

# Millbrook Credit Fund Diversified

Quarterly Insights 31 December 2023

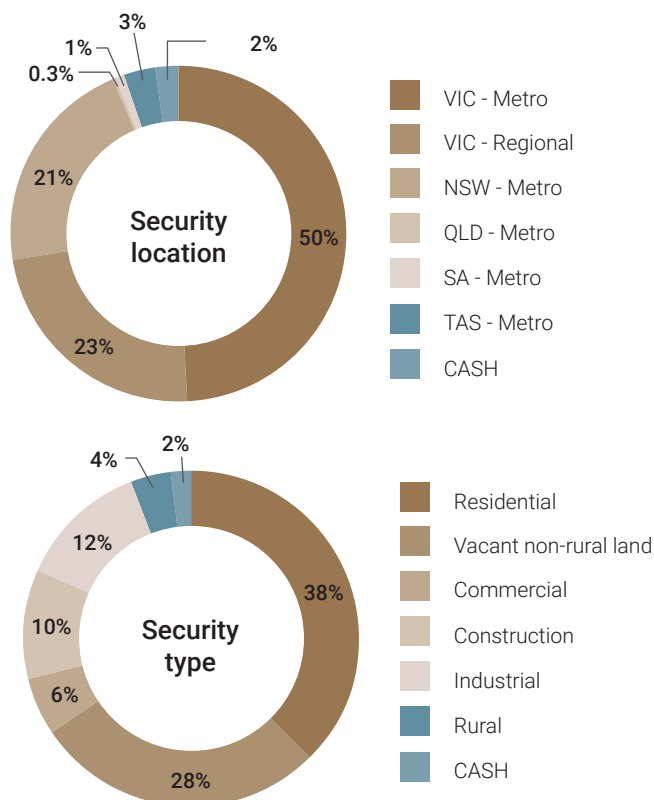
The Diversified Option provides investors with the ability to invest in a diversified range of registered 1st mortgages with different security, terms and LVR's, while knowing your interest return is underwritten by Millbrook Group. The minimum term is 12 months. **We treat your money like it is our own.**

## Fund reporting & performance

MCF Diversified - Key metrics as at 31/12/23	
Current return	7.35%pa
Benchmark	Bloomberg AusBond Bank Bill Index + 1.50%
Average weighted LVR	53.59%
No. of loans invested in	73
Loan terms	6-24 months
Current Diversified Option size	\$23,665,798
Overall Credit Fund size	\$168,468,374

Historical performance	Return	Benchmark*	Performance
1 Month	0.62%	0.49%	0.13%
6 Months	3.56%	2.90%	0.66%
1 Year	6.74%	5.39%	1.35%
3 Years pa	6.64%	3.24%	3.41%
Since inception pa	6.73%	2.92%	3.81%

\*Bloomberg Ausbond BBI + 1.5% (1 Year)



## Highlights

- Growth** Another strong quarter with funds under management now \$168m (14.3% increase for the quarter). Overall group FUM \$388m. Our allocation to residential property increased in the quarter.
- Demand** Demand slowed in October and November but rebounded very strongly in December. Speed to market remains our competitive advantage. The refinance market remains slow across the industry which has at times impacted our loan repayments.
- Types of loans** Majority of loans continue to be written on variable rates. Approximately 90% of the loan book is now variable.
- Arrears** Currently sitting at 0.48% (> 90 days). Our Credit team continues to closely monitor and manage any loan arrears.
- Market insight** We remain of the view that rates have peaked or are close to the peak. We are not expecting any rates cuts until late 2024. Our loan book is well positioned to take advantage of rate movements given the short duration of the portfolio (average duration remains around 12 months).

## Millbrook perspective

### The year that was ... 2023

2023 was a year of growth at Millbrook, with the team expanding and funds under management growing strongly. Overall funds under management for Millbrook Group as a whole grew by 35%, and is now \$388m. A very pleasing result as we look to grow to \$500m and beyond in 2024.

We continued to offer investors strong risk-adjusted, capital stable returns secured by first and second mortgages across Australia. The majority of our loans were written on variable terms which meant we were able to increase investor rates throughout 2023, keeping pace with rising inflation. With capital preservation at the forefront of our investment philosophy, we continued to take a conservative approach to LVR's.

The overall loan portfolio performed well despite rate rises, high inflation and cost of living pressures, with 90-day arrears in the Millbrook Credit Fund close to zero to end the year. The overall quality of our borrowers improved, with our ability to settle transactions quickly being our main competitive advantage. The large banks remain slow to approve transactions and often lack flexibility regarding loan terms. We don't see this trend changing which will see good quality borrowers continue to seek out non-bank lenders like Millbrook.

Despite some uncertainty we remain relatively positive on property as an asset class. Housing prices have rebounded with most capital cities experiencing positive year-on-year growth and population growth surged in 2023 on the back of strong migration. The federal government has announced a range of reforms to the migration system, but these measures are likely to take some time to take effect. As such, demand for property is likely to remain robust.

## Market forecasts

Bank	RBA cash rate forecast
CBA	Peak of 4.35%
ANZ	Peak of 4.35%
WBC	Peak of 4.35%
NAB	Peak of 4.35%

Economic forecasts	2023	2024	2025
GDP (y/y%)	1.4	1.7	2.2
CPI Headline (y/y%)	4.3	3.4	2.7
Wages Price Index (WPI)	4.1	3.9	3.6
Unemployment (%)	3.8	4.5	4.4
RBA Cash rate (%)	4.35	4.35	3.35
\$/US cents	0.66	0.73	0.78

Source: NAB Economics 20/12/23

## Looking for further investment opportunities?

If you would like to discuss investment opportunities in any of our property credit funds, please contact us directly.



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