



Bass Property Credit Fund

This report has been prepared for financial advisers
and wholesale clients only



Superior

May 2025

INTRODUCTION

Key Principles

SQM Research considers (but is not restricted to) the following key review elements within its assessment:

1. Business profile - product strategies and future direction
2. Marketing strategies and capabilities, market access
3. Executive Management / Oversight of the investment management firm
4. Corporate Governance / fund compliance / risk management
5. Investment team and investment process
6. Fund performance, investment style, market conditions, investment market outlook
7. Recent material portfolio changes
8. Investment liquidity
9. Investment risks
10. Fund/Trust fees and expenses

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Report Date: 29 May 2025

Star Rating**	Description	Definition	
4½ stars and above	Outstanding	Highly suitable for inclusion on APLs <i>SQM Research believes the Fund has substantial potential to outperform over the medium-to-long term. Past returns have typically been very strong. Product disclosure statement (PDS) compliance processes are high-calibre. There are no corporate governance concerns. Management is extremely experienced, highly skilled and has access to significant resources.</i>	Highest Investment Grade
4¼ stars	Superior	Suitable for inclusion on most APLs <i>SQM Research considers the Fund has considerable potential to outperform over the medium-to-long term. Past returns have tended to be strong. PDS compliance processes are high-quality. There are no material corporate governance concerns. Management is of a very high calibre.</i>	High Investment Grade
4 stars	Superior	Suitable for inclusion on most APLs <i>In SQM Research's view, the Fund has an appreciable potential to outperform over the medium-to-long term. Historical performance has tended to be meaningful. PDS compliance processes are strong. There are very little to no material governance concerns. Management is of a high calibre.</i>	High Investment Grade
3¾ stars*	Favourable	Consider for APL inclusion <i>SQM Research concludes the Fund has a moderate potential to outperform over the medium-to-long term. Past performance has tended to be reasonable. Management is experienced and displays investment-grade quality, however they may not be yet fully tested. As a result the manager/product may have higher risks attached compared to peers.</i>	Investment Grade
3½ stars*	Acceptable	Consider for APL inclusion <i>In SQM Research's view, the potential for future outperformance in the medium-to-long term is uncertain. Historical performance has tended to be modest or patchy. Management is generally experienced and displays investment-grade quality, however they may not be yet fully tested. As a result the manager/product may have higher risks attached compared to peers. SQM Research has identified material weaknesses which need addressing in order to improve confidence in the Manager. There might be some corporate governance concerns.</i>	Low Investment Grade
3¼ stars	Caution Required	Not suitable for most APLs <i>In SQM Research's opinion, the potential for future outperformance in the medium-to-long term is very uncertain. Historical returns have tended to be disappointing or materially below expectations. PDS compliance processes are potentially substandard. There might be material corporate governance concerns. Management quality is not of investment-grade standard.</i>	
3 stars	Strong Caution Required	Not suitable for APL inclusion <i>In SQM Research's opinion, the potential for future outperformance in the medium-to-long term is unlikely. Historical performance has tended to be unacceptable. There could be material corporate governance concerns. SQM Research has a number of concerns regarding management.</i>	
Below 3 stars	Avoid or Redeem	Not suitable for APL inclusion <i>SQM Research has multiple material concerns surrounding the Fund.</i>	

Event-driven Rating	Definition
Withdrawn	<i>The rating is withdrawn and no longer applicable. Significant issues have arisen since the last report was issued, and investors should avoid or redeem units in the fund.</i>
Discontinued - Withdrawn	<i>The manager, after agreeing to be reviewed, has pulled out of the process and/or has not responded.</i>
Hold	<i>Rating is suspended until SQM Research receives further information. A rating is typically put on hold for a period of two days to four weeks. Dealer groups should not be making further investments into this fund until SQM has completed its additional investigations.</i>

* It is strongly recommended advisers conduct additional due diligence over and above base requirements when considering such rated funds.

** The definitions in the table above are not all encompassing and not all individual items mentioned will necessarily be relevant to the rated Fund. Users should read the current rating report for a comprehensive assessment.

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SQM Rating 

Superior. Suitable for inclusion on most APLs.

Fund Description	
Fund Name	Bass Property Credit Fund
APIR code	Not applicable
Asset Class	Mortgage Trust
Management and Service Providers	
Fund Manager	Bass Securities Pty Ltd
Trustee	Centuria Bass Financial Services Limited
Fund Information	
Fund Inception Date	20-Nov-20
Fund Size	\$305.7 m at Dec-24
Return Objective (per IM)	The target IRR for the Fund is 8 – 12% per annum (net of fees and costs and before tax) (Target Return).
Internal Return Objective	To provide a predictable, reliable, capital-stable income to investors
Risk Level (per IM)	The IM notes that "Investments in the Fund are subject to varying degrees of risk"
Internal Risk Objective	Low to medium
Benchmark	No formal benchmark. A return of return of 8% - 12% p.a. is targeted
Number of stocks/positions	69
Fund Leverage	66.8% - no maximum leverage. However, Fund appetite for loans is typically less than 70%
Portfolio Turnover	113.75% - 4 yr average ending Jun-25
Top 10 Holdings Weight	48.43%
Investor Information	
Management Fee	0.50% plus GST
TCR (Total Cost Ratio)	0.60%
Buy Spread	0.00%
Sell Spread	0.00%*
Performance Fee Rate	Nil
Minimum Application	\$100,000
Redemption Policy	Monthly
Distribution Frequency	Monthly
Investment Horizon	Medium to longer-term
Currency Hedging Policy	AUD denominated only

SUMMARY

Fund Summary

Description

The **Bass Property Credit Fund (the "Fund")** invests in mid-market loans secured by either first or second mortgages over property. It may also invest in **shorter-term 'tactical'** loans with similar grade security backing. The Fund aims to provide Investors with an income stream with regular returns on a monthly basis. Investors' subscription money is **'pooled'** and invested collectively by the Fund.

The Fund's strategy is to provide Investors with strong risk-adjusted returns by investing in a diversified portfolio of mid-market property credit transactions (Underlying Investments) across Australia and New Zealand, including (but not limited to):

- **First mortgage** debt — secured land, residual stock and/or construction loans
- **Second mortgage** debt — secured land, residual stock and/or construction loans
- Investments in first mortgage loan **warehouse** facilities provide indirect exposure through subordinated and unsubordinated loans or loan notes
- Transactions of a similar or related nature secured by property

The Fund may also invest in cash, other money market investments or in managed funds, to the extent permitted under law.

The target IRR for the Fund is 8-12% per annum (net of fees and costs and before tax). The Fund generates returns through income from interest revenue charged to Borrowers on the debt facilities that the Fund is invested in.

These property credit transactions will be sourced through Centuria Bass Credit's (CBC) extensive origination network, including financial brokers, corporate advisers, builders and developers. The Investment Manager may decide to invest in other similar transactions in order to achieve the Fund's investment strategy at an acceptable level of risk.

Mid-market loans are typically in the \$10m - \$100m range, a segment the Investment Manager observes is increasingly ignored by Australia's major and other

commercial banks, partly for regulatory reasons. All loans the Fund invests in are originated by CBC, the parent of both the Investment Manager and the Trustee, and can be made directly or indirectly by the Fund. All loans have, to date been made indirectly via special purpose vehicles (SPVs) established by CBC to facilitate individual loan transactions. In this circumstance, the Fund lends to the SPV, which lends to the end borrower. Fund investment in a CBC warehouse will take the form of notes that may be subordinated to the rights of a major financial institution.

The Fund is structured as an open-ended, unlisted, unregistered unit trust offered to wholesale clients via an Information Memorandum (IM).

Fund Rating

The Fund has achieved the following rating:

Star Rating	Description	Definition	Investment Grading
4.00 stars	Superior	Suitable for inclusion on most APLs	High Investment Grade

Previous Rating: 4.00 stars (Issued May 2024)

SQM Research's Review & Key Observations

About the Manager

Bass Securities Pty Ltd (the "**Manager**") is the investment manager of the Fund and is responsible for managing the property credit transactions of the Fund.

Centuria Bass Credit was established in 2016 with a subsequent 50/50 joint venture between Centuria Capital Group in 2021, which increased to 80% in 2024. The residual 20% is held by co-founders and co-CEOs Giles Borten and Nick Goh, as well as Yehuda Gottlieb. All employees are employed by the investment manager, which provides its services by way of the management agreement.

Since its inception, CBC has grown to \$2.3bn in Funds Under Management as of 31 December 2024, with an annual FUM CAGR of approximately 85%. CBC invests in a diversified pool of mid-market secured property loans.

Centuria Capital (ASX: CNI) is an ASX-listed specialist property investment manager, had \$21.1bn in assets under management, diversified across 7 real estate sectors and real estate credit. As of December 2024, CBC employed 52 staff, of whom 22 are Investment professionals.

Offices are located in Melbourne, Sydney and Adelaide, as well as Centuria offices located in Perth, Brisbane and New Zealand.

Trustee

The Fund's trustee is **Centuria Bass Financial Services Ltd**, which is a wholly owned subsidiary of CBC and also performs custodian functions for the Fund.

The Board of Directors of the Trustee consists of **3** directors, **none** of whom are independent. SQM Research prefers the inclusion of independent members on the Board of Directors – it is a meaningful way to enhance governance and oversight. Board members have an average of **29.0** years of industry experience.

The Trustee's **Compliance Committee** is composed of **2** members, **none** of whom are independent. The Chair is **not** independent. SQM Research views independence in an RE oversight body, such as the Compliance Committee, as a strong and favourable factor in Fund governance. Compliance Committee members have an average of **27.0** years of industry experience.

Investment Team

The Investment Team is led by CBC's founders, **Giles Borten and Nick Goh**, who established the business in 2016 and are Co-CEOs. The third key member of the leadership team is **Yehuda Gottlieb**, CBC's Managing Director, Funds and Distribution, who joined as a Partner in 2020.

Decisions are made by the Investment Committee and Board, which include Nick Goh (Co-CEO, Centuria Bass), Giles Borten (Co-CEO, Centuria Bass), John McBain (Joint CEO – Centuria Capital), Jason Huljich (Joint CEO – Centuria Capital), and Simon Holt (CFO – Centuria Capital).

CBC currently has 52 employees who sit within Deals, Distribution, Investor Services/relations and finance. There are weekly meetings with the entire firm, as well as numerous meetings within the various functional teams, to ensure collaboration and efficient workflow.

The investment (deal) team is headed by David Giffin and Lachlan Tracey, who allocate resources across both new and existing transactions. Typically, each transaction is staffed by (at least) one team member at each level of experience (i.e. Director, Associate Director, Associate, Analyst).

Additionally, each member has access to the CBC network, allowing employees to leverage each other's knowledge, capabilities and experiences. These investment professionals work in close collaboration with other cross-functional teams (i.e. distribution, finance, etc.) to ensure appropriate processes and communication across the business.

The **key person risk** is deemed to be low, considering that there have been some senior-level additions to the team in recent years.

1. Investment Philosophy and Process

Investable Universe

Investment in the Fund provides investors access to a diversified portfolio of mid-market property credit transactions and other loans with property security.

The Fund is conservative in nature, investing in **first and second** mortgage loans, with the following portfolio guidelines to be in place:

- A maximum of 15% of the Net Asset Value of the Fund will be invested in any one investment
- At least 75% of the portfolio will be allocated to first mortgage property secured senior debt
- 100% of the Fund will be secured by a mortgage over the property
- A maximum of 20% of the Net Asset Value of the Fund will be allocated to a single borrower
- A maximum of 65% of the portfolio will be allocated to any one geography

The Fund may also acquire loans or loan notes, which form part of the first mortgage warehouse facilities that rank behind senior warehouse lenders. These loans or loan notes will have underlying mortgage security aligned with the objective and strategy of the Fund.

Further diversification will be targeted via the construction of a portfolio with a mix of projects, including construction (housing and subdivision), land/bridge and residual stock transactions.

The assets underlying the loan facilities include a mix of construction, residual stock, and land transactions located in Australia. The Fund is a credit fund and does not invest in any equity securities.

Philosophy / Process / Style

The investment process focuses on the preservation of capital and achieving strong Risk-Adjusted Returns. The Investment Manager adopts a rigorous approach to reviewing prospective property credit transactions, performing a 'deep dive' analysis of the credit through detailed interviews with key members of the guarantor group, third-party specialists, and other independent data sources.

The prospective credit transaction is then presented to the Investment Committee as part of the Investment Manager's iterative review process. Unanimous approval is required from the Investment Committee before a prospective credit transaction proceeds to the structuring and loan execution phase. If the facility limit is over \$20 million, Board approval is also required. Any concerns of the Investment Committee or Board will need to be addressed prior to settlement and execution.

Following loan execution and financial close, the property credit transaction is actively managed throughout its lifecycle to ensure ongoing compliance, which helps generate improved Risk-Adjusted Returns upon repayment. The Investment Manager will aim to construct the Fund's portfolio incorporating a range of property credit transactions to limit the exposure to any one particular project and/or single borrower.

Loans are originated by CBC and must be capable of being secured against real estate assets. These loans can be for various reasons, though they will mostly be for construction or investment, with a clear path or paths to exit within a relatively short timeframe.

CBC adheres to the following fundamental investment principles:

- Centuria Bass partnership – The joint venture leverages Centuria Capital's institutional scale and deep expertise with Centuria Bass's debt and funds management expertise, providing investors with a specialised offering
- Targeting strong investor returns – Target weighted average IRR of 8% - 12% per annum (net of fees and costs before tax)

- Downside protection – Strong focus on capital preservation through first-ranking security on all transactions. The portfolio has a strong senior mortgage focus with low LVRs
- Tactical and diversified – Tactical sector analysis with investments diversified by geography, term, sector, and borrower
- Stable income – The Fund aims to provide Investors with an income stream with regular returns on a monthly basis
- Access to a top-performing manager – Highly experienced and proactive management team and an investment committee with a proven track record and strategy. CBC property credit transactions have generated a weighted average return to investors of 12.1% per annum since inception as of 31 December 2024
- Access to a dislocated market – The strategy of the Fund seeks to capitalise on an Australian property debt market dislocation that represents a funding gap of \$122.9 billion

Portfolio Biases/Preferences

CBC has no bias/ preferences towards investments.

Property credit transactions that are entered into will follow the portfolio guidelines (per the IM), and the decision to enter transactions is based on the type of deal, location of the property, quality of the borrower, etc.

The appetite of the Investment Committee and Board does fluctuate based on expectations of interest rates and the underlying macroeconomic environment but does not materially shift on a regular basis.

There are three weekly meetings regarding the origination process, and the firm's appetite is communicated (if changed). Traditionally (since inception), the portfolio has been heavily weighted toward the residential property sub-asset class. The Manager has advised that over the review period (i.e. short term, <12 months), this is expected to continue.

Liquidity

The Fund is an illiquid investment. Investors may only withdraw in accordance with the terms of the issue of the Units. There may be a delay from the time the Trustee

accepts a withdrawal request and when the Investor's units are redeemed. This may impact the price of the redeemed Units.

There is currently no secondary market for Units in the Fund, and it is unlikely that any active secondary market will develop. There are restrictions on the transferability of Fund interests under the Trust Deed and applicable laws.

CBC has a liquidity committee that meets weekly to discuss the current liquidity position, explore sources of liquidity and the timing of cashflows, and ensure funding is available for the deal pipeline. The liquidity situation for the Fund is reviewed separately and on a combined basis with all CBC-managed funds.

Liquidity is offered to Fund investors through withdrawal requests that are usually processed monthly.

Leverage

This Fund does not employ direct leverage (through borrowing by the Fund) **or** economic leverage (through the use of derivatives).

2. Performance & Risk

Return Objective

The return objective stated in the IM is: "The target IRR for the Fund is 8 – 12% per annum (net of fees and costs and before tax)".

The Fund's IM does not have a formal benchmark. SQM Research uses the **RBA cash rate + 5% p.a. as a reference index** to provide context on the company's relative performance.

Material Risks

Advisers and Investors should refer to the 'Risks' section of the IM. Risks other than those mentioned in this section (or the PDS) may also have a material adverse impact on the Portfolio's performance or value.

Material risks which are associated with the Fund include:

Investment risk: Distributions may or may not be paid, and capital may or may not be returned.

Default and credit risk: A borrower under a Loan may not be able to pay principal and interest payments due under the Loan.

Security enforcement risk: The underlying Loans will be secured by a mortgage over the property and other forms of security. There is a risk that the sale or other enforcement of the security would not be sufficient to cover the capital and income repayment obligations of the borrower or that the sale or other enforcement of the security would take a significant amount of time.

Priority risk: The Fund may invest in Loans where the Fund's interest in the underlying security is subordinated to senior lenders or be exposed to loans or loan notes that form part of a first mortgage loan warehouse facility, which are subordinated to senior warehouse lenders. In such circumstances, the Fund will only be capable of distributing capital and income payments in respect of a Loan once the senior secured lenders have been repaid.

Risk Objective

The Fund's IM states that "An investment in the Fund is subject to investment risks" and that they are "different to (the risks inherent in) a cash deposit or investment in an ADI".

The true overall risk level in Mortgage Funds is determined by a range of risks, including (but not limited to) default/capital loss, liquidity, concentration, and interest rate risk. Advisers/Investors should read the IM to understand those risks.

SQM Research holds the view that the low volatility of returns often displayed by Mortgage Funds should not be interpreted as implying that these funds have a low level of risk. The low volatility of returns (in this sector) is an artificial construct caused by an absence of frequent mark-to-market valuation of a Mortgage Fund's assets and the accrual nature of these products.

Therefore, fund metrics such as Volatility, Tracking Error, Information Ratio and Sharpe Ratio add little statistical value within the Mortgage Funds sector.

Fund Performance to 30 April 2025 (% p.a.)						
Total Return	1-Month	3-Month	6-Month	1-Year	3-Year	Inception
Fund	0.80	2.31	4.71	9.78	9.46	8.69
Reference Index	0.75	2.27	4.67	9.66	8.91	7.73
Peer Average	0.72	2.11	4.32	8.92	8.41	7.96
Alpha	0.05	0.04	0.03	0.12	0.55	0.97

With distributions reinvested. Returns beyond one year are annualised. Return history starts Jan 2021

Reference Index: RBA Cash Rate plus 5.00%

Length of Track Record

The Fund has a history of 4.3 years (or 52 months).

Observations and analysis of returns will have moderate statistical meaning as a result of the sample size of observations.

Strengths

- The Fund benefits from a highly experienced investment team with a high level of active engagement by the owners of the business across all aspects of its operations
- The Manager has a detailed and highly active approach to loan management with clear lines of accountability
- Centuria Bass Capital has demonstrated an ability to attract and retain highly experienced employees, which is important due to its strong growth and the hands-on nature of its lending processes
- The Fund can tap into the strong lending growth achieved by CBC, which originates all loans in the portfolio
- The Manager benefits from the resources and reputation of its 80% owner, Centuria Capital Limited, which is a publicly listed specialist investment manager focused on the property sector with a market capitalisation of around \$2.3 bn
- The Fund is entirely invested in loans secured by first or second mortgages, with an average LVR of around 66.8% currently
- The Fund does not have any related party loans. However, the Manager has advised that it is not precluded from doing related party loans, but it is difficult to get through the Board's approval

- The key person risk is deemed to be low, considering that there have been some senior-level additions to the team in recent years
- The Fund has outperformed its peers and reference index in all periods

Weaknesses

- While the mid-market segment targeted by the Fund appears to offer significant opportunities, the relatively large size of its loans makes the Fund more susceptible to idiosyncratic risk. That said, much of the Manager's efforts in due diligence, loan structuring, and ongoing management are targeted at managing this risk, among other risks
- The Fund may invest in loans subordinated to other lenders
- The Fund's Trustee and Investment Manager are related entities. Detailed processes for managing perceived conflicts of interest are clearly articulated. SQM research notes, however, that the interests of the Manager and investors appear to be closely aligned
- The Fund is highly concentrated in NSW. However, the Manager has advised that this is only at present due to the current market environment and where they are seeing the best risk-adjusted returns
- Construction lending is not without some risks, particularly in the current and ongoing climate of labour pressures, construction time, and material supply-related delays on building projects. SQM notes significant cost blowouts are now common, and the failure of some builders in this climate has been increasing

Other Considerations

- SQM Research has undertaken a concurrent review of the Centuria Bass Credit Fund (CBCF), a related fund managed by the same team applying similar processes. A key difference between the Bass Property Credit Fund subject to this review and the CBCF is that the latter does not invest in loans secured by a second mortgage. As such, the Fund under review is a slightly higher risk/return proposition than the CBCF
- The FUM has been steadily growing in the last 3 years
- The Fund is exposed to smaller loans on average. Loans are typically shorter-term, averaging 12 months
- There is a 25% max limit on the second mortgage loans
- The Manager has employed enforcement techniques on two loans in the portfolio. The Manager has advised that they have appointed receivers and are actively managing potential concerns relating to full recoverability. At this stage, the Manager is confident that upon exit, the full principal will be repaid to the Fund on both facilities, as well as the potential for full or partial recoupment of initially forecasted investor returns. However, in both instances, this will be subject to the pursuance of personal guarantees. These two loans have been reflected in the Default in possession category. Each of these holds a very small position in the Fund, with the total at-risk position considered <0.8% combined

Fund Metrics

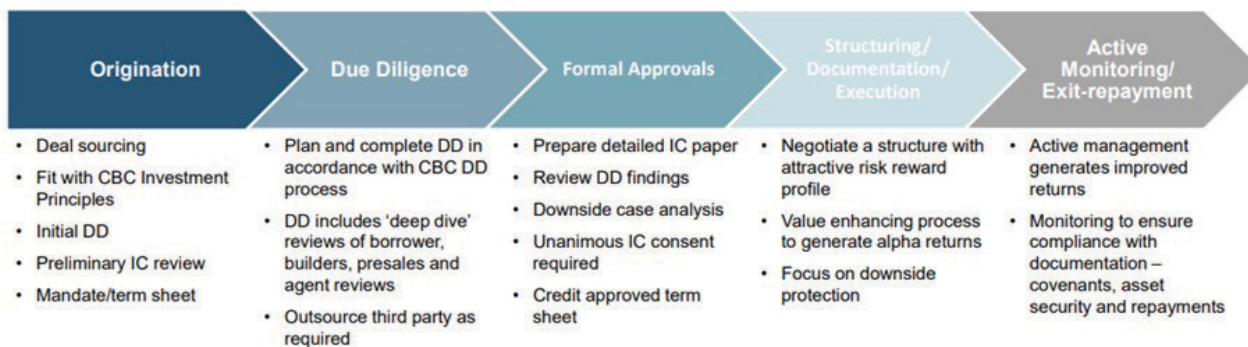
- 85.58% of the book is invested in First mortgages and 14.42% in second mortgages
- Weighted Average LVR is about 66.8% on an "as is" basis for the Fund
- Interest rate type: 82.29% Variable and 17.71% Fixed
- The Weighted Average Borrower Rate is 10.72%
- Arrears: 0%
- Defaults: 2.61%
- Loan maturity profile: 0-1 year: 99.02% and 1-3 years: 0.98%
- No. of loans: 69

Key Changes Since the Last Review

- Centuria Capital increased its investment in Centuria Bass in April 2024 from 50% to 80%, consolidating the business as a key growth engine of the ASX-listed full-scope property investment business
- Distribution frequency has changed to monthly since Jul 2024
- David Giffin (Deputy CEO and co-head of Lending) joined CBC in August 2024. He was onboarded as part of the CEO succession planning
- While there is no substantive change to underlying portfolio construction, the Fund is now also able to invest in first mortgage loan warehouse facilities, providing indirect exposure to the same or similar subordinated and unsubordinated loans

Investment Process Diagram

CBC takes a methodical, best-in class approach to assessing potential investment opportunities



- "End to end" integrated team: sourcing, underwriting, monitoring and management of repayment/exit
- This approach, while labor intensive, better aligns interests for investors and produces better credit outcomes.

Process Description

Investment Process

Screening/ Idea Generation

Loans are originated by CBC. CBC has a set of defined guidelines to ensure the screening process is consistent across all lending activities. Transactions are sourced from a variety of channels, including brokers, direct-to-borrowers, advisers, accountants and more.

The metrics of each proposed transaction are assessed to determine the merits and risks of transactions. Furthermore, investment directors reach out to the industry to source transactions. If the merits of the proposed transaction are within the risk appetite of the Investment Manager, the transaction is undertaken.

Research/Investment Selection

CBC uses a research methodology that tracks current themes across markets, trends, macroeconomic, industry and regions via both primary and secondary research.

Primary: Includes open-ended discussions and interviews with industry experts both internally (I.e. within CBC and Centuria) and externally (I.e. amongst borrowers, brokers, agents, quantity surveyors, valuation professionals, legal advisors, town planners, expert 3rd parties, competitors and investors). Any relevant information is communicated

directly to the management team or wider team via email or at weekly general meetings (e.g. WIP meetings, loan review meetings, marketing meetings) or specific deal progress/management meetings.

Secondary: The team regularly has access to secondary data sources, both publicly available (e.g. ABS data) and commercial sources (e.g. CoreLogic, Bloomberg), which are researched for major trends and macroeconomic data as well as on a deal-by-deal basis, both at inception and during the loan management process. This encompasses both macroeconomic, industry and regional data as well as wider trends which are analysed to support investment and management decisions. In addition, each loan is supported by third-party documentation (e.g. valuation reports, QS reports), which provides further information to be used as validation for CBC's own research methodology.

The Fund participates in the **commercial property credit market**, which includes the provision of loans to commercial borrowers for the **construction, development, investment, acquisition or improvement of property**. This type of finance also includes the refinancing of existing debts owed against commercial property, as well as the refinancing of debt that is secured against existing property but is for another business purpose.

Typical metrics that are analysed for new loan applications include (but are not limited to) the following.

- Loan-to-value ratio
- Loan-to-cost ratio
- Transaction return (IRR)
- Interest Rate Coverage (where relevant)
- Presale coverage ratio (where relevant)
 - Valuation Analysis (I.e. \$/m², \$/ha)
- Residual LVR
- Return on Cost (I.e. based on project feasibility)

Other guidelines used and assessed include:

- Sensitivity analysis (I.e. applying % cost increases and time delays to the project)
- Presale settlement downside analysis
- Fund portfolio guidelines
- Qualitative factors such as the desirability of the underlying assets and macroeconomic considerations

Portfolio Construction

The Fund Manager has described its **lending policy** as follows:

- The Fund Manager will ensure at all times that the risk profile of each Loan or investment is appropriate, having regard to the quality and value of the Loan or investment, underlying security property and the risk analysis process
- All Loans or investment decisions will be based on a credit risk assessment conducted by the Fund Manager, having regard to the approval and discussion held by the CBC Investment Committee
- All Loans or investments, borrowers and real property mortgages are assessed and managed by the Fund Manager
- Each Loan or property credit transaction will be properly documented and appropriately secured following an assessment by the Fund Manager of the purpose, the servicing capability of a borrower,

valuation, insurance and management protocols proposed for each Loan or property credit transaction

Loan Approval

The **Deal Team** prepares a **credit paper** outlining the proposed property credit transaction, which is presented to the Investment Committee (IC) as part of the Investment Manager's iterative review process. The IC is responsible for critically assessing each opportunity. This includes benchmarking against prior deals to evaluate risk profiles and conducting a conservative, downside-focused review in accordance with the investment and portfolio construction guidelines.

Where potential conflicts of interest arise, the transaction may be subject to third-party review or additional approvals deemed necessary by the Trustee to fulfil its duties to Unit Holders. Transactions exceeding \$20 million require further approval from the CBC Board, which includes 3 representatives from both Centuria Bass Credit and Centuria Capital Limited.

Upon receiving unanimous approval from the CBC IC, a separate Fund Investment Committee (Fund IC) convenes to determine the transaction's suitability for inclusion in the Fund (e.g., BPCF). The Managing Director – Funds/Fund Manager evaluates the transaction in the context of its impact on portfolio composition, transaction size, and alignment with relevant portfolio guidelines. Final approval for Fund entry is determined by the Fund Manager.

The Fund is a **diversified portfolio of mid-market property** credit transactions and other loans with property security. The Fund is conservative in nature, investing in first and second mortgage loans, with the following portfolio guidelines to be in place:

- A maximum of 15% of the Net Asset Value of the Fund will be invested in any one investment
- At least 75% of the portfolio will be allocated to first mortgage property secured senior debt
- 100% of the Fund will be secured by a mortgage over the property
- A maximum of 20% of the Net Asset Value of the Fund will be allocated to a single borrower
- A maximum of 65% of the portfolio will be allocated to any one geography

The Fund may also acquire loans or loan notes, which form part of the first mortgage warehouse facilities that rank behind senior warehouse lenders. These loans or loan notes will have underlying mortgage security aligned with the objective and strategy of the Fund.

Further diversification will be targeted via the construction of a portfolio with a mix of projects to limit exposure to any one particular project and/or single borrower.

These portfolio guidelines are assessed during each investment committee meeting prior to being approved by the Fund Manager, before accepting any transaction into the Fund. These Guidelines are recommendations only, and any variation that may arise is discussed by the IC and is able to be approved by the Trustee acting in the best interests of the unitholders.

Key Metrics	Fund
Market Value (\$m)	\$ 292,989,268.15
No. Positions/Loans	72.00
Avg Borrower Rate	10.72%
Weighted Average LVR	65.90%
Interest Type	Weight
Fixed	17.71%
Variable	82.29%
Maturity Profile - years	Weight
0-2	100.00%
Sector Profile	Weight
Residential - Investment	28.55%
Construction	49.65%
Commercial	7.99%
Industrial	2.18%
Vacant Land	5.58%
Cash	5.21%
Speciality	0.83%

Top 5 Holdings*

Name	Weight	Rating	Loan Doc Type	Industry
B121	8.76%	Strong	Full Doc	Residential
B110	7.35%	Performing	Full Doc	Residential
B115	5.58%	Strong	Full Doc	Residential
B83	5.10%	Performing	Full Doc	Subdivision
B114	5.09%	Strong	Full Doc	Commercial

* As reported to SQM on the return of the RFI, holdings will change over time.

Geography Profile	Weight
NSW	65.45%
QLD	5.25%
VIC	8.20%
WA	4.40%
ACT	11.48%
Cash	5.21%

Borrower Credit Strength	Weight
Strong	59.1%
Performing	40.9%
Non Accruing	4.3%

Loan Type	Weight
Full-doc	100.00%
Conforming	100.00%
First Mortgage	85.58%
Second Mortgage	14.42%
Other	

Loan Purpose	Weight
Bridging facility	29.11%
Equity for development	45.94%
Equity for investment	0.88%
Refinance	24.07%

Sell Discipline

Loans are generally held to maturity, refinanced by borrowers at their discretion, or divested by the Fund and financed by other sources available to CBC.

Risk Management

Risk management largely involves close loan monitoring at the portfolio and individual asset levels. Portfolio-level monitoring is coordinated by CBC's Loan Management team, which is independent of its deal teams and incorporates fortnightly meetings of the Loan Management Committee. These meetings involve a detailed portfolio review that takes a deep dive into each deal, partly to ensure lending terms are being met.

Specific activities of the Loan Management team also include daily risk analysis, scenario analysis and stress testing of the portfolio. Fortnightly reporting covering key portfolio metrics and individual loan updates is provided to all CBC staff. A 'traffic light' indicator is generated for each loan to identify those with a higher risk profile or management alert.

A Compliance Committee, comprising CBC's Co-CEOs, CFO, and a Centuria Capital representative, looks to ensure compliance, regulatory and other requirements are implemented and followed appropriately.

Individual asset level monitoring is largely a deal team responsibility and varies based on the type of asset and, where relevant, stage in the development process. Typical monitoring activities for development projects include on-site attendance at monthly Project Control Group meetings comprising the development project manager, builder, quantity surveyor and other key project personnel. Monitoring also includes tracking market valuations, sales and settlements to gauge future settlement risk. Monitoring also occurs during the approval of payments to borrowers and investors and when ensuring key covenants and milestones are being met on an ongoing basis.

Arrears and Default Management

The Fund employs a tiered arrears management process involving the Deal Team, Loan Management Team, and Asset Recovery specialists.

- **Initial Oversight:** The Deal Team monitors all loans and is the first to respond to covenant breaches. Immediate borrower contact is initiated. If unresolved within a reasonable timeframe, the issue

is escalated.

- **Loan Management:** Escalated cases enter a formal review process led by the Head of Loan Management, with input from the originating Deal Team member and oversight by the assigned Deal Partner. Progress is reviewed fortnightly by the co-CEOs.
- **Asset Recovery:** If resolution fails, the loan is transferred to a dedicated recovery team to avoid conflicts and ensure specialist focus. The team includes:
 - A qualified solicitor with a track record of zero-loss recoveries on CBC loans
 - Experienced deal executives
 - A senior advisor with 30+ years in corporate insolvency and turnaround
- **Recovery Actions:** If the borrower remains uncooperative, the Fund initiates a structured recovery sequence:
 - Reservation of Rights and Demand Notice
 - Refinancing assessment
 - Security revaluation
 - Marketing campaign (auction or EOI)
 - Asset sale and legal debt recovery

CBC takes a proactive and strategic approach to managing loan defaults, with a core focus on preserving capital. Recovering the full principal is the top priority, and immediate action is taken where needed, with interest recovery considered secondary.

Each default is assessed in detail by the Deal Team to understand and manage associated risks. Minor breaches may require limited intervention, while more serious cases are escalated to the Enforcement Team for stronger recovery measures, including legal action or taking possession of secured assets.

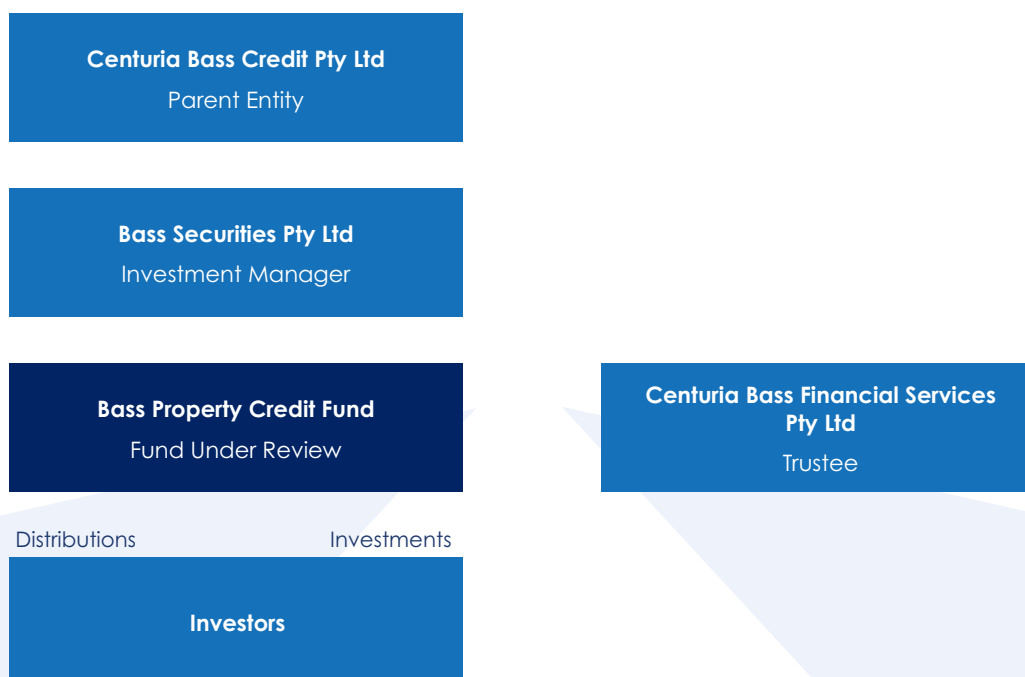
CBC adopts a flexible, case-by-case approach, adjusting strategies over time to ensure the best outcome for the Fund and its investors.

The Fund Manager is actively involved throughout the process. Monthly loan portfolio review meetings review all loans within the portfolio, with those needing to be actively managed receiving additional focus and resources in a weekly enforcement meeting. If restructuring is needed to avoid enforcement, it is presented to the Investment Committee for approval.

The table below outlines limits on the Fund's asset allocation and other risk parameters: -

Fund Constraints and Risk Limits	Permitted Range or Limit
State/Region	
NSW	Max 65%
QLD	Max 65%
VIC	Max 65%
WA	Max 65%
Other	Max 65%
Loan Type	
First Mortgage	75%+
Second Mortgage	25% maximum
Loan Value	
Size for a single loan	15% maximum
Other	
Constraint or Risk Limit 1	At least 75% of the portfolio will be allocated to first mortgage property secured senior debt
Constraint or Risk Limit 2	Max 15% of NAV in any one investment
Constraint or Risk Limit 3	Max 20% of NAV to any one borrower
Constraint or Risk Limit 4	Max 65% of NAV in any one geography
Constraint or Risk Limit 5	Other than cash held in an account with an Australian bank, 100% of the Fund's investments will be secured by mortgages over property
Other Constraints	
Maximum exposure to a single security	a maximum of 15% of the Net Asset Value of the Fund will be invested in any one investment
Maximum exposure to a single stock/company	a maximum of 20% of the Net Asset Value of the Fund will be allocated to any one borrower
Maximum exposure to geographic region	a maximum of 65% of the Net Asset Value of the Fund allocated to any one geography

Key Counterparties



Governance

Management Risk

Funds management businesses rely on the operational capabilities of key counterparties. A critical element is the ability of the Responsible Entity to monitor operational performance and to meet the regulatory and statutory responsibilities required. For any investment fund, there is a risk that a weak financial position or management

performance deterioration of key counterparties could temporarily or permanently compromise their performance and competency. This can adversely affect financial or regulatory outcomes for the Fund or associated entities.

Based on the materials reviewed, SQM Research believes that the Manager and associated key counterparties are well-qualified to carry out their assigned responsibilities. Management risk is rated as modest.

Management & People

Name	Responsibility / Position	Location	Years at Firm	Years in Industry
Yehuda Gottlieb	Portfolio Manager	Melbourne	4.8	21.0
Brett Corfield	Executive Director, Loan Management	Melbourne	4.0	30.0
Simon Holt	IC Member	Sydney	8.0	25.0
Marshall Denning	IC Member	Sydney	2.8	18.0
Charlie Robertson	Managing Director, Co-Head Origination	Sydney	3.6	26.0
Simon Blakers	CFO/ COO	Sydney	2.0	25.0
Lachlan Tracey	Managing Director, Head of Capital Markets & Co-Head of Execution	Sydney	1.3	25.0
Luke Hill	Director - Originations	Sydney	1.3	13.0
David Giffin	Deputy CEO, Co-Head of Lending	Sydney	0.5	20.0
Johnny Woodhouse	Executive Director - Origination	Melbourne	0.2	20.0
Andrew Vamvakaris	Executive Director - Origination	Melbourne	2.0	20.0

Staffing Changes

Departures			
Date	Name	Responsibility	Reason for Departure
Aug-23	Mark Schwartz	Executive Director - Distribution	Another opportunity
Jun-24	Tom O'Donnell	Distribution	Another opportunity

Additions / Hires			
Date	Name	Responsibility	Previous Position / Employer
Feb-23	Mark Schwartz	Distribution	Distribution Director, Pallas Capital
Feb-23	Andrew Vamvakaris	Origination	Director - Assetline Capital
Nov-23	Lachlan Tracey	Execution	Head of Acquisition, Leveraged & Syndicated Finance, ANZ - Citibank
Dec-23	Tom O'Donnell	Distribution	Distribution Partner, Pallas Capital
Aug-24	David Giffin	IC Member, Execution	Co-CEO, Taurus Motor Finance
Nov-24	Johnny Woodhouse	Origination	Executive Director - Lending, MaxCap

SQM Research observes that the levels of investment experience and company tenure are strong across the investment team. The size and nature of staff turnover are not an issue of concern, in SQM's view.

Fees and Costs	Fund	Peer Avg**
Management Fee % p.a.	0.50%	1.16%
Expense Recovery/Other Costs % p.a.	–	–
Performance Fee %	0.00%	1.58%
Total Cost Ratio TCR % p.a.	0.60%	1.43%
Buy Spread %*	0.00%	0.00%
Sell Spread %*	0.00%	0.00%

* This spread is the difference between the Fund's application price and withdrawal price and reflects transaction costs relating to the underlying assets.

** Peer average is based on data provided by SQM's data provider. SQM is not responsible for any errors or omissions. The peer group average Performance Fee includes those that do not charge a performance fee, i.e. (0%). SQM observes that funds that charge a performance fee tend to charge a lower management fee than those that do not.

Management Fee

The management fee excludes GST and is net of any applicable Reduced Input Tax Credits (RITC). The Management Fee includes the Responsible Entity fees as well as the investment manager fees.

Other Fees

Transfer fee: This fee is charged by the Fund to Investors on a transfer of Units and becomes an asset of the Fund.

At the Trustee's discretion, up to a maximum of 1% plus GST of the redemption price of the Units being transferred.

Exit fee: This fee is charged by the Fund to Investors on a withdrawal from the Fund and becomes an asset of the Fund.

At the Trustee's discretion, up to a maximum of 1% plus GST of the redemption price of the Units being withdrawn.

Performance Fee

The Fund does not charge a performance fee

SQM Research observes that:

- *The Fund management fee is 66 basis points lower than the peer group average*
- *The Total Cost Ratio (TCR) is 83 basis points lower than the peer group average*

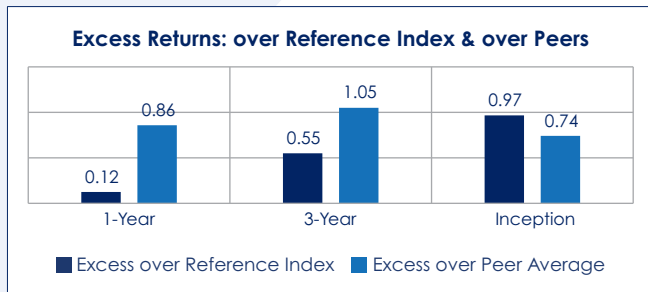
Risk/Return Data to 30 April 2025						
Total Return	1-Month	3-Month	6-Month	1-Year	3-Year	Inception
Fund	0.80	2.31	4.71	9.78	9.46	8.69
Reference Index	0.75	2.27	4.67	9.66	8.91	7.73
Peer Average	0.72	2.11	4.32	8.92	8.41	7.96
Alpha	0.05	0.04	0.03	0.12	0.55	0.97
Metrics				1-Year	3-Year	Inception
Tracking Error (% p.a.) - Fund				0.09	0.21	0.37
Tracking Error (% p.a.) - Peer Average				0.13	0.33	0.55
Volatility - Fund (% p.a.)				0.11	0.22	0.45
Volatility - Peer Average (% p.a.)				0.13	0.38	0.38
Volatility - Reference Index (% p.a.)				0.05	0.32	0.55
Beta based on the stated Reference Index				1.30	0.52	0.61

Distributions reinvested. Returns beyond one year are annualised. Return history starts Jan 2021
 Reference Index: RBA Cash Rate plus 5.00%

Quantitative Insight¹

Note: Unless otherwise stated, all return and risk data reported in this section are **after-fees** and for **periods ending Apr-2025**

Excess Returns (Alpha)

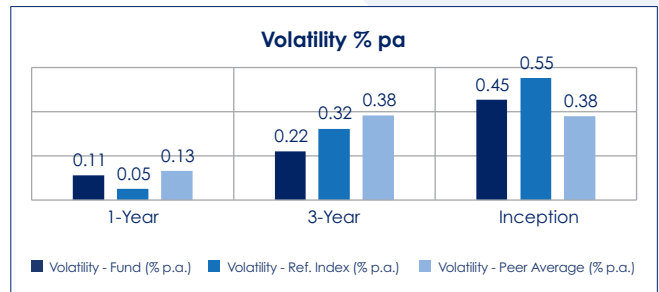


The Fund has displayed strong performance across all periods when compared with the reference index and peers.

It has met its return objective to generate an internal rate of return of 8% - 12% p.a. (net of fees).

The **return outcomes**, as described above, are consistent with the IM objective and are in line with SQM's expectations for the Fund relative to its fee level and volatility.

Risk



The Fund's **volatility** (annualised standard deviation of monthly returns) has tended to be much lower than the reference index (except 1-year) and its peers (except on a since-inception basis) in most periods.

The true overall risk level in Mortgage Funds is determined by a range of risks, including (but not limited to) default/capital loss, liquidity, concentration, and interest rate risk. Advisers/Investors should read the IM to understand those risks.

¹ Note: Sharpe and Information Ratios are not reliable comparison tools in periods where both the Fund and its peers/benchmark record a negative result

SQM Research holds the view that the low volatility of returns often displayed by Mortgage Funds should not be interpreted as implying that these Funds have a low level of risk. Low volatility of returns (in this sector) is an artificial construct caused by an absence of frequent mark-to-market valuation of a Mortgage Fund's assets and the accrual nature of these products.

Therefore, Fund metrics such as Volatility, Tracking Error, Information Ratio, and Sharpe Ratio add little statistical value (within the Mortgage Funds sector).

Correlation of Fund to Asset Classes

Market	3 years	Inception	Market Indexes
Aust Bonds	+13.3%	+16.7%	Bloomberg AusBond Composite 0+Y TR
Aust Equity	+14.8%	+3.4%	S&P/ASX 300 TR
Global Bonds	+19.6%	+16.8%	Bloomberg Global Aggregate Hdg AUD
Global Equity	+0.9%	+5.1%	MSCI World Ex Australia NR AUD

Correlation Key

Low	High	Description
0%	20%	low, weak
20%	40%	modest, moderate
40%	70%	significant, material
70%	90%	strong, high
90%	100%	substantial

Tail Risk

*(The analysis in the table below looks at the **tail risk performance relationship of the Fund to the ASX300**, a practice that SQM has set as common across asset classes in Fund reviews. This approach recognises that for the large bulk of financial planner clients, their key traditional asset class **risk** regarding **size** and **volatility** is Australian equities. Exploring that relationship is useful regardless of the asset class of the Fund itself, as it is helpful to understand how a Fund has acted in times of Australian equity market stress in terms of softening or exaggerating the negative performance experienced at such times.)*

The table below details the **largest negative monthly returns** for the ASX 300 **since the inception of the Fund**. This is compared to the Fund's performance over the same months.

Extreme Market Returns vs Fund Return Same Month

Index: S&P/ASX 300 TR		From Jan-21 to Apr-25		
Rank	Date	Market	Fund	Difference
1	Jun-22	-8.97%	+0.67%	+9.64%
2	Jan-22	-6.45%	+0.49%	+6.94%
3	Sep-22	-6.29%	+0.70%	+6.99%
4	Oct-23	-3.80%	+0.87%	+4.67%
5	Feb-25	-3.79%	+0.71%	+4.50%
6	Mar-25	-3.34%	+0.78%	+4.12%
7	Dec-22	-3.29%	+0.74%	+4.03%
8	Dec-24	-3.08%	+0.78%	+3.85%
9	Apr-24	-2.92%	+0.82%	+3.74%
10	Sep-23	-2.89%	+0.80%	+3.69%
Totals		-44.83%	+7.35%	+52.17%

			No. of Months
Correlation	+65.6%	Positive Return	10
Capture	-16.4%	Outperform	10

Tail Risk Observations:

The data in the table above indicate that the Fund displays **defensive characteristics**. However, this period has not seen extreme Australian equity tail risk, and therefore, it is difficult to conclude how defensive the strategy would be in such events.

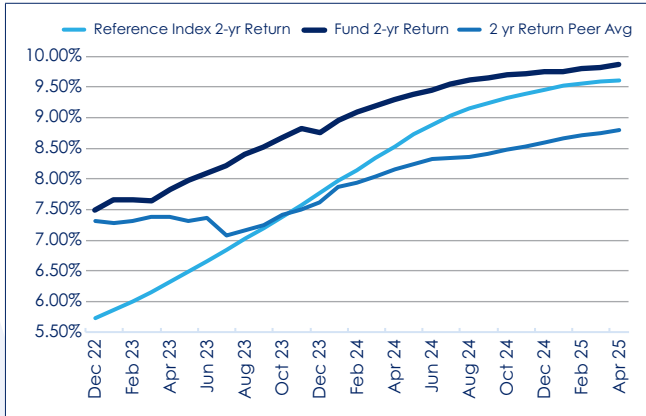
Annual Returns

Year	Fund	Reference Index	Peer Avg	vs. Ref Ind	vs. Peers
2021	+7.00	+5.11	+7.16	+1.90	-0.16
2022	+7.99	+6.36	+7.24	+1.63	+0.75
2023	+9.54	+9.19	+8.17	+0.35	+1.37
2024	+9.95	+9.73	+9.02	+0.22	+0.93
Apr-25	+3.12	+3.07	+2.86	+0.05	+0.25

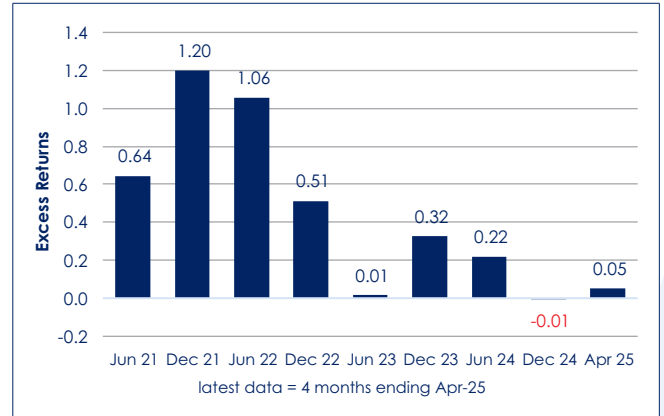
2025 data = 4 months ending Apr-25

Return and Risk

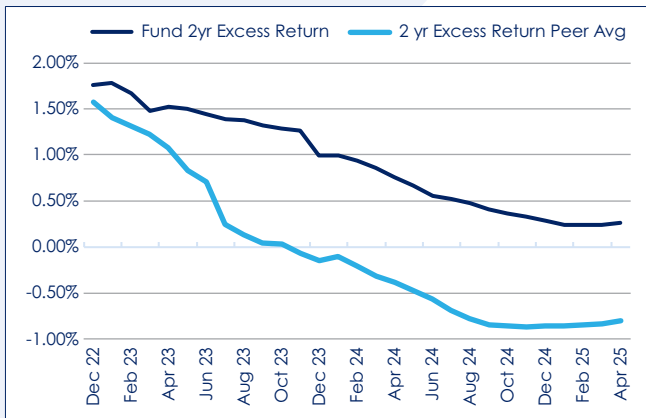
Rolling Returns



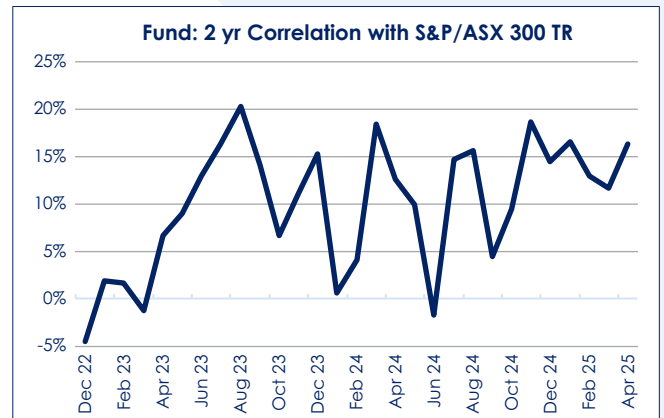
Fund Excess Return Half Yearly



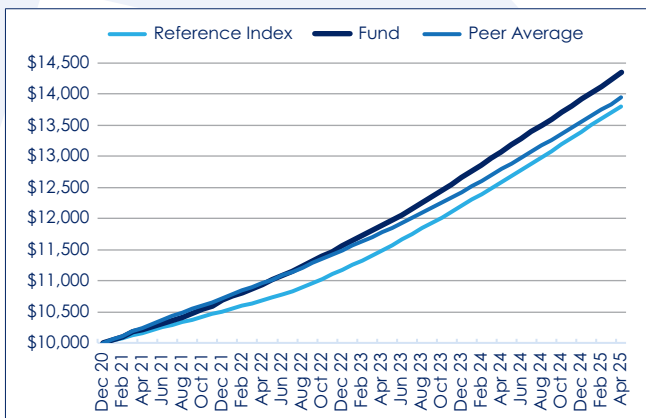
Rolling Excess Returns



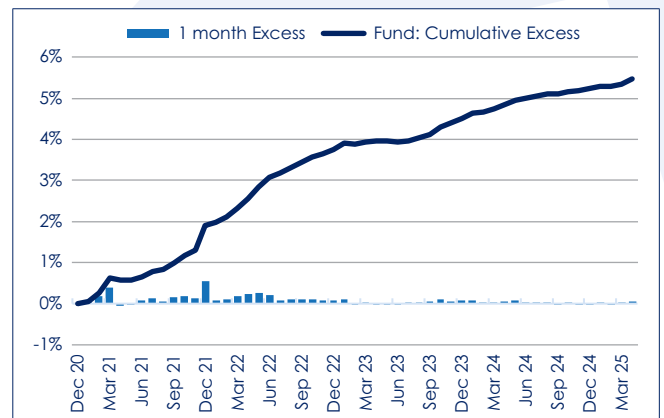
Rolling Correlation



Growth of \$10,000

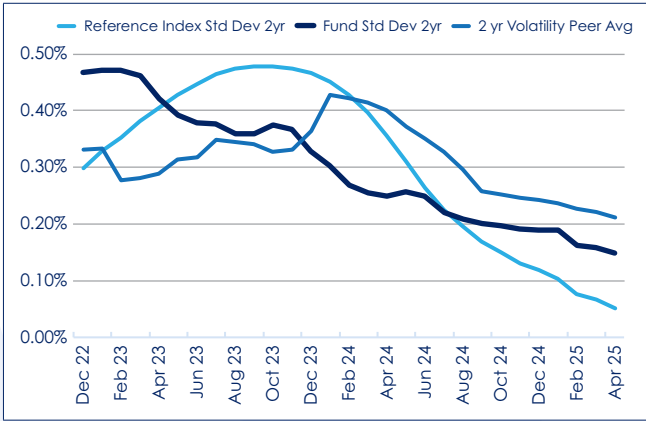


Cumulative Excess Returns



Return and Risk

Rolling Volatility



Drawdown

A drawdown tracks the path of the Fund's accumulated NAV (with dividends reinvested). It is measured over the period of a peak-to-trough decline and the subsequent recovery back to that previous peak level. The total return over that entire period is, of course, zero. The metric of interest, the drawdown itself, is quoted as the percentage change between the peak and the trough over that period. Funds typically have multiple drawdowns of varying size and length over their lifetime. The table above shows how many drawdowns have occurred and their average peak-to-trough size.

Alpha

SQM defines **Alpha** as the excess return compared to the Benchmark and is calculated as

$$\text{Alpha} = \text{Fund Return} - \text{Benchmark Return}$$

A General Note on Distributions for Managed Funds

The Responsible Entity of a Managed Fund will provide for a regular schedule of distributions, such as monthly/quarterly/semi-annual or annual. This is subject to the Fund having a sufficient distributable income. The official total distributable income available to pay to investors is determined for the period of that Fund's financial year. By distributing the net taxable income of the Fund to investors each year, the Fund itself should not be liable for tax on its net earnings.

If a Fund makes distributions more frequently than once over the financial year, those distributions will be based on estimates of the distributable income for that distribution period. The final total amount of distributable income available for passing on to investors can only be calculated after the close of the financial year, based on the Fund's taxable income for that year.

If the total distributions a Fund pays out exceed total taxable income for that particular financial year, the excess amount may be treated as a return of capital rather than income. This will possibly have tax implications for the investor.

Due to the considerations outlined above, there may be periods in which no distributions are made, or a Fund may make additional distributions.

A Fund's ability to distribute income is determined by the performance of the Fund and general market conditions. Accordingly, there is no guarantee that a Fund will make a distribution in any distribution period.

Total Cost Ratio (TCR)

Managed Investment Schemes: The TCR for Managed Investment Schemes, Exchange Traded Products, and Investment Bond funds is an addition of the Investment Management Fees and Costs (including admin fees), Performance Fee Costs, and the impact of dollar-based fees.

Superannuation funds: The TCR for Superannuation and Pension funds is an addition of the Investment Management Fees and Costs (including admin fees), Performance Fee Costs, Administration Fees and Costs, the impact of dollar-based fees and a deduction of Super OTC Derivative Costs.

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