Millbrook Credit Fund

This report has been prepared for financial advisers only

Favourable

May 2024

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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https://interprac.com.au/wp-content/uploads/2021/07/InterPrac-FSG-Part-1-v12.0.pdf

Report Date: 3 May 2024

Star Rating*	Description	Definition	
4½ stars and above	Outstanding	**Highly suitable for inclusion on APLs** *SQM Research believes the Fund has considerable potential to outperform over the medium-to-long term. Past returns have typically been quite strong. Product disclosure statement (PDS) compliance processes are of a high-calibre. There are no corporate governance concerns. Management is extremely experienced, highly skilled and has access to significant resources.*	High Investment grade
4¼ stars	Superior	**Suitable for inclusion on most APLs** *SQM Research considers the Fund has substantial 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.*	High Investment grade
4 stars	Superior	**Suitable for inclusion on most APLs** *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 corporate governance concerns. Management is of a high calibre.*	High Investment grade
3¾ stars	Favourable	**Consider for APL inclusion** *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. There are no corporate governance concerns, or they are of a minor nature.*	Approved
3½ stars	Acceptable	**Consider for APL inclusion** *In SQM Research's view, the potential for future outperformance in the medium-to-long term is somewhat uncertain. Historical performance has tended to be modest or patchy. Management is generally experienced and capable. SQM Research has identified weaknesses which need addressing in order to improve confidence in the Manager.*	Low Investment grade
3¼ stars	Caution Required	**Not suitable for most APLs** *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 potential substandard. There are possible corporate governance concerns. Management quality is not of investment-grade standard.*	Unapproved
3 stars	Strong Caution Required	**Not suitable for most APLs** *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 may be some material corporate governance concerns. SQM Research has a number of concerns regarding management.*	Unapproved
Below 3 stars	Avoid or redeem	**Not suitable for most APL inclusion**	Unapproved

Event-driven Rating	Definition
Hold	*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.*
Withdrawn	*Rating no longer applies. Significant issues have arisen since the last report date. Investors should consider avoiding or redeeming units in the fund.*

* 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.

CONTENTS

SQM Rating ★★★★½ *Favourable. Consider for APL inclusion.*

Fund Description	
Fund Name	Millbrook Credit Fund
APIR code	MMM8312AU
Asset Class	Mortgage Fund
Management and Service Providers	
Fund Manager	Millbrook Asset Management Ltd
Responsible Entity	Millbrook Asset Management Ltd
Fund Information	
Fund Inception Date	2007†
Fund Size	$175m at Mar-2024
Return Objective (per PDS)	RBA Cash Rate + 3.5% (net of fees)
Internal Return Objective	As above
Risk Level (per PDS)	The PDS notes that "investments in the Fund are subject to investment and other risks". The PDS also notes there are "risk management strategies, policies and procedures to manage (risk)".
Internal Risk Objective	Risk management processes to limit the likelihood of loss of investor capital and income
Benchmark	Bloomberg AusBond Bank Bill Index plus 1.50%
Number of stocks/positions	Select Option: 76 Diversified Option: 72
Fund Leverage	Nil
Portfolio Turnover	Select Option: 118% in 2023, 125% 4-year average Diversified Option: 103% in 2023, 134% 3-year average
Top 10 Holdings Weight	Select Option: 33.6% at Mar-2024 (50% maximum) Diversified Option: 37.2% at Mar-2024
Investor Information	
Management Fee	There are no direct fees charged to investors*
TCR (Total Cost Ratio)	See above
Buy Spread	Nil
Sell Spread	Nil
Performance Fee Rate	Nil
Minimum Application	$10,000
Redemption Policy	Varies by investment option. Conditions apply. See PDS
Distribution Frequency	Monthly
Investment Horizon	At least 12 months typically
Currency Hedging Policy	Not applicable

† The Fund was first established in 2007, though it was acquired by its current owner in 2017. This report considers the Fund's track record from November 2017. Return data presented in this report is the weighted average of returns for Select Option loans, largely because the Diversified Option has only been at material scale for a little more than one year.

* The Manager charges establishment and other fees to borrowers and also typically earns a direct interest margin of 1% to 2% on each loan

Fund Summary

Description

The **Millbrook Credit Fund (the "Fund", previously named the Millbrook Mortgage Fund)** is an open-ended, unlisted, registered managed investment scheme.

The Fund invests in first mortgage loans on residential, commercial, and industrial property in Australia for investment or construction. It aims to provide first mortgage loans to approved borrowers, predominately along the Eastern seaboard. Loans can be made to individuals or companies. The Fund targets returns of 3.5% above the RBA cash rate, net of fees. Investor returns come in the form of monthly distributions, which largely pass through monthly interest payments from borrowers.

Millbrook offers two investment options.

- Select Option: investors select the specific loans in which they invest. Each loan has its specific risk, rate of return, and terms and conditions. This is a contributory or peer-to-peer mortgage investment where one or more investors invest in a specific mortgage loan, and each is allocated a fractional economic interest in the loan. The principal invested is returned to investors on the maturity of the selected loan (maximum three years).
- Diversified Option: this is a pooled option that combines funds from different investors and invests in underlying loans that are similar to the loans that are offered in the Select Option. The Millbrook management team makes investment decisions. New loans are added to the pool as existing loans mature and investor funds flow into the pool. The minimum investment period for this option is 12 months, and withdrawal applications require 60 days written notice.

Fund Rating

The Fund has achieved the following rating:

Star Rating	Description	Definition	Investment Grading
3.75 stars	Favourable	Consider for APL inclusion	Approved

Previous Rating: 3.75 stars (Issued May 2023)

SQM Research's Review & Key Observations

About the Manager

Millbrook Asset Management Ltd ("Millbrook", the "Manager", previously Millbrook Mortgage Management Ltd) is owned by David Lyall Holdings Ltd (DLH), which itself is predominantly owned by its Managing Director David Lyall. DLH is the Investment Manager and Responsible Entity for the Fund. The Fund was established in 2007 and operated under a different name until it was purchased by DLH in 2017. DLH combined the Fund with its existing real estate finance operations. They comprise three distinct but similar businesses with combined assets under management of around $400m. The Fund has grown by almost 50% over the last 12 months to $175m. The Manager and its related entities (the "Millbrook Group") are based in Melbourne and have around 17 employees, most of whom are in asset management or investor-facing roles. It also engages a handful of independent directors and external members of its Credit Committee.

The Manager hopes to continue to grow rapidly and has substantially replaced and expanded its distribution team to support its ambitions. It hopes to widen its investor base by attracting high-net-worth clients and others who often use financial planners, professional advisors, or fund managers to place their funds. It believes its reputation for treating clients and brokers well and having good customer service will help it increase its broker network, get on platforms, and attract more investors.

Investment Team

Millbrook's total investment personnel has grown substantially in recent years. All members of its credit team, which leads loan application assessment, have joined since the beginning of 2022. Andrew Slattery, Head of Investments, joined Millbrook around a year ago.

The Credit Committee includes Colin Robinson and David Lyall, plus two others. It is mainly involved in loan approval. While Millbrook's investment team includes highly experienced professionals, they haven't worked together very long. Some key person risk exists in David Lyall. However, his significant ongoing investment suggests he is highly committed to the Millbrook Group for the foreseeable future.

1. Investment Philosophy and Process

Investable Universe

The Fund invests in loans, largely secured against established or unimproved residential property and a small amount for the construction of residential properties. The Fund also lends on industrial and commercial property that is improved or under construction. It mainly lends to self-employed individuals, business entities (companies) or investors for terms of up to three years. Loan purpose predominantly includes business and investment and may also include bridging finance to purchase or change properties. The Fund does not lend against specialised assets such as petrol stations, primary producing land, childcare centres or aged care facilities. All loans must be secured by first mortgage.

Philosophy / Process / Style

The fund seeks to provide investors with the opportunity to invest in first mortgages, offering a target return of 3.5% above the RBA cash rate net of fees. It looks to offer opportunities that provide regular monthly income where investor capital is secure. To this end, it looks to obtain quality first mortgage loans predominately along Australia's Eastern seaboard. It has developed sound lending principles, codified in its Credit and Lending Policy, which minimises the potential for loan default. The Manager notes that it has never lost any investor funds.

Loans are mostly sourced via brokers. Loan assessment includes examining the borrower's level and sources of income and net wealth, focusing on the quality and value of the property to be mortgaged. Rules exist about the requirements of security valuation, and valuers must be certified. Loan-to-valuation ratios (LVRs) do not exceed 70% at loan origination. The Diversified Option targets a weighted average LVR of 50-60%. While the Manager has successfully reduced its heavy concentration of loans to Melbourne, from above 90% of the Fund until early 2022, this seems to have stabilised above 50% recently. Loans to Victoria make up more than two-thirds of the Fund at the time of our review. SQM Research observes that the Manager has recently added resources aimed at increasing loan origination from Sydney and Brisbane.

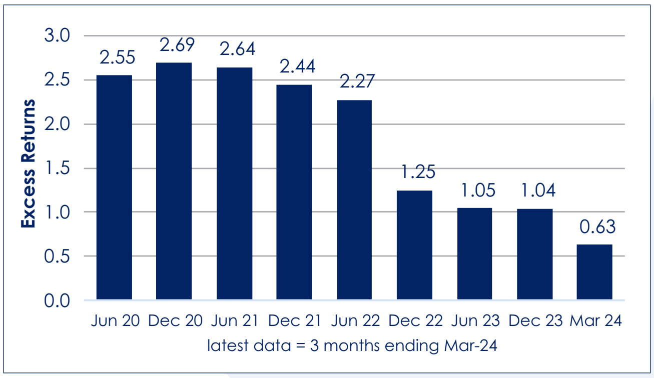
Investors can invest via the Diversified Option (pooled) or Select Option (contributory). Select Option investors will regularly be offered opportunities to invest in specific loans.

2. Performance & Risk

Return Objective

The return objective stated in the PDS is: "3.5% (net of fees) above the Reserve Bank of Australia cash rate". The Fund's benchmark, as stated in the PDS, is the Bloomberg AusBond Bank Bill Index plus 1.5%.

Fund Excess Returns %: Half-yearly (net of fees)*



**** all return data presented in this report, including relative return data, is the weighted average of returns on individual investments/loans in the Select Option. The actual returns on individual loans in the Select Option have likely differed from the returns presented in this report.***

Length of Track Record

The Fund was established in 2007, though it has changed hands several times. The most recent change of ownership was in 2017 when DLH acquired it. This report considers the Fund's track record from this time. As such, the Fund has a history of 6.4 years (or 77 months) since being acquired by its current owner.

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

Risk Objective

The Fund's PDS notes that "investments in the Fund are subject to investment and other risks". The PDS also notes there are "risk management strategies, policies and procedures to manage (risk)".

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 rates risk. Advisers/Investors should read the PDS to understand those risks.

The Fund offers Select Option investors exposure to mortgages with differing loan characteristics. As such, investors can select mortgages most suited to their risk and liquidity profile.

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.

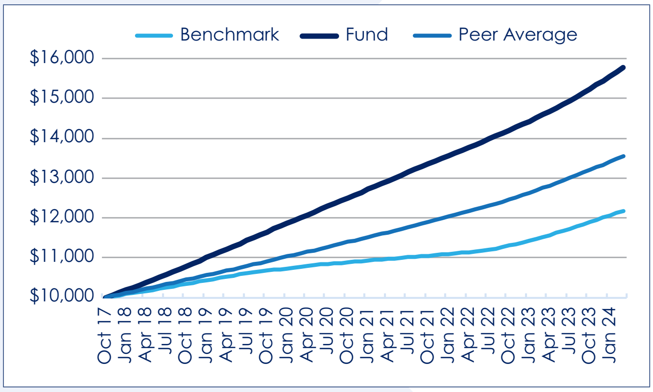
Fund Performance to 31 March 2024 (% p.a.)

Total Return	1-Month	3-Month	6-Month	1-Year	3-Year	5-Year	Inception
Fund	0.69	2.09	4.18	8.02	7.04	7.18	7.35
Benchmark	0.49	1.46	2.91	5.75	3.60	3.03	3.12
Peer Average	0.53	1.52	2.95	5.98	4.72	4.11	4.19
Alpha	0.20	0.63	1.27	2.28	3.43	4.15	4.23

Weighted average for Select Option loans. With dividends reinvested. Returns beyond one year are annualised. Return history starts Nov-2017

Benchmark: Bloomberg AusBond Bank Bill Index + 1.50%

Growth of $10,000



Strengths of the Fund

- The rate of return to investors on each Select Option loan is established in advance. Transaction-specific interest rates recognise the individual risk inherent in each loan.
- A first mortgage secures each loan; therefore, individual investors are secured for their fractional interest in the Fund.
- Investors do not pay any direct fees.
- The Fund is exposed to smaller loans on average.
- Loans are typically shorter term, averaging 12 months.
- The Manager's access to lending opportunities from a wider broker network enables it to be more selective when funding individual loans and introduce greater geographical diversity into the portfolio.

Weaknesses of the Fund

- Repayment of capital to Select Option investors depends on individual borrowers meeting their repayment schedule to the Fund.
- An investor may not be able to protect their capital in a timely manner, given the illiquidity of the investment.
- Investors do not enjoy the protections afforded investors in term deposits and government-guaranteed holdings in Approved Deposit-taking Institutions (ADIs).

Other Considerations

- The Fund targets returns above those typically achieved from traditional fixed interest, term deposits, or credit-managed funds. This is not achieved without a commensurate increase in risk, which is not simply measured by volatility alone. Other risks that investors should recognise include credit risk, illiquidity, property development risks, market risk and exposure to only certain property types, and geographic concentration, though this is less than previously.

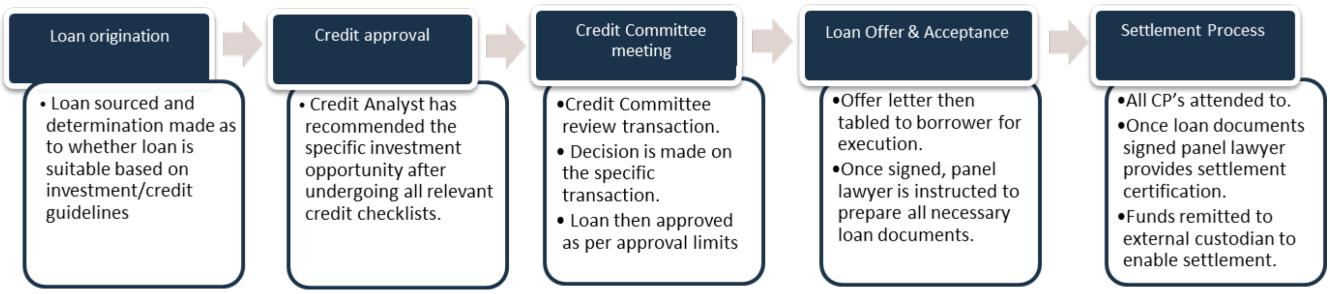
- The Select Option offers investors exposure to mortgages with differing loan characteristics. As such, investors can select mortgages most suited to their risk and liquidity profile.
- Having the same entity as the Investment Manager and Responsible Entity raises the potential for a conflict of interest. However, the Manager's Board has a majority of independent Directors.
- The returns on the Fund are largely dependent on the supply and demand for loans. Demand will be influenced by broader economic conditions and the requirement to fund loans.
- Having previously mostly written fixed-rate loans, almost all loans written since September 2022 have been at a variable interest rate.
- The maximum allowable term for loans is three years, though none currently have terms greater than 24 months.

Key Changes since the Last Review

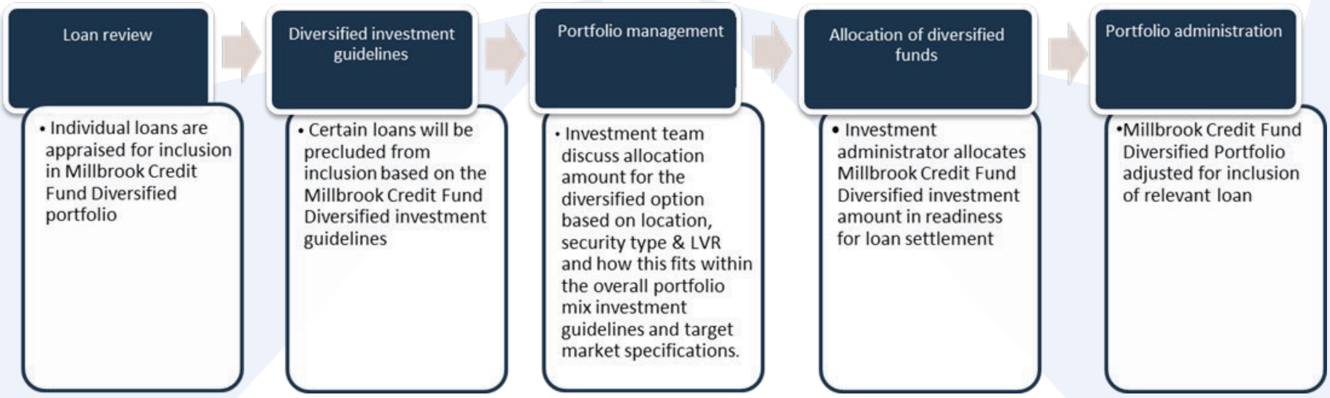
- The Responsible Entity board now has a majority of Independent Directors following the appointment of two additional Independent Directors.
- Appointment of Perpetual Corporate Trust as Custodian of the fund in June 2023.
- No material changes to the investment process since the previous review.

Investment Process Diagram

Millbrook Credit Fund Loan Assessment



Millbrook Credit Fund Diversified Portfolio Management



Process Description

Investment Process	
Research and Portfolio Construction Process	**Research** The Manager's research activities include reading daily publications and items of interest from brokers, banks, other financial institutions and fund managers. Team members also attend industry presentations on relevant topics. The Manager has a large network of property professionals with whom it has close relationships and can rely on for various opinions on the property market and industry more broadly. These connections include valuers, buyers' advocates, developers, investors and other industry professionals. Research is otherwise an integral component of many key steps in the Manager's investment process. **Loan Origination** Loans are sourced via brokers, past clients, and word of mouth. Loan origination was significantly strengthened with the 2022 appointment of the Manager to the approved lender panel of Vow Financial, an aggregator with approximately 100 commercial brokers in its network. The flow of enquiries has increased substantially following this development. In 2024, Millbrook is seeking to be added to additional lending panels.

Investment Process	
Research and Portfolio Construction Process ***...continued***	While brokers provide a stream of loan opportunities with some pre-vetting, it is beholden on the Manager to conduct in-depth due diligence on each application to ensure borrowers are of appropriate quality. SQM Research believes a well-diversified source of loan origination is desirable as it will encourage a broader and more sustainable demand for loans and investment opportunities for investors. **Screening** The Manager notes that it does not place funds into high-risk loans where it would not invest its own funds. The loan criteria applied for the Fund include: • loans must be short-duration, typically 6 -24 months • target weighted average LVR of 50-60% • preference for residential security • construction and vacant land loans, each limited to 20% of the Fund **Geographic Preferences** Millbrook views geographic diversification as important though will not sacrifice loan quality for geographic diversification. The primary objective is that transactions meet the required loan criteria and be deemed suitable for the Fund. As such the Manager is mainly focused on Melbourne and Sydney metropolitan locations. It believes the current Brisbane metropolitan market is favourable but is selective in prioritising quality transactions. Other locations such as Adelaide and Hobart are open for consideration, but the Manager tends to be more conservative in these markets. **Due Diligence** Loan applications are assessed according to the Manager's Lending and Credit Policy. The main areas of interest are the applicant's financial standing and the quality and value of the property to be mortgaged. The purpose of the loan is also a key consideration. **Borrower Analysis** Loan assessment includes examining the borrower's level and sources of income and net wealth. Income is key to the Manager's assessment of a borrower's ability to service a loan, which examines whether they can afford to make repayments while considering all of their other liabilities. The borrower's assets and liabilities must also be ascertained to assess whether they convey overall financial strength and a history of sound financial decision-making. Supporting documentation and evidence are required, including the borrower's latest financial accounts and tax returns. Consideration is given to the applicant's occupation, employment, and length of time employed in that particular position. Specific evidence required may include either pay slips for those who are employed or historical financial statements for self-employed applicants. Compliance checks are undertaken using check sheets throughout the process up to settlement. External sources of information sought include a recognised credit agency report on all borrowers, guarantors, and related parties. A bankruptcy search on all borrowers and guarantors is undertaken, as is an ASIC company search for any corporate borrower.

Investment Process

Research and Portfolio Construction Process

...continued

Valuation Policy

Loan assessment also closely examines the property that will form the security for the loan. The Manager examines whether the property meets the requirements of its credit policy, is in a metro location, and if sufficient demand exists for this specific property type in its location. The mortgaged property is a key factor determining the loan structure and provides additional assurance, along with the applicant's financial strength, that the Fund will be repaid at the end of the loan term.

The Manager requires a registered property valuation to be conducted for all transactions. It must be provided by a certified valuer. The Manager maintains a panel of professional property valuers, which it calls upon for most property assessments. It looks to rotate across valuers over time. It may, at times, also use licensed Real Estate agents and online providers such as CoreLogic for valuations. Among the main factors valuation must consider about the subject property are location, type, purpose, sales history, specific features or limitations, and special conditions.

Valuation is required before the issue of a loan. Where a loan is for construction or development purposes, the valuer will determine an 'as if complete' value and an estimated cost of completion of the works. During the construction or development works, the Manager can, at its discretion, accept a more limited valuation or a report by an independent quantity surveyor or civil engineer instead of a valuer concerning the assessment of drawdowns.

The Manager may waive the requirement for formal valuation where the LVR is less than 50% of the value of the property or where a loan for an initial term of 12 months or less is renewed at maturity, and the previous valuation was carried out less than 15 months before the renewal date. There are other circumstances where the Manager may require a valuation of a mortgaged property, including within two months of the directors forming a view that there is a likelihood that a decrease in the value of security property may have caused a material breach of a loan covenant.

Loan assessment also looks to understand the purpose of the loan, inquiring about the borrower's requirements and objectives. These may include the amount of credit needed or the maximum amount sought, the timeframe for which it is required, and the purpose and benefit sought.

Loan Approval

Once a credit analyst has undertaken all relevant credit assessment processes and recommended a specific investment opportunity, the required approvals vary depending on loan size.

- Up to $1.5 million: Managing Director solely, or otherwise any two Credit Committee members jointly.
- $1.5 million to $3 million: Managing Director jointly with another Credit Committee member, or otherwise any two Credit Committee members jointly.
- $3 million to $5 million: Any two Directors and one Credit Committee Member jointly.
- Over $5 million: Board approval required.

Investment Process

Research and Portfolio Construction Process

...continued

Loans are priced by the Manager's Credit Committee, considering the borrower's assessed creditworthiness, the security property's location and value, and the loan's term. This enables Millbrook to match risk to targeted return for each loan. The minimum loan size is $100,000, with no maximum. Most loans have terms from three to 24 months, and circa 90% of the portfolio are variable-rate loans. All loans must be secured, with an LVR for Select loans not exceeding 70%, while the LVR for the Diversified pool must not exceed 65%.

Borrower Fees

Borrowers are charged an establishment fee (usually 1.5% to 2% of the loan amount plus GST) upfront and a monthly account administration fee of $22.00 plus GST. Costs for legal fees, valuation fees, broker fees and security registration fees are collected from loan proceeds at settlement and passed onto the relevant service providers.

Additional fees that may be charged include an early termination fee, dishonour fee, default realisation fee, loan discharge fee, loan renewal fee, pre-settlement arrangement fee, capital reduction fee and security review and variation fee.

Portfolio Construction

Approved loans are funded by investors in either the Diversified Option (pooled) or the Select Option (contributory). Investors choose between these options when they submit their applications to the Fund. Investors in the Select Option initially have their monies deposited in the Manager's Investor Trust Deposit (ITD) account.

If the Manager decides that Select Option investors should fund an approved loan, it will forward the necessary documents, including pertinent loan details, to individual investors, inviting them to finance that specific loan, or "Select Mortgage Investment", as referred to in the PDS. The amount each investor is invited to contribute is set by the Manager. If an investor accepts, their funds will be transferred from the ITD account to the Select Mortgage Investment. They will be allowed to add to their balance in the ITD account if it is insufficient to fund the investment.

The investment period will match the loan term, and the return for the investor will be the interest rate payable by the borrower less a management fee, which is usually 1.0% to 2% p.a.. The investor bears the credit risk of the loan directly. The Manager will only consider loans greater than $2m or for longer terms of up to three years if an appropriate pool of Select Option investors can be identified beforehand. An alternative arrangement for Select Option investors is to allow the Manager to allocate all or part of their ITD account investment in Select Mortgage Investments at the Manager's discretion. In practice, the Manager seeks approval from all Select Option investors before allocating their funds to a specific loan.

Investors in the Diversified Option have no discretion to choose specific loans in which to invest but benefit from the risk mitigation that comes from investing in a diversified portfolio of loans. Investment in the Diversified Option is for a minimum of 12 months, for a return equal to the interest received on the loans funded by Diversified Option investors, less a management fee, usually 1.5% to 2% p.a.. The monthly distribution is declared monthly in advance and is distributed to all investors irrespective of when monthly payments from borrowers are received. The distribution has remained at 7.35% p.a. since Dec 2023, however is variable and can be revised monthly. Diversified Option investments account for around $28m of the $175m total invested in the Fund, the remainder being invested via the Select Option. SQM Research notes that the Manager's strategic focus is on growing its pooled funds, including the Diversified Option of the Fund.

Investment Process

Research and Portfolio Construction Process

...continued

Risk Management

There are several elements to the management of risk for the Fund. As well as continuous application of the Manager's Lending and Credit Policy, these include the imposition of limits applied at the portfolio and individual loan level, monitoring of market conditions and individual loans, and processes for managing problem loans.

Limits include a maximum of 70% LVR for all loans, a maximum of 5% of FUM to be lent to any one borrower, and total lending for construction not exceeding 20% of FUM. The Manager also strongly prefers loans in metro areas rather than regional centres. Also, while loan terms generally range from six to 24 months, the average is approximately 12 months, which provides for a relatively rapid turnover, resulting in more frequent opportunities for the return of capital to investors and reducing interest rate risk.

The Manager keeps abreast of market conditions by reading widely, including reports from brokers and financial intuitions. It also maintains regular contact with market participants such as property developers and attends various presentations on credit and lending and the property market. The management team meets monthly to discuss the state of the market and potential red flags from a property, client, and investor perspective. The loan book is reviewed in this meeting to ascertain and identify any borrower at risk. Interest repayments are monitored daily for non-payment.

Arrears Management

Arrears are closely managed. If a missed payment is not made after seven days, the borrower is contacted by email and telephone for an explanation and to provide an expected date for payment. If payment is not received within 30 days of the initial due date, default notices are issued, and the relevant investors are notified. If the risk is acceptable, the Manager may continue to cover the interest on the loan while arrangements are made to ascertain if the client is seeking to refinance or sell the property. Once a loan becomes three months overdue, recovery processes may include legal action to retrieve the outstanding debt by way of a mortgagee sale. Interest payments in arrears are charged a penalty rate of interest. The risk of loss on individual loans is borne by the investors that fund the loan, whether through a Select Mortgage Investment or the Diversified Option.

The Manager does not make provisions for loan impairment. It notes that if a loss were to be made on a loan, it could be recovered through a Mortgagee in possession sale. If a shortfall remained after this, the Manager would pursue the loan's guarantors. The Manager notes that no Fund investor has incurred a loss of capital or interest to date.

Material Risks

Material risks which are associated with the Fund include:

Liquidity Risk

The fund's underlying investments may not provide the desired liquidity in times of stress with unusually high redemption requests. This reflects that the underlying assets may at times, be less liquid than the unit redemption frequency. See portfolio characteristics for more details.

Investment Process	
Research and Portfolio Construction Process ***...continued***	**Risk to capital** Investments are not capital guaranteed. The risk to capital is affected by the ability of the borrowers to repay loans, the quality of properties forming security for mortgage investments, adequate insurance of improvements on those properties, and a general fall in property values – all of which may result in a mortgagee sale delivering less than a full return of capital to investors. **Risk to income** The income of investors in the Fund is at risk if borrowers default under the terms of their mortgages and fail to make agreed loan repayments as they fall due. There is also a risk for investors to the solvency of the responsible entity. Other risks for the fund include: • interest rate risk • concentration risk • valuation risk • regulatory risk Please refer to the PDS for more information. **Portfolio Characteristics** **Portfolio Turnover** Portfolio turnover for the Select Option was 118% in the 2023 calendar year, slightly below the average annual turnover of 125% for the last four calendar years. Turnover for the Diversified Option was 103.5% for the 2023 calendar year, trending lower than the two previous years. **Liquidity** The vast majority of Fund assets are fixed-term loans, mostly for six to 24 months. Fund liquidity is provided either by loan expiry and loan principal repayment or interest payments from borrowers, which are passed on to investors, less management fees. Select Option investors have their monies tied up for the terms of the loans they choose to finance. Investments not yet allocated to specific loans, and held in the ITD account, can be withdrawn on seven days written notice. Diversified Option investments have a minimum term of 12 months but no fixed maturity date. Redemption of Diversified Option investments is via application which must be submitted 60 days in advance. Other conditions apply to withdrawals and are detailed in the PDS. **Leverage** This Fund does not employ direct leverage (through borrowing by the Fund) **or** economic leverage (through the use of derivatives).

Key Portfolio Information as of 31 March 2024

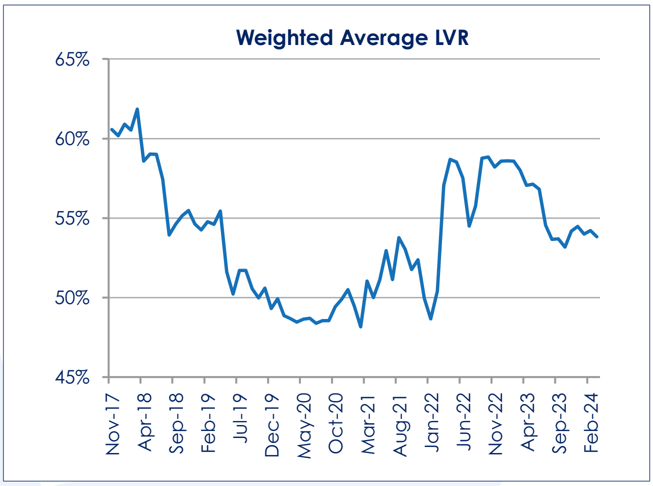
% are weights of portfolio unless otherwise stated

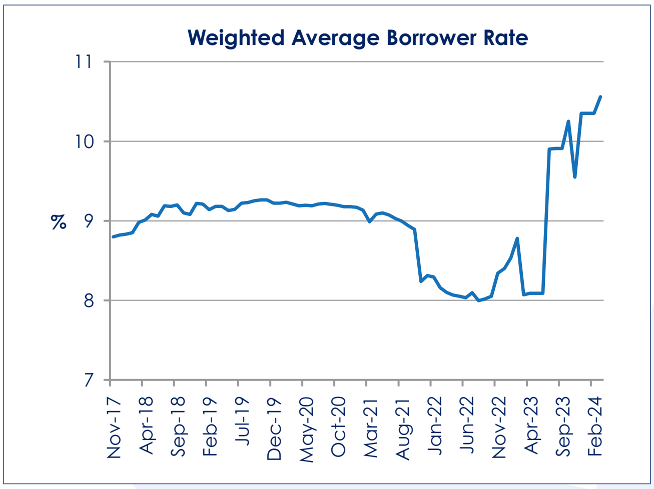
Key Metrics	Fund	Select	Diversified
Market Value ($m)	$175,209,034	$147,393,769	$27,815,265
No. Positions/Loans		76	72
Avg Borrower Rate (%)	10.50	10.56	10.21
Weighted Average LVR	53.85%	53.83%	53.97%
Interest Type	**Fund**	**Select**	**Diversified**
Fixed	5.08%	5.10%	4.97%
Variable	94.92%	94.90%	95.03%
Maturity Profile - years	**Fund**	**Select**	**Diversified**
0-2	100.00%	100.00%	100.00%
Cash	0.00%	0.00%	0.00%
Sector Profile	**Fund**	**Select**	**Diversified**
Residential - Investment	24.15%	21.73%	37.00%
Residential - Owner Occupied	0.00%	0.00%	0.00%
Construction	9.80%	9.36%	12.14%
Commercial	5.66%	5.19%	8.13%
Industrial	12.33%	11.98%	14.19%
Vacant Land	25.34%	26.88%	17.15%
Rural	8.19%	8.30%	7.58%
Diversified Option	13.36%	15.88%	0.00%
Retail	0.00%	0.00%	0.00%
Cash	1.19%	0.70%	3.80%
Geography Profile	**Fund**	**Select**	**Diversified**
NSW	15.04%	14.44%	18.21%
QLD	0.46%	0.49%	0.27%
VIC	53.15%	52.76%	55.23%
WA	0.08%	0.10%	0.00%
SA	2.55%	2.86%	0.91%
NT	0.00%	0.00%	0.00%
TAS	1.40%	1.17%	2.64%
Diversified Option	13.36%	15.88%	0.00%
Other - VIC Regional	12.77%	11.61%	18.93%
Loan Type	**Fund**	**Select**	**Diversified**
Full-doc	100.00%	100.00%	100.00%
Low-doc	0.00%	0.00%	0.00%
Conforming	100.00%	100.00%	100.00%
Non-conforming	0.00%	0.00%	0.00%
First Mortgage	100.00%	100.00%	100.00%
Second Mortage	0.00%	0.00%	0.00%
Other	0.00%	0.00%	0.00%

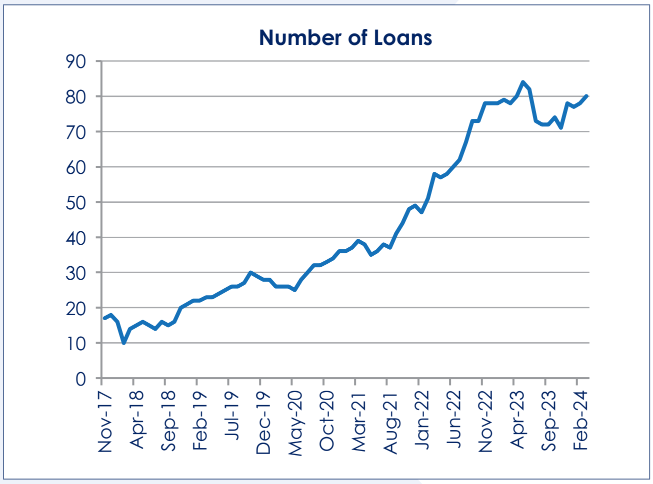
Loan Purpose	Fund	Select	Diversified
Bridging facility		0.00%	0.00%
Equity for development	13.16%	13.39%	11.97%
Refinance, Equity Release & Construction	0.89%	0.53%	2.79%
Refinance & Equity Release	16.15%	16.99%	11.68%
Equity release	24.97%	25.90%	20.03%
Purchase	23.20%	22.13%	28.84%
Refinance	19.96%	19.78%	20.89%
Top 5 Loans by Weight (% of Fund) Borrower Name	**Fund**	**Select**	**Diversified**
ST LEONARDS SC PTY LTD	4.03%	4.10%	3.69%
ROYAL KINGS GROUP PTY LTD	3.75%	3.77%	3.64%
OAKMAN PRUDENTIAL PTY LTD	3.35%	3.31%	3.58%
ROMSEY PROJECTS PTY LTD	3.22%	3.18%	3.44%
MARCHESE PROPERTY HOLDINGS PTY LTD	3.18%	3.16%	3.29%
LVR	**Fund**	**Select**	**Diversified**
0-10	0.54%	0.32%	1.69%
10-20	2.45%	2.42%	2.59%
20-30	4.48%	4.50%	4.35%
30-40	8.89%	9.17%	7.39%
40-50	14.40%	14.71%	12.74%
50-60	35.39%	36.27%	30.74%
60-70	29.43%	28.06%	36.70%
70-80	3.83%	4.55%	0.00%
80-90	0.00%	0.00%	0.00%
90-100	0.00%	0.00%	0.00%
Arrears	**Fund**	**Select**	**Diversified**
0-30 days	0.00%	0.00%	0.00%
31-60 days	0.00%	0.00%	0.00%
61-90 days	5.79%	6.01%	4.60%
>90 days	0.00%	0.00%	0.00%

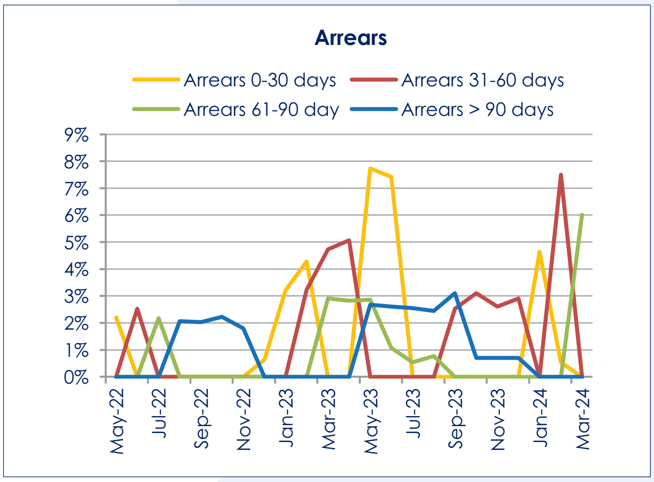
Historical Trends

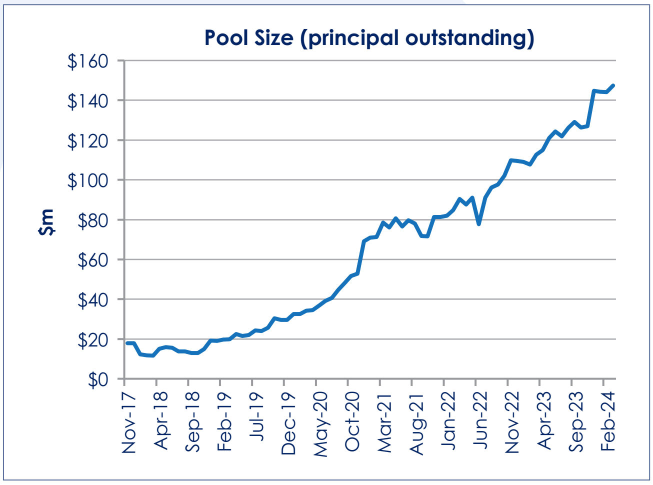
The charts below represent the Select Option only.

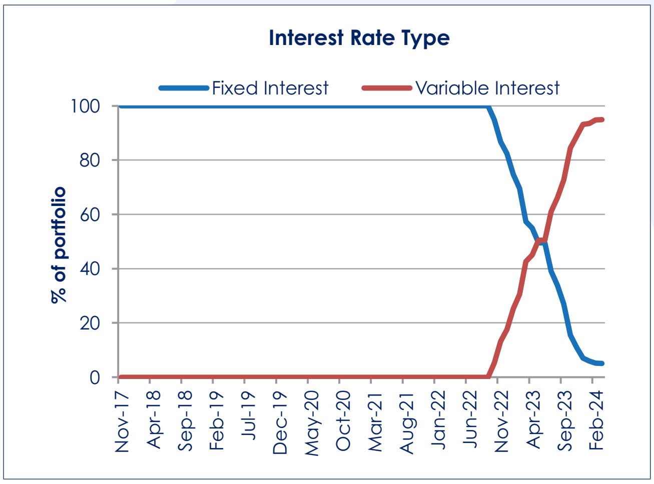












Key Counterparties

Parent Company

David Lyall Holdings Ltd owns the Millbrook Group of companies. DLH is predominantly owned by its Managing Director David Lyall. The Millbrook Group comprises two companies, the Manager (i.e. Millbrook Asset Management Ltd) and Millbrook Funds Pty Ltd. Both are mortgage lenders operating in slightly different product or client markets, supported by the same business operations. Between them, they manage around $400m of FUM.

Fund Manager

Millbrook Asset Management Ltd was purchased by DLH in 2017 as a going concern to complement the other businesses within the Millbrook Group. The Millbrook Credit Fund was much smaller at the time of this purchase. It has grown by almost 50% over the last 12 months to $175m, and the Manager has plans for further growth in FUM. Millbrook has invested in many areas to grow the Fund. These include dedicated business development resources, representation on major Platforms (six by Q1 2024) and entering Education Partnerships with Adviser Dealer Groups and major industry associations.

Governance

Responsible Entity

The Board of Directors of the Responsible Entity (Millbrook Asset Management Ltd) consists of **5** directors, **3** 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 **30** years of industry experience.

The Responsible Entity's Compliance Committee is composed of **3** members, **2** of whom are independent. The Compliance Manager **is** independent. SQM Research views independence in a RE oversight body such as the Compliance Committee as a strong and favourable factor in Fund governance. Compliance Committee members have an average of **30** years of industry experience.

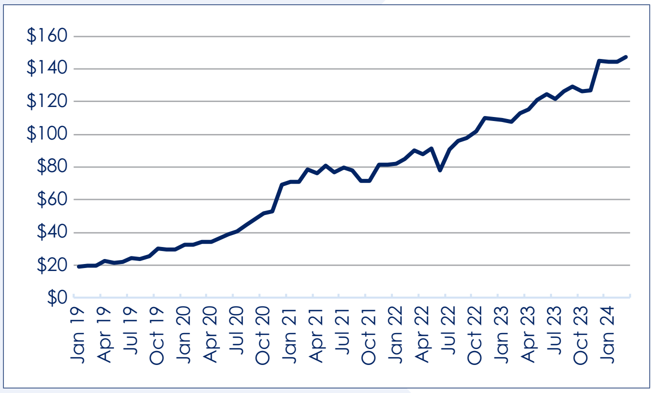
Management Risk

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 qualified to carry out their assigned responsibilities. Management risk is rated as modest.

Funds under Management (FUM)

FUM for Fund under Review – Select Option ($mill)



Distributions

Pooled Option (Diversified) distributions occur monthly and are underwritten by the Manager at a rate declared monthly in advance. These distributions are made irrespective of the underlying loan repayments. They have been at a rate of 7.35% p.a. since December 2023. However they are variable and can change depending on factors such as movements in the RBA cash rate.

Select Option distributions occur monthly at the rate relevant for the particular loan the investor has selected, subject to the availability of distributable income. In a scenario where the Fund's realised losses and expenses exceed income in a distribution period, the Fund may elect not to make a distribution during that time.

Name	Responsibility / Position	Location	Years at Firm	Years in Industry	Qualifications
David Lyall	Managing Director	Melbourne	7	30	B. Law
George Lyall	Head of Origination	Melbourne	3	11	B. Fin, Dip. Build & Constr
Colin Robinson	Head of Credit	Melbourne	3	31	B. Ec, Gr.Dip. Fin & Mort Brok, Gr.Dip. App Fin & Inv
Andrew Christensen	Senior Credit Analyst	Melbourne	1.8	15	BA (Hons)
Thomas Robinson	Credit Analyst	Melbourne	2	3	B. Fin
Andrew Slattery	Head of Investments	Melbourne	1	17	B. Comm, Gr.Dip. Bank & Fin, Dip. Fin Plan
Caine White	Mortgage Manager	Melbourne	3	17	BA, B. Law

Investment Team

Millbrook's total investment personnel has grown substantially in recent years. All members of its credit team, which leads loan application assessment, have joined since the beginning of 2022. Andrew Slattery, Head of Investments, joined Millbrook around a year ago.

Head of Credit Colin Robinson has a broad range of real estate finance experience over more than 20 years. This includes leadership roles in banks and funds management businesses, in sales and risk management roles. Senior Credit Analyst Andrew Christensen has over fifteen years of finance sector experience, including more than five years in a similar role with La Trobe Financial.

The Credit Committee, which plays a key role in Millbrook's credit processes, includes Colin Robinson, David Lyall, Head of Origination George Lyall, and independent director Matthew Bush. The main role of the Credit Committee is in loan approval. All loans must be approved by members of the Credit Committee, with specific requirements varying depending on loan size. For example, loans up to $1.5m require the approval of either David Lyall solely or any two Credit Committee members jointly. Loans above $5m require the majority approval of Millbrook's five-person board of directors, three of whom are also members of the Credit Committee.

George Lyall manages Millbrook's relationships with mortgage brokers, from where the vast majority of loan proposals are introduced. He has been with the Manager for over three years and has 10 years of finance sector experience. Millbrook's business growth will also be driven by its distribution team, which has mostly been assembled since the beginning of 2023. It includes Head of Distribution Peter Mill, who joined Millbrook in March 2023 and has over 25 years of relevant experience.

While Millbrook's investment team includes highly experienced professionals, they haven't worked together very long. This exacerbates the key person risk that exists in David Lyall. That said, his ongoing investment in the business and its current momentum suggest that he is unlikely to move away from Millbrook any time soon. Also, since the last review, the investment team has expanded, providing additional capability and cover, and has not experienced any departures.

Meeting Schedule

The table below shows regular meetings that form an essential part of the overall process.

Meeting	Agenda	Frequency	Participants
Credit Meeting	Discuss potential transactions	Once every 2 days or as required	Head of Credit, Managing Director, Credit Analyst(s) and Head of Origination. Head of Investments as required
Compliance	Quarterly compliance meeting	Quarterly	Managing Director, Head of Compliance, External Compliance Committee Member and Director
Portfolio Review	Review/monitor portfolio mix - LVR, diversification, security type etc	Weekly	Head of Investments, Managing Director, Head of Origination, Investment Administrator. Others as required.
Directors meetings	Review company operations and issues	Quarterly	Managing Director, Executive Director, Independent Directors & Company Secretary
Loan review meeting	Loan management review	Weekly	MD, Mortgage Manager, Credit Analyst(s), Head of Origination, Head of Credit.
Management Meeting	Month ahead	Month Ahead	MD, Executive Director, Head of Finance and Head of Investments. Other staff as required
Investor/Distribution Meeting	Discuss new fund relationships	Weekly	Head of Investments, Managing Director, Head of Distribution, National Investment Manager and Investment Relationship Managers

SQM Research believes the practice of constant communication and the broad-based inclusion of team members in decision-making is a vital ingredient to the success of the process. Interactive peer review and collaboration across a tightly knit group of experienced investors will likely make the best use of their combined intellectual property and shared history.

Staffing Changes

As noted above, there have been some key additions to Millbrook's investment and wider team in the last year or so, which aligns with the Manager's growth ambitions. There have also been some departures in that time.

Departures			
Date	**Name**	**Responsibility**	**Reason for Departure**
20-Mar-22	Manaki Hurst	Credit Analyst	Pursue new opportunity
16-Jan-23	Dave Brownett	Head of Retail Distribution	Restructure

Additions			
Date	**Name**	**Position / Responsibility**	**Previous Position / Employer**
06-Jun-22	Andrew Christensen	Commercial Credit analyst	La Trobe Financial
16-Aug-22	Dave Brownett	Head of Retail Distribution	Distribution Manager / Centuria
27-Mar-23	Andrew Slattery	Head of Investments	NAB Private Wealth, Private Client Director
27-Mar-23	Peter Mill	Head of Distribution	Centennial - Head of Private Wealth
24-Apr-23	Beatriz Marchueta	National Investment Manager	La Trobe Financial, BDM
01-Sep-23	Thomas Robinson	Credit Analyst	Intern
01-Mar-24	David Conroy	Origination BDM (NSW/QLD)	EarlyPay

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.

Remuneration and Incentives

Millbrook's management team determines base salaries in conjunction with its recruiters, and performance reviews are conducted annually. Bonuses are paid to Investment, Credit, Loan Origination, Distribution and Marketing personnel based on the annual company performance, growth in FUM, and achievement of KPIs specific to individuals and teams. Outside David Lyall's ownership of Millbrook, there are no plans to use the equity in the business as a performance incentive. A meaningful portion of David Lyall's wealth is indirectly or directly invested in Millbrook funds, including the Millbrook Credit Fund. Other staff have minor unit holdings and are encouraged to invest via an Employee scheme with a management fee rebate.

SQM Research believes remuneration in the form of firm equity and client-focused performance bonuses function as strong incentives for optimising staff engagement, retention, and productivity. The intention (and SQM believes the effect) is to align staff performance with client and shareholder objectives. It focuses on the customers' needs and medium to long-term results.

Fees and Costs	Fund	Peer Avg
Management Fee % p.a.	0.00%†	1.63%
Expense Recovery/Other Costs % p.a.	–	–
Performance Fee %	–	–
Total Cost Ratio TCR % p.a.	0.00%	1.63%
Buy Spread %*	0.00%	0.00%
Sell Spread %*	0.00%	0.00%

† The Manager charges establishment and other fees to borrowers and typically earns a direct interest margin of 1.5% to 2% on each loan.

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

Management Fee

There are no direct management fees charged to investors; however there is a direct interest margin typically of 1.5% to 2% on each loan.

Performance Fee

The Fund does not charge a performance fee

SQM Research observes that:

- ***The Fund management fee is 0.0% p.a., which is 163 basis points lower than the peer group average of 1.63% p.a. However, the margin charged can make the fund more expensive to the peer group, where the margin is at the higher end of the range.***
- ***The Total Cost Ratio (TCR) is 0.0% p.a., which is 163 basis points lower than the peer group average of 1.63% p.a.***

Borrower Fees

Mortgage Fund Fees / Costs for Borrowers*	Fund
Administration Fee	$50
Loan Establishment Fee	1.0% to 1.5%
Loan Discharge Fee	$1,500
Loan Renewal / Extension Fee	1.5%
Default Realisation Fee	1.5% + GST
Pre-Settlement Arrangement Fee	$550
Default Correspondence	$55
Default Enforcement	$165 / hr
Dishonour Fee - Late Payment Fee	$55
Capital Reduction Cost	$1,500
Payout Calculation and Preparation	$250
Security Review	$1,500
Urgent Settlement Fee	$1,500
Insurance Default Fee	$500
Early Repayment Fee	One Month's Interest
Line Fee	1.0% to 2.0%

* See the glossary at the back of the report for descriptions of the fees listed

Note: all return data presented below, including relative return data, is the weighted average of returns on individual investments/loans in the Select Option. The actual returns on individual loans in the Select Option have likely differed from the returns presented below.

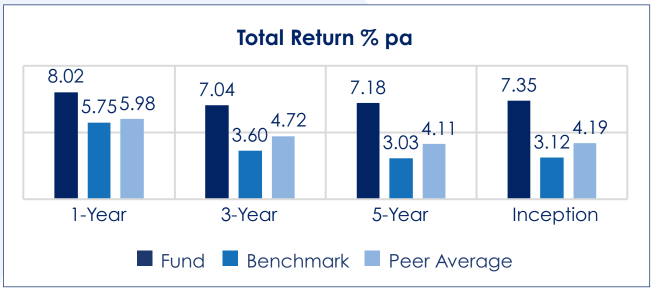
Risk/Return Data to 31 March 2024							
Total Return	**1-Month**	**3-Month**	**6-Month**	**1-Year**	**3-Year**	**5-Year**	**Inception**
Fund	0.69	2.09	4.18	8.02	7.04	7.18	7.35
Benchmark	0.49	1.46	2.91	5.75	3.60	3.03	3.12
Peer Average	0.53	1.52	2.95	5.98	4.72	4.11	4.19
Alpha	0.20	0.63	1.27	2.28	3.43	4.15	4.23
Metrics				**1-Year**	**3-Year**	**5-Year**	**Inception**
Tracking Error (% p.a.) - Fund				0.13	0.39	0.39	0.35
Tracking Error (% p.a.) - Peer Average				0.20	0.41	0.41	0.38
Information Ratio - Fund				17.48	8.85	10.52	12.04
Information Ratio - Peer Average				-2.70	3.71	2.90	0.45
Sharpe Ratio - Fund				24.62	22.24	29.88	30.09
Sharpe Ratio - Peer Average				33.53	22.88	23.50	23.98
Volatility - Fund (% p.a.)				0.16	0.22	0.19	0.19
Volatility - Peer Average (% p.a.)				0.19	0.26	0.27	0.27
Volatility - Benchmark (% p.a.)				0.10	0.53	0.47	0.42
Beta based on stated Benchmark				0.87	0.32	0.23	0.25

Weighted average for Select Option loans. Distributions reinvested. Returns beyond one year are annualised. Return history starts Nov-2017
Benchmark: Bloomberg AusBond Bank Bill Index + 1.50%

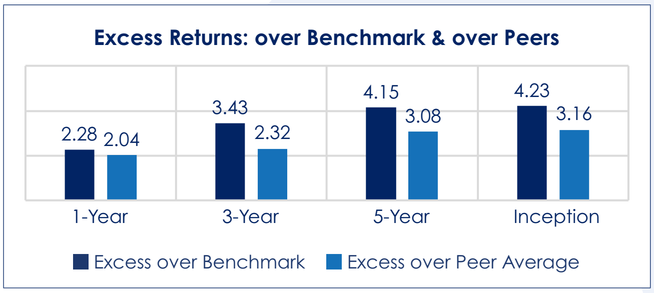
Quantitative Insight[1]

Note: Unless otherwise stated, all return and risk data reported in this section are **after-fees** and for **periods ending Mar-2024.**

Returns



Excess Returns (Alpha)



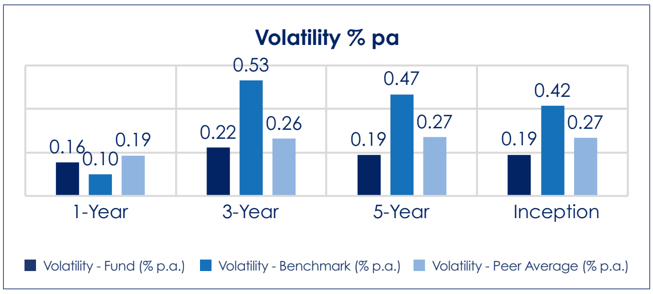
The Fund has displayed strong performance across all periods when compared with benchmark and peers.

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

SQM Research notes that during the period of significantly lower cash-based returns, until the earlier stages of the recent rate-raising cycle, the degree of mortgage funds outperformance was high compared to earlier periods.

[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

Risk



The Fund's **volatility** (annualised standard deviation of monthly returns) has tended to be lower than benchmark and peers, except in the most recent year when it was lower than benchmark volatility.

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 rates risk. Advisers/Investors should read the PDS/SPDS 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. 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).

Drawdowns

Drawdown Summary			
Drawdown Size (peak-to-trough)			
	Fund	Bench	Peers
Average	no data	no data	-0.09%
Number	0	0	0
Smallest	+0.00%	+0.00%	-0.09%
Largest	+0.00%	+0.00%	-0.09%
Length of Drawdown (in months)			
	Fund	Bench	Peers
Average	no data	no data	1.5

Length of Drawdown = time from peak to trough and back to the previous peak level

The benchmark has had zero drawdowns as expected from inflation or cash-based indexes.

Given the Fund has yet to experience any drawdowns, **average** drawdowns have been the same as those of the benchmark and better than those of the peer average.

Upside/Downside Capture

	Upside Capture	
	3 years	Inception
Fund	192.3%	230.9%
Peer Average	142.1%	128.4%

for a cash Reference Index, downside capture is not valid

Correlation of Fund to Asset Classes

Market	3 years	Inception	Market Indexes
Aust Bonds	+26.0%	+32.0%	Bloomberg AusBond Composite 0+Y TR
Aust Equity	+10.8%	+5.7%	S&P/ASX 300 TR
Global Bonds	+31.0%	+34.9%	Bloomberg Global Aggregate Hdg AUD
Global Equity	+29.5%	+16.7%	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 to 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 Nov-17 to Mar-24**

Rank	Date	Market	Fund	Difference
1	Mar-20	-20.83%	+0.60%	+21.43%
2	Jun-22	-8.97%	+0.54%	+9.51%
3	Feb-20	-7.76%	+0.58%	+8.35%
4	Jan-22	-6.45%	+0.51%	+6.96%
5	Sep-22	-6.29%	+0.52%	+6.82%
6	Oct-18	-6.16%	+0.62%	+6.78%
7	Oct-23	-3.80%	+0.67%	+4.48%
8	Mar-18	-3.73%	+0.63%	+4.35%
9	Sep-20	-3.59%	+0.58%	+4.17%
10	Dec-22	-3.29%	+0.53%	+3.82%
Totals		**-70.88%**	**+5.78%**	**+76.66%**

			No. of Months
Correlation	+1.9%	Positive Return	10
Capture	-8.2%	Outperform	10

Tail Risk Observations:

The data in the table above indicate that the Fund displays strong **defensive characteristics** in the face of extreme Australian equity tail risk.

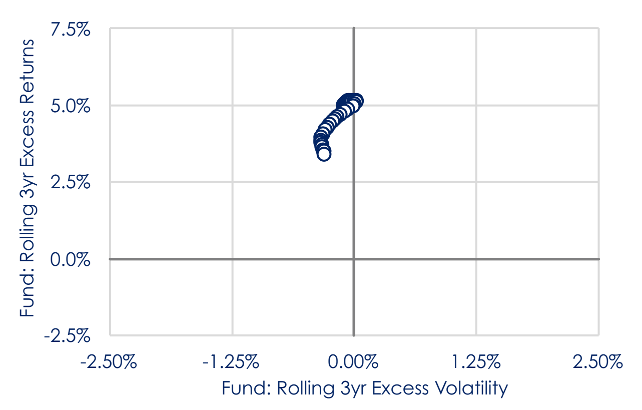
Snail Trail

The snail trail chart and tables below show the combination of the Fund's rolling 3-year excess returns and volatility.

There are 42 observations in total.

The two tables below display the distribution of these observations and their overall frequency across the risk/return quadrants.

Snail Trail Distribution			
Frequency	**Lo-Vol**	**Hi-Vol**	**Total**
Hi-Return	**39**	3	42
Lo-Return	0	0	0
Total	**39**	**3**	**42**
42 rolling 3-year observations			
% of Total	**Lo-Vol**	**Hi-Vol**	**Total**
Hi-Return	**92.9%**	7.1%	100.0%
Lo-Return	0.0%	0.0%	0.0%
Total	**92.9%**	**7.1%**	**100.0%**



In assessing a snail trail it is important to note the following:

Q1 upper left-hand quadrant - higher return than the Fund's market index with lower volatility (less risk). This is the optimal position.

Q2 upper right-hand quadrant - higher return than the Fund's market index with higher volatility (more risk). This can often be a desirable position depending on the attractiveness of the Sharpe ratios produced in this zone. It is important to note that in the case of inflation or cash-style benchmarks, the Q1 top left-hand quadrant is unachievable as it is not possible to deliver lower volatility than what is virtually zero for the benchmark. In such cases, the Q2 zone is the optimal position.

Q3 lower left-hand quadrant - lower return than the Fund's market index with lower volatility (less risk). Less than ideal, and Sharpe ratios can assist in assessing the risk/return trade-off in this zone.

Q4 lower right-hand quadrant - lower return than the Fund's market index with higher volatility (more risk). The least desirable outcome.

Consistency

The more "bunched together" the cluster of dots, the more consistent is the performance. A second indicator of consistency is the trail's nomadic nature. Trails that roam across multiple quadrants over time are indicating **low consistency** in the Fund's risk-return profile. The quadrant that **contains the bulk** of the Fund's snail trail is likely to be more representative of the Fund's risk/return characteristics and identity.

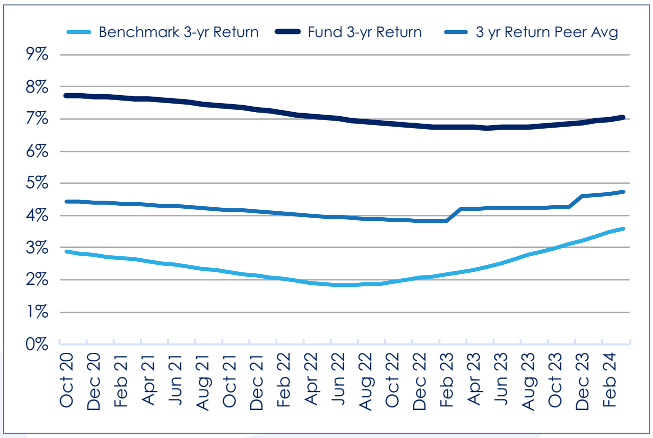
Annual Returns

Year	Fund	Benchmark	Peer Avg	vs. Bench	vs. Peers
2018	+7.91	+3.45	+4.45	**+4.46**	**+3.45**
2019	+7.95	+3.02	+4.48	**+4.93**	**+3.47**
2020	+7.23	+1.87	+4.43	**+5.35**	**+2.80**
2021	+6.71	+1.53	+4.46	**+5.18**	**+2.24**
2022	+6.37	+2.77	+4.88	**+3.60**	**+1.49**
2023	+7.59	+5.44	+6.04	**+2.15**	**+1.55**
Mar-24	+2.09	+1.46	+1.57	**+0.63**	**+0.52**

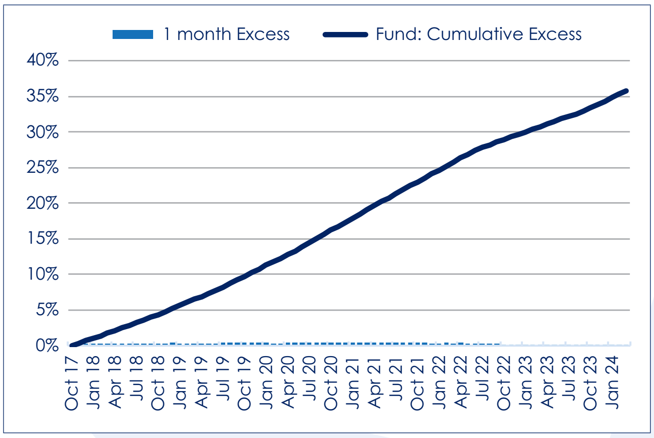
2024 data = 3 months ending Mar-24

Return and Risk

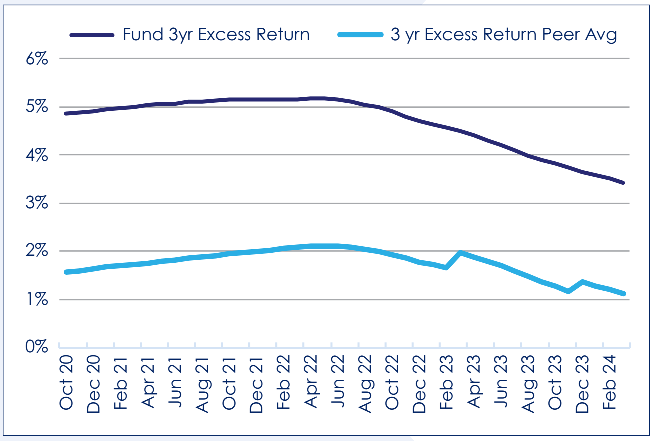
Rolling Returns



Cumulative Excess Returns



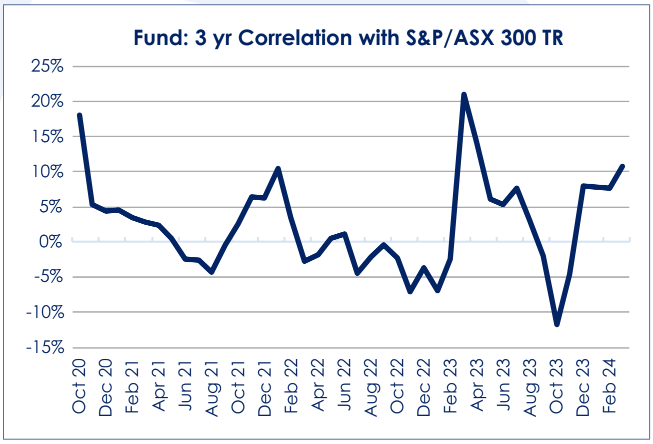
Rolling Excess Returns



Drawdowns

There have been no drawdowns for the benchmark, Fund or peer group (based on the average of the peer returns each month).

Rolling Correlation



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

Fund Constraints and Risk Limits	Permitted Range or Limit
Maximum exposure to a single loan	5%
Maximum exposure to a single borrower	5%
Maximum exposure to Construction / Development Property	20%
Maximum exposure to Rural property	10%
Maximum Exposure to Cash	10%
Maximum LVR	Construction loan 65%; all others 70%
Diversified Option maximum LVR	60% on a look-through basis
Property sectors excluded	petrol stations, boarding houses/hostels, primary producing land, childcare, NDIS, car parks, airports

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

Alpha = Fund Return – 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, a 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.

Glossary of Borrower Fees for Millbrook Credit Fund

Administration Fee

A flat fee is charged monthly.

Loan Establishment Fee

Fee charged on commencement of the loan, usually as a percentage of the loan amount.

Loan Discharge Fee

Fee charged when the Borrower repays the loan in full.

Loan Renewal / Extension Fee

Akin to Loan Establishment Fee on renewal or extension of the loan.

Default Realisation Fee

Fee charged if the Borrower defaults and the Lender sells any secured property (as Mortgagee in Possession). Charged as a percentage of the sale price of the property sold.

Pre-Settlement Arrangement Fee

Fee charged for organising funding to settle the Borrower's real estate purchase.

Default Correspondence

Charged for each letter sent to Borrower by Millbrook and the Lender.

Default Enforcement

Charged by the hour for enforcement action taken when a loan is in default.

Dishonour Fee

Charged when scheduled payments are not made on the due date.

Capital Reduction Cost

Charged when the Borrower elects to repay part of the loan amount in advance.

Payout Calculation and Preparation

Charged when Millbrook provides a payout figure (amount required to be paid to the Lender to discharge the loan) at the request of the Borrower.

Security Review

Charged annually to review the file.

Urgent Settlement Fee

Charged where loan settlement occurs within a specific period at the Borrower's request.

Insurance Default Fee

Charged when the Borrower fails to renew the insurance required to be held on the security property as a loan condition.

Early Repayment Fee

Charged if the Borrower elects to repay the entire loan before the completion of the loan term.

Line Fee

Applies only to construction loans. Charged depending on the specific circumstances of each loan.

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More information on the Interprac Pty Ltd Financial Service Guide can be found below:

https://interprac.com.au/wp-content/uploads/2021/07/InterPrac-FSG-Part-1-v12.0.pdf

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