Millbrook Credit Fund

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

Superior

April 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

Reliance of information

In compilation of this report and rating, SQM Research has significantly relied on written and verbal statements made from the product issuer. While SQM Research makes enquiries on such statements, it is not able to verify the accuracy of all information received.

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This general advice will not take into account you, or your clients, objectives, financial situation or needs and will not be provided in respect of any other financial products. Accordingly, it is up to you and your clients to consider whether specific financial products are suitable for your objectives, financial situations or needs.

Report Date: 29 April 2025

Star Rating**	Description	Definition	
4½ stars and above	*Outstanding*	***Highly suitable for inclusion on APLs*** *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.*	*Highest Investment Grade*
4¼ stars	*Superior*	***Suitable for inclusion on most APLs*** *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.*	*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 material 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, however they may not be yet fully tested. As a result the manager/product may have higher risks attached compared to peers.*	*Investment Grade*
*3½ stars**	*Acceptable*	***Consider for APL inclusion*** *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.*	*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 potentially substandard. There might be material corporate governance concerns. Management quality is not of investment-grade standard.*	
3 stars	*Strong Caution Required*	***Not suitable for APL inclusion*** *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.*	
Below 3 stars	*Avoid or Redeem*	***Not suitable for APL inclusion*** *SQM Research has multiple material concerns surrounding the Fund.*	
Event-driven Rating		**Definition**	
Withdrawn		*The rating is no longer applicable. Significant issues have arisen since the last report was issued, and investors should avoid or redeem units in the fund. The manager, after agreeing to be reviewed, has pulled out of the process and/or has not responded to our questionnaire.*	
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. Dealer groups should not be making further investments into this fund until SQM has completed its additional investigations.*	

* *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	Millbrook Credit Fund
APIR code	Select Option - APIR codes are created as and when required at the individual loan level Diversified Option - 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	Select Option: $162.8 m at Jan 2025 Diversified Option: $33.25 m at Jan 2025
Return Objective (per PDS)	To exceed the benchmark (Bloomberg AusBond Bank Bill Index plus 1.50%) through the economic cycles and have a target return objective of 3.5% (net of fees) above the Reserve Bank of Australia cash rate
Internal Return Objective	RBA Cash Rate + 3.5% (net of fees)
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	No capital loss
Benchmark	Bloomberg AusBond Bank Bill Index plus 1.50%
Number of stocks/positions	Select Option: 81 Diversified Option: 81
Fund Leverage	Nil
Portfolio Turnover	Select Option: 120.59% 4-year average at Dec 2024 Diversified Option: 129.53% 4-year average at Dec 2024
Top 10 Holdings Weight	Select Option: 34% at Jan-2025 (50% maximum) Diversified Option: 36% at Jan-2025 (50% maximum)
Investor Information	
Management Fee*	Select Option: The actual fee varies for each Select Mortgage Investment and is stated in the applicable SPDS. With a Select investment, the range of fees is quoted as a percentage and varies from 0.75% to 5% of the loan amount. Diversified Option: For Direct Investors this fee is estimated to be 1.53% per annum of the total investor balances of the Investor Account. For Platform Investors, this fee is estimated to be 1.03% per annum of the total investor balances of the Investor Account.
TCR (Total Cost Ratio)	Select Option: 1.53% Diversified Option: 1.53%
Buy Spread	0.00%
Sell Spread	0.00%
Performance Fee Rate	0.00%
Minimum Application	$10,000

Investor Information	
Redemption Policy	Varies by investment option. Conditions apply. See PDS
Distribution Frequency	Monthly
Investment Horizon	Select Option: 3 months to 3 years Diversified Option: 12 months
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.

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

Return data presented in this report is the weighted average of returns for Select Option loans as it has a longer track record and higher FUM.

Fund Summary

Description

The **Millbrook Credit Fund (the "Fund")** invests in loans backed by **registered 1st mortgages** over real property, e.g., **residential, commercial, and industrial property** in Australia for **investment** or **construction** purposes.

The Fund aims to preserve investor capital and provide strong risk-adjusted income returns to investors. The objective is to outperform the RBA Cash Rate through the cycle by 3.5% p.a. The Fund is entirely income-focused with no capital growth objective. Avoiding any capital loss is ingrained into all fund processes to ensure the Fund delivers on its aim to investors. Investor returns come in the form of monthly distributions, which largely pass through monthly interest payments from borrowers.

The Fund takes a bottom-up approach, with each individual loan analysed and assessed on its own merits and in line with the Fund's Credit and Lending Policy.

The Fund prefers:

- Shorter duration loans (6-24 months)
- Loans backed by residential properties but can lend against broader property security types
- Conservative loan-to-value ratios (max 67% on any single loan)

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

The Fund is an open-ended, unlisted, registered managed investment scheme.

Fund Rating

The following rating does not apply to individual loans of the Select option but the Product as a whole, including the Diversified Option.

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: 3.75 stars (Issued May 2024)

SQM Research's Review & Key Observations

About the Manager

Millbrook Asset Management Ltd ("Millbrook", the "Manager") is 100% owned by **David Lyall Holdings Ltd (DLH)**, which itself is predominantly owned by its **Managing Director David Lyall**.

Millbrook Asset Management Ltd 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 Manager and its related entities (the "**Millbrook Group**") are based in Melbourne. Total number of staff is 19, 17 of which are based in Melbourne with 1 each in Sydney and Brisbane. The investment team is comprised of 7 staff. It also engages a handful of independent directors and external members of its Credit Committee.

Millbrook Group is a private company and is a specialist property credit manager. It primarily invests in 1st mortgage loans, which originate through a broker network and direct borrowers. No other asset classes are covered.

The firm has a strong 17-year track record. Since 2017 it has advanced more than $1bn in loans and repaid investors $720m.

The total group FUM is ~$390m, split across the Millbrook Credit Fund (~$160m) and the wholesale Millbrook Income Fund (~$230m).

Millbrook has a philosophy to **co-invest** in funds. With respect to the Millbrook Credit Fund, Diversified Millbrook Group entities currently have a co-investment at 4.5% of total FUM (~$1.6m), and the Select option has a further co-investment at 2.6% of total FUM (~$4.7m).

Millbrook Credit Fund clients are typically adviser intermediated retail investors, direct retail investors or other investment/managed funds.

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 **30.5** years of industry experience.

The Responsible Entity's **Compliance Committee** is composed of **3** members, **2** of whom are independent. The Chair **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 **38.3** years of industry experience.

Investment Team

The investment and lending team is comprised of seven members. The team interacts dynamically and on a continuous basis to ensure Credit and Lending Policy and risk management processes are adhered to.

David Lyall is responsible for day-to-day operations and overall fund/business strategy with additional responsibilities e.g. credit analysis and decisions, portfolio management and defaults.

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 Millbrook Credit Fund focuses on non-NCCP loans backed by registered 1st mortgages over real property in Australia. No other asset classes are invested in.

Loan Security types invested in are:

- Residential properties
- Vacant land
- Industrial properties
- Commercial properties
- Development/Construction projects
- Cash

From a geographical perspective, security properties must be located within Australia and either major capital cities or major regional centres.

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's primary aim is to preserve investor capital whilst delivering investors with strong risk-adjusted income distributions, paid monthly. Avoiding any capital loss is engrained into all fund processes to ensure the Fund delivers on its key aim to investors.

The Fund provides investors with the opportunity to invest in first mortgages via 2 options – pooled Diversified and Select.

Millbrook Credit Fund Diversified

For Diversified, investors currently receive a variable rate of return of 7.50% pa (as of 31 Jan 2025). Diversified provides investors with the ability to invest in a diversified range of registered 1st mortgages with varying security types and locations, terms and LVRs.

The Fund is actively managed and uses strict loan criteria to build a quality portfolio of diversified loans secured by Registered 1st mortgages over real property assets in Australia.

Strict loan criteria include:

- Short-duration loans typically take 6 -24 months with a weighted average loan duration objective of ~12 months
- Conservative max loan LVR of 67% and target weighted average LVR of 50-60%. (Note: weighted avg LVR is ~53% at Dec 2024
- Preference for residential security

Furthermore, shorter-duration loans assist in managing liquidity and allow the fund to pivot between security types depending on the market conditions and outlook.

Millbrook Credit Fund Select

The rate of return depends on the assessment of the risk and related borrower interest rate. The risk objectives are to avoid loss of capital and to ensure borrower repayments and thus maintain monthly income distributions.

Portfolio Biases/Preferences

Millbrook's current preference is residential properties as security.

The Fund also has a strong preference for properties located in (or close) to major metropolitan city centres, with a preference for properties located in Melbourne, Sydney and Brisbane.

Within the Millbrook Credit Fund Diversified, strict maximum cap limits are imposed on:

- Construction/Development loans (0-20%)
- Vacant land loans (0-20%)

Liquidity

Millbrook prefers shorter duration loan terms of 6-24 months.

The Diversified Fund has a weighted average loan duration objective of ~12 months. This creates inherent liquidity within the Fund as loans are rolling on and off regularly.

The Diversified Fund aims to retain a cash balance of ~5% to assist with liquidity management.

For Select investors, once monies in a Select Option are committed to loans, this sub-scheme will be illiquid. Withdrawal from the Select Option will generally be available in line with the initial term of the loan. However, this depends on individual borrowers meeting their repayment schedule and thus may not be available for a period of three years or longer.

The ITD will be liquid. While monies are held in the ITD that have not been allocated to a Sub-scheme and there is sufficient cash on hand available, the withdrawal will be permitted on giving 48 hours' notice.

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 PDS is: "The Fund aims to exceed the benchmark (Bloomberg AusBond Bank Bill Index plus 1.50%) through the economic cycles and have a target return objective of 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 1.50%".

Material Risks

Advisers and Investors should refer to the 'Risks' section of the ***PDS****. 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:

An investment in the Fund is not a bank deposit, and investments in the Fund are not guaranteed by any entity. Withdrawal rights are subject to liquidity and may be delayed or suspended.

Key risks include Borrower default and a decline in the value of the Security, which could result in loss of income or capital.

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 January 2025 (% p.a.) – Select Option

Total Return	1-Month	3-Month	6-Month	1-Year	3-Year	5-Year	Inception
Fund	0.73	2.21	4.47	9.03	7.72	7.40	7.55
Benchmark	0.51	1.50	3.02	6.05	4.87	3.58	3.46
Peer Average	0.68	2.02	3.97	8.45	7.51	5.65	5.82
Alpha	0.22	0.71	1.45	2.98	2.85	3.83	4.09

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

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 7.4 years (or 89 months) since being acquired by its current owner.

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

Strengths

- 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
- The weighted average LVR of the Fund is low for Select and Diversified, which has a target range of 50-60% and currently 53.4%
- 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
- The Fund has materially outperformed its benchmark and peers in all periods
- As mentioned in the PDS, the Fund does not and will not lend to any of the related parties

Weaknesses

- Investors do not enjoy the protections afforded investors in term deposits and government-guaranteed holdings in Approved Deposit-taking Institutions (ADIs)
- The management fee is materially higher than the peers
- The Fund is highly concentrated in VIC and NSW (above 85%). SQM Research prefers more geographical diversification
- 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

Other Considerations

- The Fund's benchmark mentioned in the PDS is the Bloomberg AusBond Bank Bill Index plus 1.50%. SQM Research views that the benchmark hurdle is relatively low compared to the other peers in the asset class
- The FUM has been steadily grown in the last 3 years
- The Fund is available for retail and wholesale investors by PDS, which can provide investors with additional protection compared to IM wholesale funds
- The Fund offers Select and Diversified options
- The limits on construction loans in both options (Select < 30% and Diversified < 20%) mitigate the overall risks of the Fund
- 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
- 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 and Compliance Committee have 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
- There is one default loan in the Select portfolio – It is a townhouse development that Millbrook took possession of due to issues with the builder and a lack of progress. The Manager has advised that the development has reached practical completion at the time of writing this report. They are waiting for titles to be issued with the sales campaign to begin shortly thereafter. Investors continue to receive their monthly interest distributions (covered by Millbrook) and will have capital repaid and any applicable default interest post-sale of some of the townhouses. In relation to the SELECT portfolio direct loans TAB regarding the default penalty interest being accrued will be paid out on the sale of this asset

Fund Metrics for the Select Option

- 100% of the book is invested in First mortgages
- Weighted Average LVR is about 55.02% on an "as is" basis for the Fund
- Interest rate type: 92.73% Variable and 7.27% Fixed
- The weighted Avg Borrower Rate is 10.26%
- Arrears: 31-60 days: 2.77%; 61-90 days: 3.57%; 90 days: 3.17%
- Loan maturity profile: 0-1 year: 68.18%; 1 - 3 years: 31.82%
- No. of loans: 81

Key Changes Since the Last Review

- MCF Diversified - New investment guideline limit on vacant land 0-20% of the portfolio

- MCF Select - New investment guideline limits on maximum exposure to a single loan and single borrower. Both limits were reduced to 10% of the total book of loans

- MCF Select - Target allocation of the total book of loans tightened for Vacant Land, Commercial and Industrial categories (0-50%)

- A New Loan Management System, Armnet, was introduced. This strategic upgrade streamlines loan and investor management, enhances operational efficiency, and provides a superior user experience for Advisors, Dealer Groups, Investors, and the internal team. Armnet provides readily accessible and more relevant data to enhance portfolio management, including cash and sector allocations in addition to stress testing for the Diversified option

- The Lending & Credit policy has been updated in Jan 2025. The main changes and improvements are as follows:

    - Assets with heritage overlays are to be considered specialised assets, and credit committee sign-off is required to proceed

    - Alignment of net worth to debt: Credit Assessment must include a section on the sponsor's overall position. Preference is to lend to someone with a reasonable net worth

    - With regards to construction funding, credit assessment to include discussion around alignment of the sponsor's experience to the development they are proposing

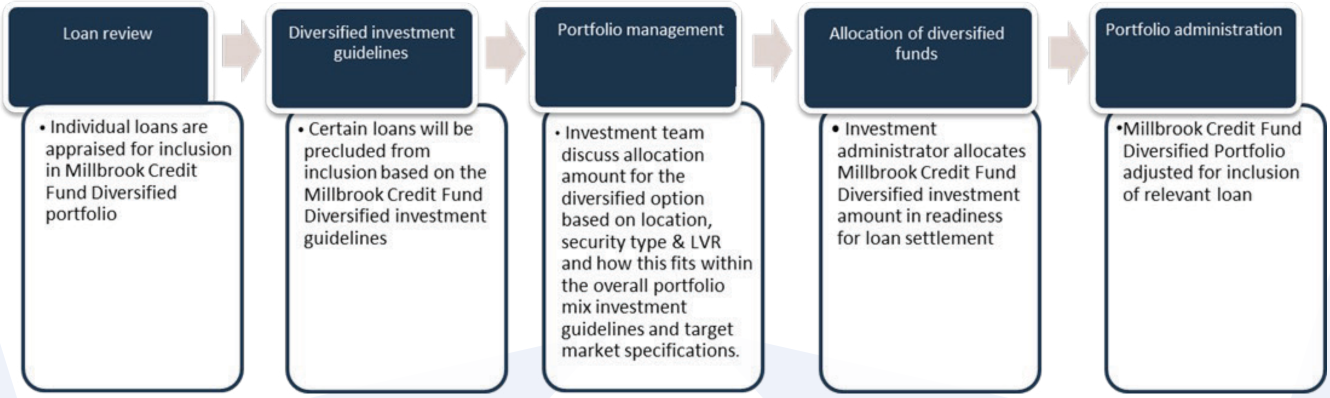
    - Evidence of the borrower's overall debt position needs to be broken down by lender and rate (not just overall debt level). A high proportion of non-bank debt is considered a red flag

    - Valuation reports are to be cross-referenced with local agents and/or property specialists to verify values

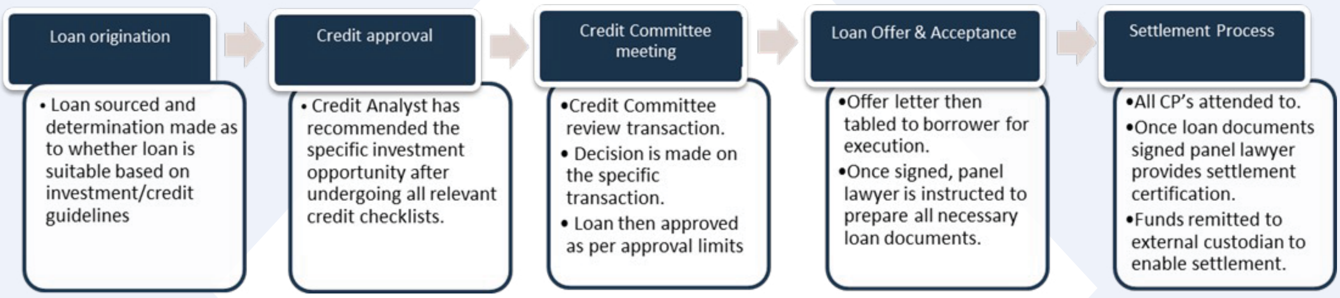
    - Favourable purchases – slight amendment to note LVR should be based on purchase price unless suitable mitigating factors

Investment Process Diagram

Millbrook Credit Fund Loan Assessment



Millbrook Credit Fund Diversified Portfolio Management



Process Description

Investment Process

Screening/ Idea Generation

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

Approximately 80% of loans are sourced via the broker channel, with the remaining 20% sourced via repeat borrowers and direct referrals. The origination capacity has been enhanced with Millbrook on the VOW lending panel and, more recently, the Viking lending panel. Both groups are commercial broker aggregators which gives Millbrook access to hundreds of brokers throughout Australia. This has significantly increased the flow of enquiries.

Millbrook has improved its origination presence in NSW with the appointment of a senior Loan Origination BDM, Peter Thomas. He previously led ANZ's Commercial Property team in NSW.

Geographic Preferences

Millbrook is mainly focused on **Melbourne and Sydney metropolitan locations**. Millbrook is conscious of the importance of geographic diversification and, to that end, has consciously originated more transactions from Sydney (Metro) and will continue to do so if the transactions meet strict loan criteria.

Millbrook believes the current Brisbane Metro market is favourable and is actively looking to procure loan transactions in this market. Millbrook will also consider other major metro capital cities (Adelaide, Perth, Canberra & Hobart) but tend to be more conservative in these markets. Moreover, Millbrook will not originate transactions just for the sake of geographic diversification. First and foremost, the transaction must meet the strict loan criteria and be deemed suitable for the Fund.

Research/Investment Selection

The team reads broadly, including daily publications plus items of interest from brokers, banks, other financial institutions and fund managers. The team attend presentations related to Credit & Lending, Property and Funds Management. Millbrook is a property owner and investor in their own right and takes an active interest in all property-related matters.

The management team meets monthly to discuss the state of the market and potential red flags from a property, client, and investor perspective.

Industry specialists are incorporated into credit committee meetings to provide insights into their area of expertise (i.e. Credit, construction, QS, building surveyors, land subdivision, etc). This has been implemented to further improve the skill set of the credit team.

Millbrook uses professional Property Valuers from its internal panel valuers register for most of its property assessments. Millbrook also uses approved licensed Real Estate agents and online source Core Logic when required.

Other research utilised by the team to assist with loan/ investment analysis includes but is not limited to:

- Economic research from major banks NAB and Westpac
- Property research from firms such as JLL, SQM, Knight Frank, Preston Rowe Patterson, Domain, realestate.com.au
- Sector/asset class research from Foresight Analytics

Millbrook has a large network of property professionals with whom it has close relationships and can rely on these for various opinions on the property market and industry more broadly. These connections include valuers, buyers' advocates, developers, investors and other industry professionals.

Portfolio Construction

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.

Valuation Policy

Loan assessment 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 $1.5M: Managing Director solely or otherwise any two Credit Committee members jointly=
- $1.5M to $3M: Managing Director with one Credit Committee member jointly or otherwise any two Credit Committee members jointly
- $3M to $5M: Any 2 Millbrook Asset Management Ltd Directors and one Credit Committee Member jointly
- Over $5M: Millbrook Asset Management Ltd board approval. Majority required

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 67%.

Portfolio Construction Criteria

Millbrook's primary focus for loans is registered first mortgages on established properties in Australia. Millbrook prefers residential property as security but also lends against industrial, commercial & vacant land. Millbrook provides a small amount of funding for construction/ development projects. These projects are typically for residential properties, but funding is also provided for the construction of industrial and commercial properties.

Millbrook's Credit and Lending Policy document was updated in Jan 2025 and, along with the group's Investment Guidelines, underpins the credit decision-making process. Some minor changes have been made to target allocations for security location & security type.

Whilst Millbrook also has a Credit Licence, the group **does not participate in NCCPA-regulated loans** as these loans tend to be longer terms, higher LVRs, lower interest rates and less protection for lenders.

The group limits the risk to any one borrower by restricting the loan amount to a maximum of 10% of FUM (MCF as a whole) and 5% of FUM in Diversified. Millbrook **does not fund specialised assets such as petrol stations, boarding houses/hostels, primary producing land, childcare centres, aged care facilities, NDIS, car parks, mining assets or heritage-listed assets**.

- **Millbrook Credit Fund Diversified**

When constructing the Diversified portfolio, the objective is to create a diverse & conservative portfolio of loans by security type, locality and LVR.

The Credit team are responsible for assessing and approving loans based on Millbrook's Lending and Credit Policy and investment guidelines. The Head of Investments then has responsibility for determining which loans are included in the Diversified portfolio (if at all) and what percentage of each loan is included.

The portfolio is actively managed, utilising in-house software tools daily. Impacts on hypothetical portfolio changes are also actively modelled to assist with forward planning.

Loan weightings are determined with reference to Millbrook's Investment guidelines (as below). Key criteria considered are LVR, security type and security location.

Millbrook Credit Fund Diversified	Allocation Range
Residential	0-60%
Commercial	0-30%
Industrial	0-30%
Construction	0-20%
Vacant land	0-20%
Rural	0-10%
Office	0-10%
Cash	0-10%

Millbrook Credit Fund Diversified	Allocation Range
VIC - Metro	0-80%
NSW - Metro	0-80%
QLD - Metro	0-50%
SA - Metro	0-30%
TAS - Metro	0-20%
WA - Metro	0-20%
ACT	0-15%
NT	0-10%
Major Regional	0-30%

LVR:

- 67% maximum on any one loan
- Target range of 50-60% (weighted average basis)

- **Millbrook Credit Fund Select**

Millbrook Credit Fund Select	Allocation Range
Residential	0-100%
Commercial	0-50%
Industrial	0-50%
Vacant land	0-50%
Construction	0-30%
Rural	0-10%
Office	0-10%

Millbrook Credit Fund Select	Allocation Range
VIC - Metro	0-80%
NSW - Metro	0-80%
QLD - Metro	0-50%
SA - Metro	0-30%
TAS - Metro	0-20%
WA - Metro	0-20%
ACT	0-15%
NT	0-10%
Major Regional	0-30%

Other limits:

- Maximum exposure to a single loan = 10%
- Maximum exposure to a single borrower = 10%

Sector Allocation

- **Select Option**

Sector Profile	Weight
Residential - Investment	30.86%
Construction	13.46%
Commercial	11.45%
Industrial	12.90%
Vacant Land	27.51%
Cash	3.81%

Geography Profile	Weight
NSW	17.30%
QLD	4.01%
VIC	53.70%
WA	0.50%
SA	2.15%
ACT	1.22%
TAS	2.12%
VIC - Regional	15.18%
Cash	3.81%

Borrower Credit Strength	Weight
Performing	90.47%
In Arrears	9.53%

Loan Type	Weight
First Mortgage	100.00%

Loan Purpose	Weight
Construction	8.10%
Equity release	28.50%
Line of credit	2.63%
Purchase	37.86%
Refinance + equity release	2.91%
Refinance, equity release + construction	1.09%
Refinance + construction	4.03%
Refinance	11.07%

LVR	Weight
0-10	0.29%
10-20	1.12%
20-30	3.09%
30-40	3.25%
40-50	15.78%
50-60	26.90%
60-70	45.76%

- Diversified Option

Sector Profile	Weight
Residential - Investment	47.50%
Residential - Owner Occupied	0.00%
Construction	9.09%
Commercial	11.31%
Industrial	9.23%
Vacant Land	12.79%
Cash	10.07%

Geography Profile	Weight
NSW	12.73%
QLD	3.83%
VIC	49.40%
WA	1.89%
SA	1.66%
TAS	1.43%
ACT	1.31%
VIC - Regional	17.68%

Borrower Credit Strength	Weight
Performing	96.75%
In Arrears	3.25%

Loan Type	Weight
First Mortgage	100.00%

Loan Purpose	Weight
Bridging facility	N/A
Construction	8.02%
Refinance + Construction	1.31%
Refinance + Equity Release	3.49%
Equity release	28.78%
Refi, Equity release + construction	3.26%
Refinance	12.49%
Purchase	32.57%

LVR	Weight
0-10	1.00%
10-20	3.91%
20-30	3.77%
30-40	3.85%
40-50	15.24%
50-60	26.36%
60-70	35.38%

Top 5 Holdings* (* As reported to SQM on the return of the RFI – holdings will change over time)

Top 5 Loans by Weight (% of Fund) – Select		
Name	**Weight**	**Industry**
JRD COMM PTY LTD	5.56%	Commercial
LAND DOWN UNDER-INVESTMENT GROUP PTY LTD	3.85%	Vacant land
JRD RESI PTY LTD	3.72%	Residential
OAKMAN PRUDENTIAL PTY LTD	3.57%	Vacant land
MARCHESE PROPERTY HOLDINGS PTY LTD	3.41%	Industrial

Top 5 Loans by Weight (% of Fund) - Diversified		
Name	**Weight**	**Industry**
EBCB PTY LTD	4.60%	Residential
INDUSTRIAL RURAL MARINE & LEISURE PTY LTD	4.50%	Residential
JRD COMM PTY LTD	3.96%	Commercial
COLLINS ROSATO TOWNHOUSES PTY LTD	3.26%	Residential
SATTWA INVESTMENTS PTY LTD	3.25%	Residential

Sell Discipline

Reducing or selling down loan positions in the Diversified portfolio is the decision of the Head of Investments. Typically, this would occur if the sell-down would improve the overall portfolio mix.

If an entire Select loan were to be sold, the decision would rest with the management team, with the final decision made by the Managing Director.

Risk Management

The risk management framework is as follows:

- *Borrower Quality*: All applicants and guarantors must have acceptable credit ratings and bankruptcy reports. They must also have a satisfactory asset position, financial information to demonstrate the serviceability of the loan, and/or an Accountants certificate to confirm cash flow

- *Ongoing Credit Quality of Assets*: Short-term loans usually from 6 to 24 months with reliance on Panel Valuers' valuations. Revaluations can be undertaken if considered necessary. Millbrook seeks information from licensed real estate agents and other property professionals if required

- *Cash Flows*: Only reviewed in the initial term if a default exists

- *Interest Rate Risk:* The Diversified rate of return is set at the start of each month. Shorter duration loans allow Diversified book of loans to pivot quickly between fixed and variable depending on the economic outlook

- *Leverage:* Max 67% LVR for Diversified and established at the outset with gearing (LVR) to 70% maximum of valuations for Select

- *Operational Risk:* Compliance checks undertaken on Loan check sheets through internal processes up to settlement. The Compliance Manager from the Compliance Committee undertakes checks on all loans to ensure full compliance

- *Regulatory Risk*: Millbrook holds an Australian Financial Services License and is diligent in applying internal policy and procedures on every loan funded. No regulatory risk applies to borrowers who are investing mainly in residential and commercial assets

- *Early Repayment Risk*: Not applicable within Diversified. Any early repayments are reinvested into new loans

Arrears Management

Responsible	Timeframe	Action
Finance team	Day 1	Following the completion of the borrower interest payment run, borrowers will be notified via email if their interest repayments have declined. A 7-day grace period will be given for borrowers to rectify any missed interest payments.
Mortgage Management team	7 days	Following the 7 days and the interest payment has not been received, the borrower will be contacted to seek payment of the missed interest payment plus the accrued default interest. Additionally, if requested by an originating broker, contact will be made at this time.
Credit team	30 days	If the borrower has not paid the arrears after the 30-day period, the Credit team will request a meeting with the borrower. The Credit team will then decide on how much time to allow the borrower to pay the arrears. Factors impacting the decision include repayment history, individual circumstances and the degree to which the borrower has to date communicated.
Mortgage Management team	30 days	If a decision is made to initiate default proceedings Millbrook panel Lawyers will be engaged to send out an initial default letter. The default letter is a final warning advising of a strict 14-day period to pay arrears, including interest and default interest.
Credit team	45-60 days	Following the expiration of the 14-day period and if arrears have not been paid, Millbrook will proceed with mortgagee sale proceedings, and a real estate agent will be appointed.

Investors do invest their funds with full disclosure of the risks. However, to further enhance protection for investors, a loss provision reserve was implemented in April 2024. The Millbrook Credit Fund has placed funds into this reserve each month from April 2024 to cover any future potential loan losses. As of 31st Jan 2025, the loan-loss provision balance was $104,167. The Fund will add to the loan-loss provision with an additional 0.25% of all new loans issued going forward.

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

Fund Constraints and Risk Limits - Select	Permitted Range or Limit
Property Type	
Residential	No limit set
Commercial	0-50%
Industrial	0-50%
Retail	0-50%
Construction / Development	< 30% of FUM
Rural	< 10% of FUM
Vacant Land	0-50%
Cash	N/A
Interest bearing securities	No limit set
State/Region	
NSW	N/A
QLD	N/A
VIC	N/A
WA	N/A
Other	N/A

Fund Constraints and Risk Limits - Select	Permitted Range or Limit
Loan Type	
Conforming	Yes
Non-conforming	No
Low-doc	No
Full-doc	Yes
First Mortgage	Yes
Second Mortage	No
Loan Value	
Size for a single loan	up to $15,000,000
LVR for a single loan	70% (except construction 67%)
Other	
Maximum exposure to any single borrower	Limit of 10% FUM for a single borrower
Maximum exposure to any single asset	Limit of 10% of FUM in a single loan
Excluded security type	Asset classes excluded include petrol stations, boarding houses/ hostels, primary producing land, childcare centres, aged care facilities, NDIS, car parks, and mining assets
Construction / Development	67%
Max LVR	70%

Fund Constraints and Risk Limits - Diversified	Permitted Range or Limit
Property Type	
Residential	Target 0-60%
Commercial	Target 0-30%
Industrial	Target 0-30%
Retail	N/A
Construction / Development	Max 20%
Rural	Max 10%
Vacant Land	Max 20%
Cash	Target 0-10%
Interest bearing securities	N/A
State/Region	
NSW	0-80%
QLD	0-50%
VIC	0-80%
WA	0-20%
SA	0-30%
Loan Type	
Conforming	Yes
Non-conforming	No
Low-doc	No
Full-doc	Yes
First Mortgage	Yes
Second Mortage	No

Fund Constraints and Risk Limits - Diversified	Permitted Range or Limit
Loan Value	
Size for a single loan	<=5% of total Diversified FUM
LVR for a single loan	capped at 67%
Other	
Maximum exposure to any single borrower	5% of Diversified total FUM
Maximum exposure to any single asset	5% of Diversified total FUM
Excluded security type	Asset classes excluded include petrol stations, boarding houses/ hostels, primary producing land, childcare centres, aged care facilities, NDIS, car parks, and mining assets
Max LVR	Target weighted average 50-60%

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
Colin Robinson	Head of Credit	Melbourne	3.0	32.0
David Lyall	Managing Director	Melbourne	7.0	31.0
Andrew Christensen	Senior Credit Analyst	Melbourne	3.0	16.0
Andrew Slattery	Head of Investments	Melbourne	2.0	19.0
George Lyall	Head of Origination	Melbourne	5.0	12.0

Staffing Changes

Departures (Investment Team & senior management only)			
Date	**Name**	**Responsibility**	**Reason for Departure**
01-Jun-24	Caine White	Mortgage Manager	Career change

Additions / Hires (Investment Team and Senior management)			
Date	**Name**	**Responsibility**	**Previous Position / Employer**
06-Jun-22	Andrew Christensen	Senior Credit Analyst	La Trobe Financial, Commercial Credit Analyst
27-Mar-23	Andrew Slattery	Head of Investments	NAB Private Wealth, Private Client Director
01-Sep-23	Thomas Robinson	Credit Analyst	Intern, Millbrook Group (promotion)
24-Jun-24	Madison Lister	Mortgage Manager	Heartland Bank

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. (excludes GST)	Select: 0.75% to 5%. As of Jan 2025, 1.53% (Variable spread) Diversified: Direct - 1.53%, Platform – 1.03%	0.94%
Expense Recovery/Other Costs % p.a.	–	–
Performance Fee %	–	1.37%
Total Cost Ratio TCR % p.a.	1.53%	1.04%
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

Select Option: With a Select investment, the range of fees is quoted as a percentage and can vary from 0.75% to 5% of the loan amount + GST.

The actual fee varies for each Select Mortgage Investment and is stated in the applicable SPDS and is usually in the range of 1.0% - 2.0%. As of Jan 2025, the average fee is 1.53% p.a. + GST.

Diversified Option: For Direct Investors, this fee is estimated to be 1.53% per annum of the total investor balances of the Investor Account + GST.

For Platform Investors, this fee is estimated to be 1.03% per annum of the total investor balances of the Investor Account + GST.

Early withdrawal or transfer fee:

This is the fee ($100) charged to break the term of a Select Mortgage Investment and withdraw funds prior to the maturity date

Performance Fee

The Fund does not charge a performance fee

Borrower Fees

Mortgage Fund Fees / Costs for Borrowers*	Fund
Loan Establishment Fee	$1000 or 1.0% plus GST, whichever is greater
Loan Renewal / Extension Fee	Minimum fee of $500 or 0.5% plus GST, whichever is the greater
Default interest for late payments	Will not exceed 6% of the principal sum for the period of default
Early Repayment Fee	• In the case of a loan not regulated by the NCCPA 1. Where the loan is repaid in full prior to maturity: An amount equal to 1 month's interest on the original loan amount at the higher rate of interest specified in the loan agreement. 2. Where the loan is not repaid in full by the early repayment: An amount equal to 1 month's interest on the early repayment amount at the higher rate of interest specified in the loan agreement.

Mortgage Fund Fees / Costs for Borrowers*	Fund
Early Repayment Fee *(continued)*	• In the case of a loan regulated by the NCCPA, either in accordance with the NCCPA and, if applicable, the National Credit Code contained in Schedule 1 of the NCCPA or 1. Where the loan is repaid in full prior to maturity: An amount equal to 1 month's interest on the original loan amount at the rate of interest specified in the loan agreement plus an early termination fee, also as set out in the loan agreement. 2. Where the loan is not repaid in full by the early repayment: An amount equal to 1 month's interest on the early repayment amount at the rate of interest specified in the loan agreement plus an early termination fee, also as set out in the loan agreement

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

SQM Research observes that:

- ***The Fund management fee varies for both options. For Select, it is 1.53% (variable spread). For the Diversified option (direct investors), it is 1.53% p.a., which is 59 basis points higher than the peer group average of 0.94% p.a.***

- ***The Total Cost Ratio (TCR) is 1.53% p.a., which is 49 basis points higher than the peer group average of 1.04% p.a.***

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.

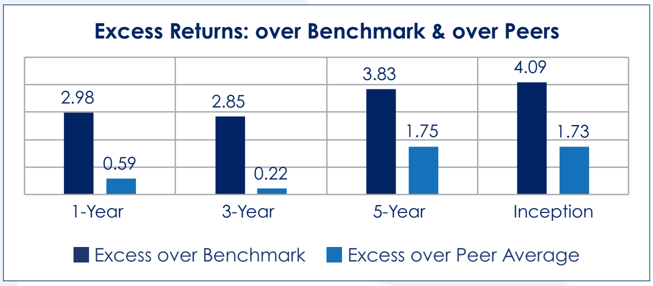
Risk/Return Data to 31 January 2025 – Select Option							
Total Return	**1-Month**	**3-Month**	**6-Month**	**1-Year**	**3-Year**	**5-Year**	**Inception**
Fund	0.73	2.21	4.47	9.03	7.72	7.40	7.55
Benchmark	0.51	1.50	3.02	6.05	4.87	3.58	3.46
Peer Average	0.68	2.02	3.97	8.45	7.51	5.65	5.82
Alpha	0.22	0.71	1.45	2.98	2.85	3.83	4.09
Metrics				**1-Year**	**3-Year**	**5-Year**	**Inception**
Tracking Error (% p.a.) - Fund				0.05	0.25	0.39	0.35
Tracking Error (% p.a.) - Peer Average				0.28	0.58	0.63	0.56
Volatility - Fund (% p.a.)				0.05	0.31	0.27	0.23
Volatility - Peer Average (% p.a.)				0.28	0.60	0.49	0.43
Volatility - Benchmark (% p.a.)				0.04	0.43	0.56	0.47
Beta based on stated Benchmark				0.51	0.59	0.37	0.35

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

Quantitative Insight[1]

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

Excess Returns (Alpha)



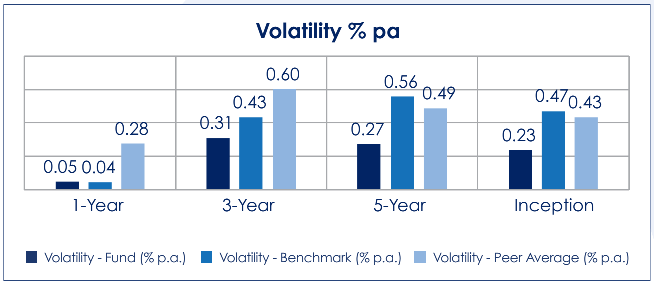
The Fund has displayed strong performance across all periods when compared with benchmark and peers.

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 rate-raising cycle, the degree of mortgage funds outperformance was high compared to earlier periods.

The Fund's benchmark mentioned in the PDS is the Bloomberg AusBond Bank Bill Index plus 1.50%. SQM Research views that the benchmark hurdle is relatively low compared to the other peers in the asset class.

Risk



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

[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

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 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).

Correlation of Fund to Asset Classes

Market	3 years	Inception	Market Indexes
Aust Bonds	+23.5%	+25.0%	Bloomberg AusBond Composite 0+Y TR
Aust Equity	+4.7%	+5.5%	S&P/ASX 300 TR
Global Bonds	+31.8%	+29.4%	Bloomberg Global Aggregate Hdg AUD
Global Equity	+29.0%	+16.3%	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 Jan-25**

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 significant **defensive characteristics** in the face of extreme Australian equity tail risk.

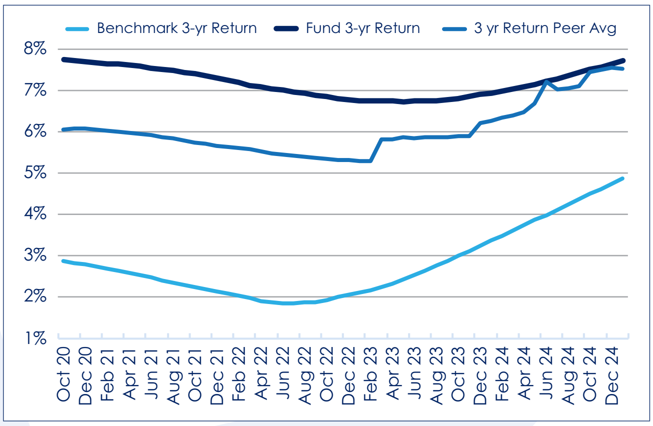
Annual Returns

Year	Fund	Benchmark	Peer Avg	vs. Bench	vs. Peers
2018	+7.91	+3.45	+6.26	**+4.45**	**+1.65**
2019	+7.95	+3.02	+6.22	**+4.93**	**+1.73**
2020	+7.23	+1.87	+6.11	**+5.35**	**+1.11**
2021	+6.71	+1.53	+5.82	**+5.18**	**+0.89**
2022	+6.37	+2.77	+6.48	**+3.60**	**-0.11**
2023	+7.59	+5.45	+7.73	**+2.15**	**-0.14**
2024	+8.99	+6.04	+8.47	**+2.95**	**+0.52**
Jan-25	+0.73	+0.51	+0.68	**+0.22**	**+0.05**

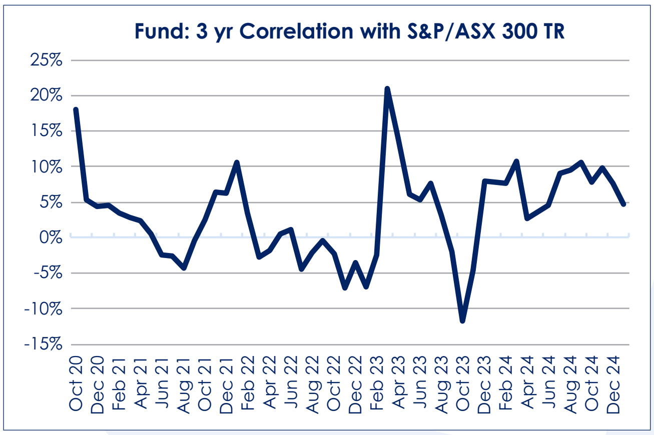
2025 data = 1 months ending Jan-25

Return and Risk

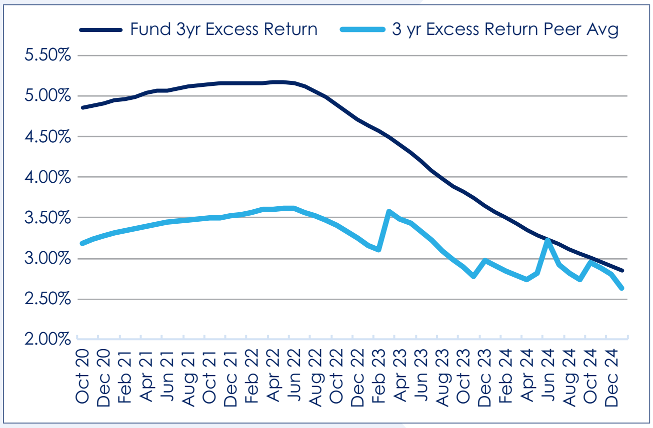
Rolling Returns



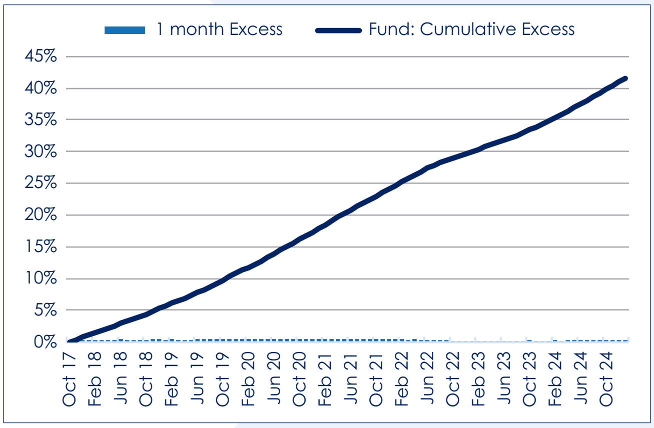
Rolling Correlation



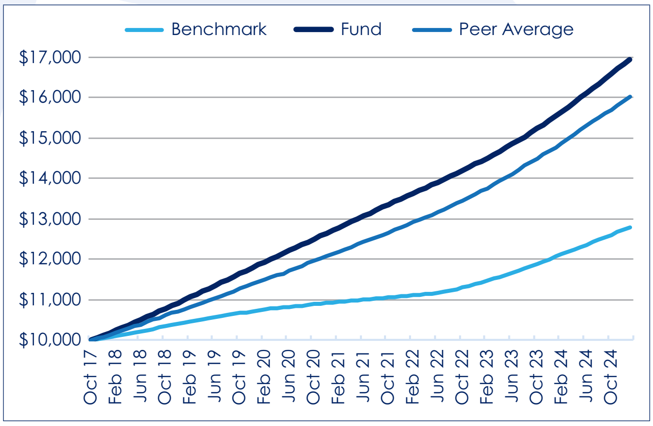
Rolling Excess Returns



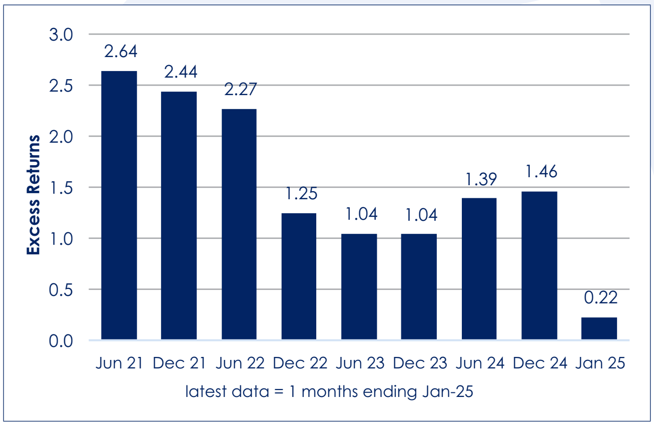
Cumulative Excess Returns



Growth of $10,000

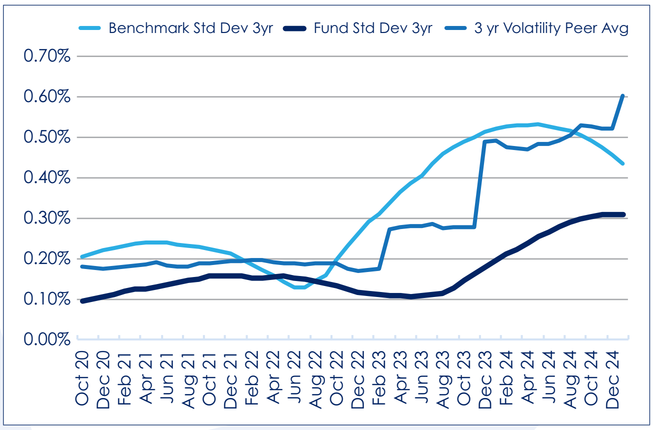


Fund Excess Return Half Yearly



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

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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