Millbrook Credit Fund Diversified

Quarterly Insights 31 March 2024

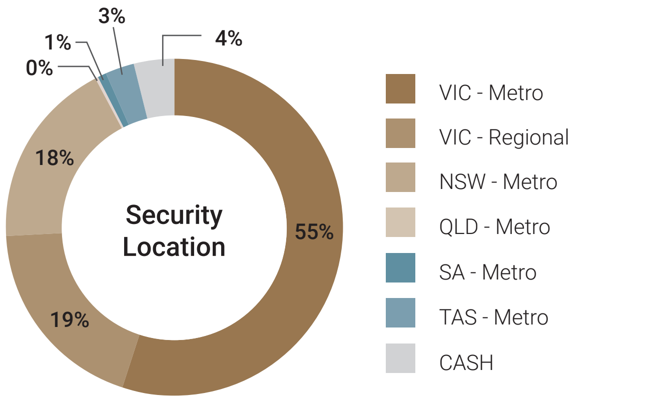
The Diversified Option provides investors with the ability to invest in a diversified range of registered 1st mortgages with different security, terms and LVR's, while knowing your interest return is underwritten by Millbrook Group. The minimum term is 12 months. ***We treat your money like it is our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

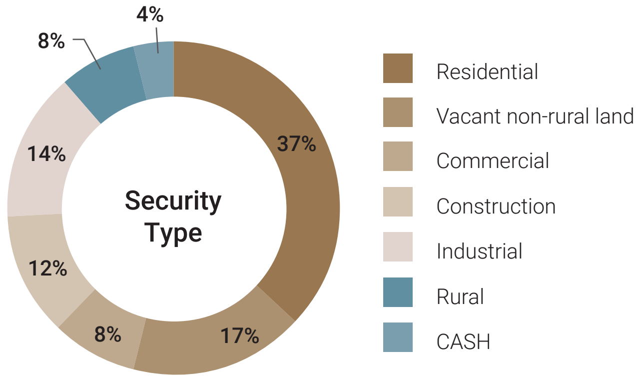
Fund Reporting & Performance

MCF Diversified - Key metrics as at 31/03/24	
Current return	7.35% pa
Benchmark	Bloomberg AusBond Bank Bill Index + 1.50%
Average weighted LVR	53.97%
No. of loans invested in	72
Loan terms	6-24 months
Current Diversified Fund Size	$27,815,265
Overall Credit Fund Size	$175,209,034

Historical performance	Return	Benchmark*	Performance
1 Month	0.62%	0.48%	0.14%
6 Months	3.62%	2.88%	0.74%
1 Year	7.03%	5.60%	1.42%
3 Years	6.69%	3.56%	3.13%
Since inception pa	6.80%	3.06%	3.74%

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





Highlights

Growth Funds under management have increased to $175.21m (4.3% increase for the quarter). Overall group FUM $396.6m

Demand After a slow January & February, demand picked up in March. Competition has picked up, particularly for Loans with conservative LVR's.

Types of Loans All new loans continue to be written on variable rates. 95% of the loan book is now variable.

Arrears Current arrears rate is 4.60%. No loans > 90 days in arrears. Our Credit team continues to closely monitor and manage any loan arrears.

Market Insight We remain of the view that rates and returns have peaked. There are varying views in the market, but we are still not expecting any rates cuts until late 2024. Our loan book remains well positioned to take advantage of rate movements given the short duration of the portfolio (average duration remains ~12 months).

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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Millbrook Perspective

In this quarter's Millbrook Perspective we are delighted to bring you a brief Q&A with **Greg Sugars, National Director & CEO** of leading property valuation firm **Preston Rowe Paterson**.

What is your view on the property market for the next 12 months?

Our view remains that the property market is performing well but non uniformly across Australia. Different market segments within the same asset class are performing differently also. We have seen a fairly stable residential market, although notably the large gains in regional areas, driven by the move outside metropolitan areas following Covid, have reversed and now we have seen regional markets underperforming capital city markets.

First homebuyer and investor stock remains competitive generally and provides opportunity.

The construction sector is definitely seeing the effects of lack of confidence by buyers in the Building sector and land supply remains constrained by restricted supply of shovel ready projects, due mainly to restrictions on development finance from mainstream banks.

The industrial sector remains the best performing non-residential sector. The continued uptake of online retail purchases, and therefore increased demand on transport and logistics has seen the sector strengthen. Yields remain strong and their remains a shortage of available industrial land for additional development.

Well managed Rural property, which has seen some of the highest capital gains over the last few years, will in our opinion see a return to more modest growth, given some headwinds from changing commodity prices and farm input prices.

How will population and migration changes effect the property market?

The increased level of migration has seen unprecedented demand of residential housing stock. This has been evidenced by the huge increase in weekly rents and lack of vacant investment stock.

Whilst building approvals remain at an all-time low, and even despite a higher interest rate environment, based solely on demand factors driven by the high migration rates we do not foresee and major corrections in residential markets and expect modest (probably single figure) increases in most major markets over the next year.

The federal government has set very ambitious targets for new housing stock (1.2 million houses in 5 years). Based on current approval rates there is very little chance of these targets being met.

Any sectors/asset classes you are concerned about?

We remain cautious on B, C, and any subprime commercial office accommodation. The level of vacancy's has risen over the past 6 months, and we are beginning to see fairly high incentives being offered by Landlord's where there is lower demand.

Changes in land tax in Victoria has seen a number of larger lifestyle and prestige markets see an increase of stock for sale which we believe will temper larger capital gains in the shorter term.

Anything else to look out for?

Please be cautious on Urban Fringe large land offerings as we have seen that there have been a number of very speculative purchases which have distorted this market.

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	2024	2025	2026
Real GDP (y/y%)	1.70	2.30	2.30
CPI Headline (y/y%)	3.10	2.60	2.40
Wage Price Index (WPI)	3.90	3.60	3.60
Unemployment (%)	4.50	4.40	4.30
RBA Cash Rate	4.10	3.10	3.10
$A/US cents	0.72	0.78	-

As at 19/03/24 Source: NAB Economics

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