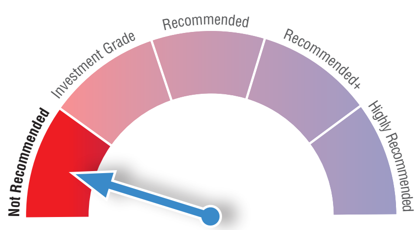
Funds Size ($m)



APPENDIX A – RATINGS PROCESS

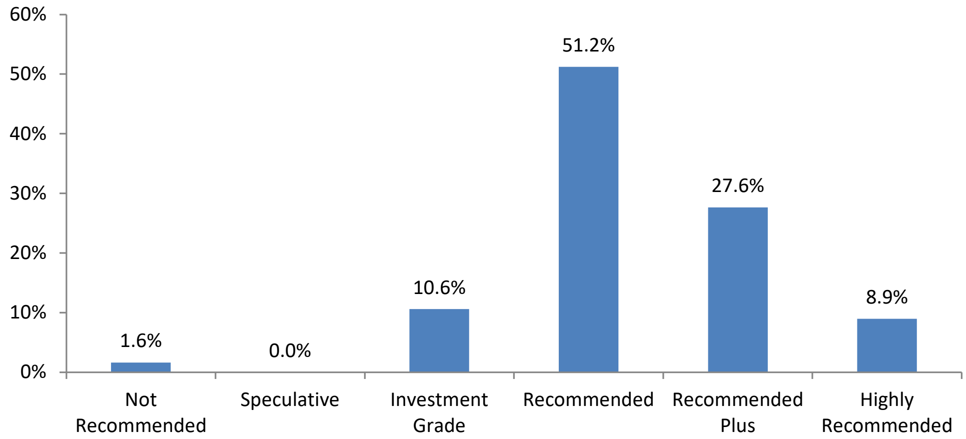
Independent Investment Research Pty Ltd “IIR” rating system

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: 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.



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