Millbrook Mortgage Fund

This report has been prepared for financial advisers only

Favourable

June 2022

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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Star Rating*

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Report Date: 29 June 2022

Star Rating*	Description	Definition	
4½ stars and aboves	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

Favourable. Consider for APL inclusion.

Fund Description	
Fund Name	Millbrook Mortgage Fund
Asset Class Category	Income/Mortgage Fund
Management and Service Providers	
Investment Manager	Millbrook Mortgage Management Ltd
Responsible Entity	Millbrook Mortgage Management Ltd
Custodian	N.A.
Fund Administrator	Millbrook Mortgage Management Ltd
Fund Information	
Fund Inception Date	Pooled Option commenced September 2019
Fund Size	$94.5m
Return Objective	5%-8% net of management fees
Risk Level	Moderate
Leverage	Current 57% LVR. Maximum 70%
Benchmark	Not specified
Number of Positions	Currently 51, including Pooled Option
Investor Information	
Investment Term	Specific Option: the term of the specific loan Pooled Option: Minimum 12 months
Redemption Policy	90 days' notice provided the initial investment term has been completed
Distribution Frequency	Monthly
Minimum Application	$10,000
Fees	
Management Fee	There are no direct fees charged to investors.
Performance Fee	Nil
Buy/Sell Spread	Nil

Fund Summary

Description

The **Millbrook Mortgage Fund (the 'Fund')** is a registered managed investment scheme regulated by ASIC.

Millbrook offers first mortgages on residential, commercial and industrial property for investment or construction. The Fund's objective is to provide first mortgage loans to approved borrowers predominately along the Eastern seaboard. Loans can be made to individuals or companies. The Fund targets return rates from 5% to 8%, net of Millbrook's fee. The interest rate achieved depends on Millbrook's assessment of the risk associated with the individual loans and balancing this against the investors' risk/return expectations for every loan.

Millbrook offers two investment options.

- Specific Option: Investors can select and invest directly in the specific loans that they wish to participate in, and the terms and conditions of those loans. This is a contributory or peer-to-peer mortgage investment where one or more investors invest in a specific mortgage loan. Investors' cash is deployed into specific loans (each with their own specific risk, rate of return and term) and are allocated a fractional economic interest in the loan.
- Pooled Option: This Option packages a number of underlying loans, with target return which reflects the expected returns and terms of the underlying loans. This investment option provides investors with the ability to invest in a diversified range of mortgages with different security, terms and LVR's for a term of their choosing. There is a minimum investment term of 12 months. Investment decisions are made by the Millbrook management team. The Fund invest into loans on exactly the same conditions as the direct investors and are essentially just another participant in each loan.

Fund Rating

The Millbrook Mortgage Fund has achieved the following rating:

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

SQM Research's Review

1. People and Resources

About the Manager

Millbrook Mortgage Management Ltd ABN 81 123 219 732 is the responsible entity for the Millbrook Mortgage Fund ARSN 125 042 480. It is the holder of Australian Financial Services Licence number 335001 and Australian Credit Licence 335001. The Manager offers first mortgages on residential, commercial and industrial property in Australia for investment or construction.

The business was purchased on 17 November 2017 by David Lyall Holdings Ltd from the shareholders of AF&L First Mortgages Ltd which established the business in 2009. The name of the business was changed to Millbrook Mortgage Management Ltd and the Millbrook Mortgage Fund. David Lyall Holdings Ltd (incorporated in New Zealand) now holds 50% of shares and Lyall Holdings Ltd (also incorporated in New Zealand) holds the other 50% of shares. The Manager is substantially co-invested in the Fund.

Investment Team

Millbrook has a well experienced head office and credit management team based in Melbourne that have expertise in business management, lending, and compliance management. The investment team consists of five professionals with extensive credit experience, with an average of around 35 years in the industry.

The Credit and Investment Committee makes all major investment management decisions regarding the loan book. Key strategy and management are conducted by two executive directors who as owners are not planning to leave or likely to leave. Experienced external compliance committee members are used to review procedures, staff training and run the compliance committee process in terms of the AFSL obligations.

There is some key man risk in Mr David Lyall being the co-founder, CEO and a major shareholder. This is mitigated by the depth of experience within the broader team and that Mr David Lyall and Mr George Lyall are the founders and shareholders of the business.

2. Investment Strategy and Process

Loan Universe

The Fund only invests in registered first mortgages on established or unimproved residential property, and a small amount for construction of residential properties.

The Fund also lends on industrial and commercial property that is improved or under construction, and on rural or undeveloped land for land banking purposes. Loans may be used for investment equity, development and construction, refinance and working capital purposes. Unless a loan has a very low LVR or collateral security is held, the Fund does not lend against specialised assets such as childcare centres, hotels, service stations, nightclubs, broadacre farms. etc.

Loan Origination

Loans are sourced via the broker channel, from past clients and by word of mouth. The origination process has been strengthened by getting on the VOW panel, an aggregator with approximately 100 commercial brokers, significantly increasing the flow of enquiries. While brokers provide a stream of loan opportunities with some pre-vetting, it is beholden on Millbrook to conduct in-depth due diligence on each application to ensure borrowers are of an 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.

Lending Process

Every loan opportunity is considered on its own merits. Credit decisions are made according to Millbrook's Lending Policy but with specific reference to loan-specific or market-specific conditions. When assessing a loan application, Millbrook considers the following factors prior to preparing a specific proposal for a mortgage investment:

- Income: Serviceability of the borrower and whether borrower can afford to make repayments while taking into account all other liabilities.
- Assets and Liabilities: The borrower's Assets and Liabilities demonstrate financial strength and sound financial decisions.
- Asset Type: The asset fits Millbrook's credit policy and is in a metro location, as well as demand for this specific asset in that location.
- Exit: There is certainty the Fund will be repaid at the end of the loan facility.

The minimum that can be borrowed is $100,000. There is no maximum loan size, although any loans over $2.0 million can only be considered where an appropriate pool of investors can be identified. All loans/investments are undertaken on a fixed interest rate basis.

Millbrook, as the loan originator, is responsible for the credit assessment of each borrower. Loan applicants and guarantors must have acceptable credit ratings and bankruptcy reports, as well as a satisfactory asset position, with financial information to demonstrate serviceability of the loan, and/or an accountant's certificate to confirm potential cash flow. Compliance checks are undertaken on loans, using check sheets throughout the processes up to settlement.

Arrears Management

Millbrook is generally in receipt of all loan monies, including the interest component. All loans are subject to monthly interest repayments, and these are monitored daily for non-payment. All construction loans include capitalised interest. Where there are arrears, these would incur default interest and would be recovered, together with the principal and any other outstanding monies, on discharge.

Millbrook makes no provision for impairments in the event of a loss. However, noting the nature and composition of Millbrook's loan investments and the availability of first registered mortgage security over a real property asset, permanent loss is not considered likely. If a loss were to be made, Millbrook would proceed to recover funds as mortgagee in possession and from legal recovery from guarantors for any shortfall, if necessary.

3. Risk Management

Risks to Investors

Investors face a number of risks that are peculiar to this type of investment.

- Concentration risk - If the investor's loan portfolio is concentrated into one loan or one borrower, there is an increased risk that part or all of the investment may be lost due to defaults. This is mitigated by Millbrook's due diligence process on the viability of the asset and the credit quality of each borrower.
- Illiquidity - Loan investments are not liquid securities (i.e. they are not able to be sold or liquidated into cash prior to the lock up period) and are redeemable only to the extent that the repayments (both principal and interest) of the loans have been paid. There is no secondary market for loans, although the Manager may make funds available under compelling circumstances.
- Economic and Market Risk - Adverse changes in economic and general business conditions (e.g. interest rates, global or local competition, changes in tax and regulatory regime, etc) could adversely

impact a borrower's ability to pay instalments on their loan or default, which will in turn affect the returns on the loan. This risk is mitigated by the first mortgage security held by Millbrook, although there may be some delay in securing the investor's capital in the event of a default.

- No deposit guarantee - As Millbrook is not a bank or an Approved Deposit-taking Institution, an investment in the Options is not protected under the Financial Claims Scheme or depositor protection provisions in section 13A of the Banking Act.

SQM Research notes that for funds such as the Millbrook Mortgage Fund, credit risk, third party risk and illiquidity are the primary risks, rather than volatility. The absence of significant volatility in the Fund's target return profile does not reflect the true underlying risk investors may incur. Although all borrowers have been assessed by Millbrook's Investment Team as being 'approved', it is entirely possible that borrowers may experience difficulties in extreme market conditions if their other sources of income on which they are relying to pay interest on the loans are diminished.

The LVR exposure to a specific loan is established at the outset, with gearing permitted to a maximum of 70% of valuation. Around 85% of loans have an LVR greater than 50%, and 60% of loans fall within the 60-70% LVR range. The current weighted average LVR of the Pooled Option is 57%.

SQM Research notes that Millbrook's due diligence is critical to the credit assessment and pricing of the underlying loans. Other than hard limits on LVRs, to mitigate risk Millbrook also preferences loans in metro areas rather than in regional centres and places limits on exposure to construction. However, Millbrook does not have constraints on the number of loans running simultaneously for same borrower or the percentage of the loan book to any one borrower.

4. Fund Characteristics

Geographic Diversification

Although the Fund has the capacity to lend against registered mortgages anywhere in Australia, the Fund is not well diversified and is currently invested primarily in Victoria with 86% of the value of loans funded, with minimal investment in other states. The Manager has indicated that it will seek to further diversify its loan exposure into other Eastern states, particularly NSW, as appropriate lending opportunities arise.

Asset Allocation

The loan book is diversified with a spread across residential, commercial, industrial and land/rural lending. The exposure to residential reduced from a high of 75% of NAV in late 2020 with a commensurate increase in commercial loans. This was due to a single large commercial loan which has since been repaid. Residential loans are expected to revert to being circa 65% of the total loan value, with the balance in industrial (8%), land (19%), and rural loans (7.5%).

Loan to Value Ratio Exposures

The LVR exposure to a specific loan is established at the outset, with gearing permitted to a maximum LVR of 70% of valuation. Around 85% of loans have an LVR greater than 50%, and 60% of loans fall within the 60-70% LVR range. The weighted average LVR of the Pooled Option is 57%.

Correlation to Australian Equities

There is only a limited track record to compare this Fund against the broader Australian equity market in terms of its correlation and potential to diversify portfolio risk for an investor over a cycle. However, SQM Research notes that unlike REITs which typically have a high correlation to equities at around 75%, property loan financing (and direct property generally) exhibits negative or low correlation to equities. This is primarily due to the infrequency of valuation events which generally occur only when finance facilities are closed out, compared to the intraday market valuation and volatility of equities, as well as the specificity of each separate loan arrangement. Consequently, in a portfolio context, the Fund has the potential to reduce overall portfolio volatility over the cycle.

5. Other Fund Features

Governance

Millbrook Mortgage Management Ltd is the Investment Manager and AFSL holder and Responsible Entity of the Fund which houses all the loans and related security in separate sub-trusts. The functions performed by Millbrook include origination of loans, credit assessment of borrowers, portfolio oversight (diversification/ credit assessment), ongoing monitoring of loan performance and follow up of any defaults. Millbrook Mortgage Management Ltd is an Australian Credit Licence holder.

Millbrook has established a Compliance Committee to oversee governance matters.

Fees

There are no direct fees charged to investors. The borrowers pay an interest rate and some administration fees. Investors in the Fund effectively pay a Loan Management Fee, being the differential between the loan interest paid by borrowers and the return to investors. Each loan has its own pricing, so the spread differs across the loan book. This fee is paid to Millbrook as and when interest on the loan is paid.

There are no performance fees or buy/sell spreads.

Distributions

Distributions are sourced from income from the interest paid by borrowers and are paid monthly to Investors. The return from each individual loan will vary according to the specific terms of the loan. Distributions only occur from repayments (the principal and interest charged) that have been paid. The Fund will distribute the full return available to its investors.

Redemptions

The Fund's Specific Options are illiquid as repayment of the investor's capital related to any loan is dependent on the borrower repaying their loan. The investment term is the same as the loan invested in, which can be 3 months to 3 years. The average term of a Fund loan is approximately 12 months.

The Fund's Pooled Option is also illiquid but does provide for investors to redeem all or part of their investment after a minimum investment period of 12 months. Redemptions are subject to there being a current redemption offer available on 90 days written notice, the investment having been in place for at least 12 months, and there being sufficient cash on hand.

6. Performance

Length of Track Record

For the purposes of this review, the Manager has provided performance data from April 2019, a period of three years. SQM Research believes this is sufficient to provide an indicative assessment of the Fund's performance characteristics.

Return Objective & Performance

Each loan has its own target return for that specific loan, which is dependent on the credit quality of the borrower, and on the term and purpose of each loan. Monthly returns are agreed in advance for each loan and do not vary for the term of the loans. The return to investors is as quoted for that loan and is paid after all fees.

Each investor will have a different return experience, depending on which loans they participate in. SQM Research notes that each individual investor's return will differ from any other investor's return due to the following factors:

- Each investor may generally hold a proportion of their investment in cash as it may not be possible to immediately deploy their funds into a loan (or a bundle of loans in the case of the Pooled Option) or reinvest the proceeds from any loans that have been repaid.
- Each investor will have a different set of loan investments depending on when they subscribed to the loans, or selected their own portfolio of loans, and if and when they invested additional funds.

The Fund has a target return to investors between 5.0% to 8.0% per annum on capital deployed, after expenses and fees. In the absence of a standard industry benchmark for this type of fund, SQM Research has used the RBA Cash Rate plus 5.00% as an indicative benchmark for performance comparison purposes. The Fund's performance is shown below.

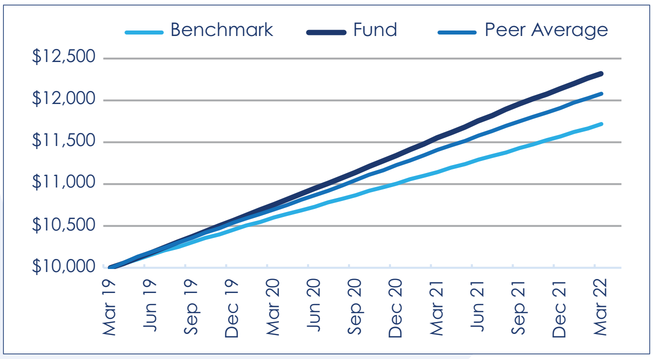
Fund Performance to 31 March 2022 (% p.a.)							
Total Return	**1-Month**	**3-Month**	**6-Month**	**1-Year**	**3-Year**	**5-Year**	**Inception**
Fund	0.50	1.51	3.06	6.71	7.21	.	7.21
Benchmark	0.42	1.25	2.52	5.10	5.43	.	5.43
Peer Average	0.52	1.72	3.26	6.90	7.17	.	7.17
Alpha	0.09	0.26	0.54	1.60	1.78	.	1.78

With dividends reinvested. Returns beyond one year are annualised. Return history starts Apr-2019

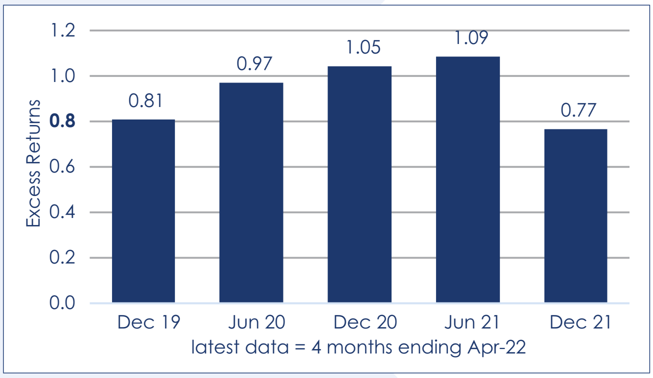
Benchmark: RBA Cash Rate plus 5.00%

The Fund has outperformed the RBA Cash Rate +5.0% benchmark by 1.78% p.a. since April 2019. Over the longer term, the Fund has performed in line with the peer group. Over the twelve months to March 2022, the Fund returned 6.71% compared to 5.10% for the benchmark. This is an outperformance of 1.60%.

Growth of $10,000



Fund Excess Returns %: Half Year (net of fees)



The Fund's volatility (standard deviation of monthly returns) over the year to March 2022 was 0.14% compared to a peer average of 0.40% and 0.00% for the benchmark.

7. Strengths and Weaknesses

Strengths

- The rate of return to investors on each loan is established in advance. Transaction-specific interest rates recognise the individual risk inherent in each loan.
- Each investor is secured by the first mortgage and therefore secured for their fractional interest in the Fund.
- Investors do not pay any direct fees.
- Exposure to smaller loans which reduces the risk inherent in larger sized failures.
- Typically shorter term loans, with terms from six months up to 12 months.
- A well experienced management team that have cross functional expertise in business management and credit lending assessment.

Weaknesses

- Repayment of capital is dependent on 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 where return of capital is dependent on interest payments and repayment schedules.
- A high exposure to residential property.
- The absence of limits on exposures to individual borrowers.
- Investors do not enjoy the protections afforded to investors in term deposits and government guaranteed holdings in Approved Deposit-taking Institutions (ADIs).

Other Considerations

- The Fund targets returns in excess of 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 which investors should recognise include credit risk, illiquidity, property development risks, market risk and exposure to only certain types of property, and geographic concentration.
- The returns on the Fund are largely dependent on the supply and demand for loan funding. Demand will be influenced by broader economic conditions and the requirement to fund loans.

Key Changes since the Last Review

- This report is an inaugural review

Structure

The Fund provides loan funding to businesses or individuals. The underlying assets are short- and medium-term (up to 24 months), first-mortgage secured, senior loans to approved borrowers. Borrowers include property developers and owner builders; as well as SME borrowers seeking cashflow or working capital.

Millbrook offers two investment options.

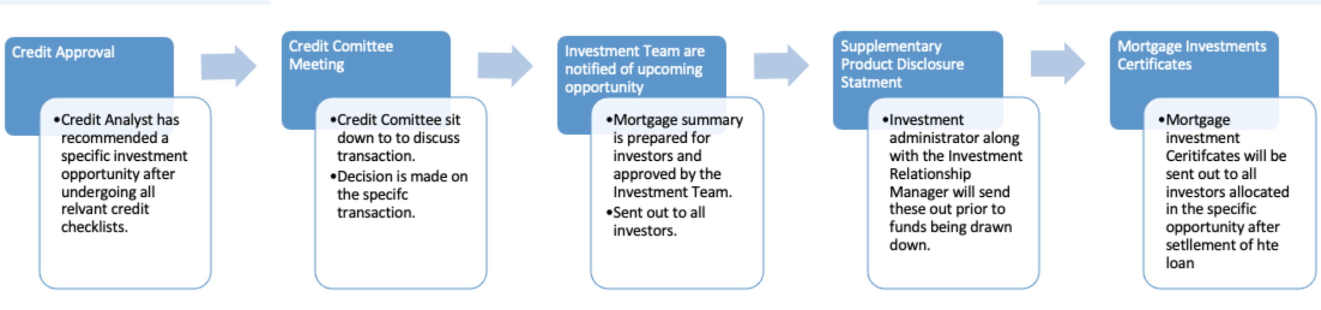
- Specific Option: Investors can select and invest directly in the specific loans that they wish to participate in. This is a contributory or peer-to-peer mortgage investment where one or more investors invest in a specific mortgage loan. Investors can invest in one or a portfolio of loans which provides the ability to diversify their risk across the portfolio. These loans are originated, funded and administered by Millbrook. Investors' cash is deployed into specific loans (each with their own specific risk, rate of return and term) and are allocated a fractional economic interest in the loan.
- Pooled Option: This investment option enables investors to invest in a diversified range of mortgages with different security, terms and LVR's for a term of their choosing. The Pooled Option packages a number of underlying loans, with a minimum term of 12 months (the lock-up period) and a target return which reflects the expected returns and terms of the loans. Investment decisions are made by the Millbrook management team. The Fund invest into loans on exactly the same conditions as the direct investors and is essentially just another participant in each loan.

Investable Universe

The Fund only invests in registered first mortgages on established or unimproved residential property, and a small amount for construction of residential properties. The Fund also lends on industrial and commercial property that is improved or under construction, and on rural or undeveloped land for land banking purposes. Loans may be used for investment equity, development and construction, refinance and working capital purposes.

Unless a loan has a very low LVR or collateral security is held, the Fund does not lend against specialised assets such as childcare centres, hotels, service stations, nightclubs, broadacre farms. etc.

Investment Process



Research

Millbrook is able to access external research from licensed real estate agents and online sources such as Core Logic when required, as well as information available from government (e.g. ABS) and industry websites and valuers. It also communicates with others directly involved in the property sector, such as property developers. The team accesses daily publications and items of interest from brokers and financial intuitions and attend presentations related to credit and lending and the property market more broadly.

Loan Origination

Loans are sourced via the broker channel, from past clients and by word of mouth. The origination process has been strengthened by getting on the VOW panel, an aggregator with approximately 100 commercial brokers, significantly increasing the flow of enquiries. Millbrook also seeks to originate loans from new introducers for new borrowers, in different locations on an on-going basis.

While brokers provide a stream of loan opportunities with some pre-vetting, it is beholden on Millbrook to conduct in-depth due diligence on each application to ensure borrowers are of an 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.

Lending Process

Every loan opportunity is considered on its own merits. Credit decisions are made according to Millbrook's Lending Policy but with specific reference to loan-specific or market-specific conditions. When assessing a loan application, Millbrook considers the following factors prior to preparing a specific proposal for a mortgage investment:

- Income: Serviceability of the borrower and whether borrower can afford to make repayments while taking into account all other liabilities.
- Assets and Liabilities: Does the borrower's A&L convey an overall financial strength and sound financial decisions.
- Asset Type: The asset fits the credit policy and is in a metro location, as well as demand for this specific asset in that location.
- Exit: How the Fund will be repaid at the end of the facility.

The minimum that can be borrowed is $100,000. There is no maximum loan size, although any loans over $2.0 million can only be considered where an appropriate pool of investors can be identified. The largest loan to date is $14.2 million, covered by a single investor. Loan approvals are subject to the following authorisations:

- Up to $1.5 million: Mr Lyall solely, or otherwise any two Credit Committee members jointly.
- $1.5 million to $3 million: Mr Lyall 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.

Millbrook enters into a loan agreement with the borrower to fund the loan. The borrower generally repays the loan over a 6-24 month period through regular instalment payments or via interest capitalisation. In each case, the mortgagee will be Millbrook Mortgage Management Ltd.

Millbrook seeks investor funding immediately after the loan approval and when the borrower's funding expectation are known. Investor subscriptions are processed through the Investor Trust Deposit Account (ITD) and are passed to Millbrook's lawyer's trust accounts for settlement. Investors' funds will be held in the ITD bank account when they have elected to hold funds in the ITD pending further investment opportunities. These accounts are reconciled weekly.

The overwhelming majority of loans advanced by the Fund will be for commercial, business or investment purposes. Millbrook holds an Australian Credit Licence meaning the Fund can consider loans regulated by the National Consumer Credit Protection Act (NCCP). Whilst Millbrook also has a credit licence, the preference is not to participate in this market due to the loans being relatively short-term with 6 to 24 months terms and therefore do not lend themselves to being 'fit for purpose' under responsible lending guidelines for consumer loans. However, regulated loans may be considered in exceptional circumstances and when doing so complies with responsible lending requirements.

Credit Assessment

Millbrook, as the loan originator, is responsible for the credit assessment of each borrower. Loan applicants and guarantors must have acceptable credit ratings and bankruptcy reports, as well as a satisfactory asset position, with financial information to demonstrate serviceability of the loan, and/or an accountant's certificate to confirm potential cash flow. Compliance checks are undertaken on loans, using check sheets throughout the processes up to settlement. The quality of any loan application is assessed against the following key factors:

- A recognised credit reporting agency report on all borrowers, guarantors and related parties.
- Bankruptcy search on all borrowers and guarantors
- An ASIC company search for any corporate borrower.
- The property forming security for the loan must meet Millbrook's Credit and Lending Policy.
- An assessment is made of the borrower's financial standing and assets and liabilities. Supporting documentation and evidence required on the borrower's ability to repay, including latest financial accounts; ATO tax returns/summaries. Consideration is given to employment, occupation, and length of time employed in that particular position. This evidence of serviceability may include either PAYG slips for those employed, or historical financial statements for the self-employed.

- Reasonable inquiries about a consumer's requirements and objectives could include the amount of credit needed or the maximum amount sought, the timeframe for which it is required, and the purpose and benefit sought.
- All lending is to be secured. The loan to value ratio (LVR) is not to exceed 70% (i.e., there must be at least 30% equity in the property, based on the valuation). Registered valuations are required for all transactions and be provided by a reputable valuer with **regard to location, type, purpose, valuation/ LVR, sales history, specific features or limitations, special conditions.**
- The purpose/use, timing, and reason for funding. Any loan will be declined where the purpose is unclear or does not meet Australian legal and legislative requirements.

All loans/investments are undertaken on a fixed interest rate basis. Loans are priced by Millbrook's Credit Committee taking into account the assessed credit worthiness of the borrower, the location of the asset (metro area vs. regional centre) and the term. This enables Millbrook to match risk to targeted return for each loan. Historically, borrower rates have ranged between 6.0% p.a. and 9.5% p.a.

Deployment of Funds

Investors' funds will be held in the Investor Trust Deposit, an investment trust account of the Fund (a separate sub-scheme of the Fund) pending allocation to a mortgage investment.

When there is a new loan to fund, Millbrook will email a Mortgage Investment Summary to all current investors and those who wish to invest in the offer place their funds in the Investors Trust Deposit Trust. The typical length of time for cash to be lent out to borrowers is usually within 5 to 7 days from receipt. Any surplus investors' funds not allocated to sub-schemes is held in the Investors Trust Deposit, pending further opportunities.

The typical length of time for investors' cash to be lent out to borrowers is loan specific. For specific loans, the term is the same as the loan in which it is invested. Loan terms are usually 12 months or less, but longer terms up to three years may be considered subject to availability of an appropriate pool of investors. The average loan term is approximately 12 months. SQM Research notes that this provides for a relatively rapid turnover, resulting in more frequent opportunities for the return of capital to investors, and reduces interest rate risk. For the Pooled Option, a minimum term of 12 months applies.

Valuation Policy

Valuations are undertaken by external valuers. The valuation process requires:

- a valuer to be independent and a member of an appropriate professional body in the jurisdiction in which the relevant property is located.
- the rotation and diversity of valuers.
- in relation to security property for a loan, an independent valuation is to be obtained:
  - before the issue of a loan and on renewal for development property, on both an 'as is' and 'as if complete' basis, and for all other property on an 'as is' basis; and
  - within two months after the directors form 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.

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 period of the construction or development works, Millbrook can at its discretion accept a more limited valuation or a report by an independent quantity surveyor or civil engineer instead of a valuer, in relation to the assessment of drawdowns.

SQM Research notes that while valuations for a loan will be conducted prior to the initial issue of most loans, Millbrook may not require a formal valuation of the asset where the LVR is less than 50% of the value of the asset. Where a loan for an initial term of 12 months or less is renewed at maturity, a revaluation of the asset is not necessarily made where the previous valuation was carried out less than 15 months prior to the renewal date.

Arrears Management

Millbrook is generally in receipt of all loan monies, including the interest component. All loans are subject to monthly interest repayments, and these are monitored daily for non-payment. All construction loans include capitalised interest. Interest arrears are generally rare. All arrears are recorded as against the term and tenor of the loan investment, incurring default at a higher rate on the amount of the missed payment. Where there are arrears, these would incur default interest and would be recovered, together with the principal and any other outstanding monies, on discharge.

Provisions for Loan Losses

Millbrook makes no provision for impairments in the event of a loss. However, noting the nature and composition of Millbrook's loan investments and the availability of first registered mortgage security over a real property asset, permanent loss is not considered likely. If a loss were to be made, Millbrook would proceed to recover funds as mortgagee in possession and from legal recovery from guarantors for any shortfall, if necessary. To date, this situation has not occurred as all investors have received all their capital and interest.

SQM Research notes that given the illiquidity of the underlying loans where returns are dependent on repayment schedules, an investor may not be able to access their capital in a timely manner, with their only recourse being the eventual receipt of returned capital and credit insurance or to not participate in further loans.

Default Management

The risk of any loan losses are carried by individual investors. Defaults are followed up when borrowers miss their monthly payments on time. Within seven days, the borrower is contacted to establish the reason and when the payment can be made. Default notices are issued at 30 days and investors are notified. If the risk is deemed acceptable, Millbrook may continue to cover the interest whilst arrangements are made to ascertain if the client is seeking refinance or sale. If payments are still overdue after three months, Millbrook may proceed with legal action to recover the debt by way of mortgagee sale if the borrower refuses to repay the debt.

Risk Management

Risks to Investors

Investors face a number of risks that are peculiar to this type of investment.

- Time to invest - A lack of demand from borrowers could mean that subscribed funds are not quickly invested. Investors may only receive the interest rate paid on their cash balance in the Investor Trust Deposit Account for a period of time.
- Borrower risk: There is a risk that borrowers will be unable to repay or refinance their facilities upon their maturity. Despite the Fund being treated as a secured creditor, there is a possibility that the Fund may not receive the interest owed or full payment of the principal.
- Concentration risk - If the investor's loan portfolio is concentrated into one loan or with one borrower, there is an increased risk that part or all the investment may be lost due to defaults. This is mitigated by Millbrook's due diligence process on the viability of the project and the credit quality of each borrower.
- Illiquidity - Loan investments are not liquid securities. They are not able to be sold or liquidated into cash prior to the 12-month lock up period if invested in the Pooled Option and are redeemable only to the extent that the repayments (both principal and interest) of the loans have been paid. There is no secondary market for loans.
- Changes in returns - Millbrook pays an interest rate on its loans that will reflect the relative assessed risk of each individual loan. The interest rate is influenced by the borrower's credit risk, market interest rates, as well as the return on capital required by investors.
- Economic and Market Risk - Adverse changes in economic and general business conditions (e.g., interest rates, the state of the housing market, changes in tax and regulatory regime, etc) could adversely impact a borrower's ability to pay instalments on their funding or default, which will in turn affect the returns on the loan. This risk is mitigated by the first mortgage security held by Millbrook, although there may be some delay in securing the investor's capital in the event of a default.
- No deposit guarantee - As Millbrook is not a bank or an Approved Deposit-taking Institution (ADI), investors should be aware that they do not enjoy the protections afforded to investors in term deposits and government guaranteed holdings in Approved Deposit-taking Institutions and are not protected under the Financial Claims Scheme.

SQM Research notes that for funds such as the Millbrook Mortgage Fund, credit risk, third party risk and illiquidity are the primary risks, rather than volatility. The absence of significant volatility in the Fund's target return profile does not reflect the true underlying risk investors may incur. Although all borrowers have been assessed by Millbrook's Investment Team as being 'approved', it is entirely possible that borrowers may experience difficulties in extreme market conditions if their other sources of income on which they are relying to pay interest on the loans are diminished.

Risk Constraints

SQM Research notes that Millbrook's due diligence is critical to the credit assessment and pricing of the underlying loans. Other than hard limits on LVRs, Millbrook also applies the following guidelines to mitigate risk.

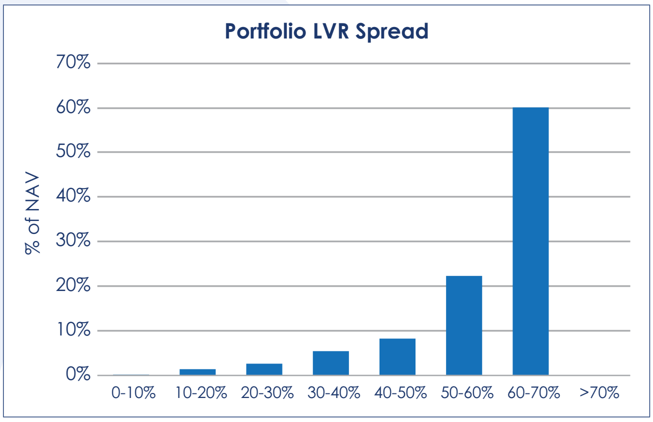
- No more than 20-25% of the loan book to be for construction.
- There is a strong preference for loans in metro areas rather than in regional centres.

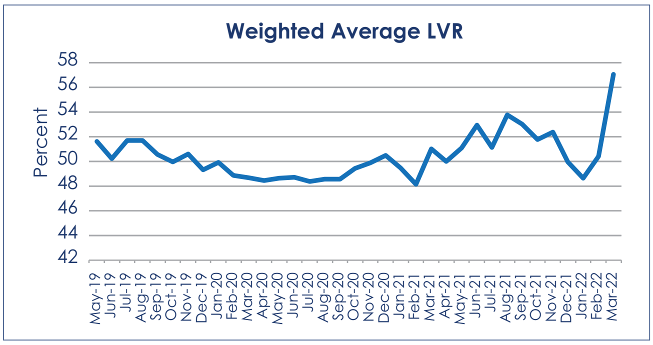
Millbrook does not have constraints on:

- The number of loans running simultaneously for same borrower.
- The percentage of the loan book to any one borrower.
- Need for mortgage insurance for loans above a certain $ value.

Loan to Value Ratio Exposure

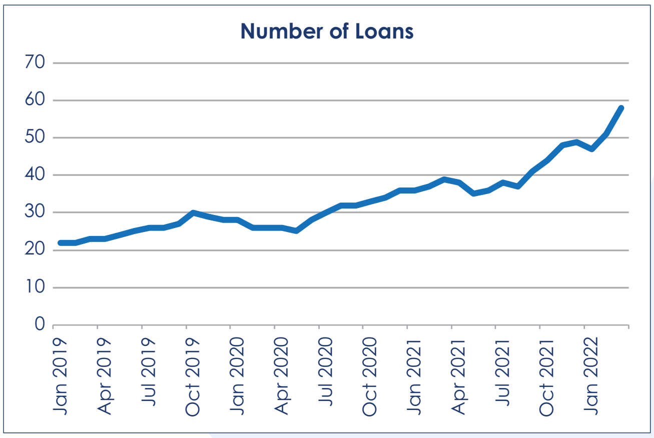
The LVR exposure to a specific loan is established at the outset, with gearing permitted to a maximum of 70% of valuation. Around 85% of loans have an LVR greater than 50%, and 60% of loans fall within the 60-70% LVR range. The current weighted average LVR of the Pooled Option is 57%.



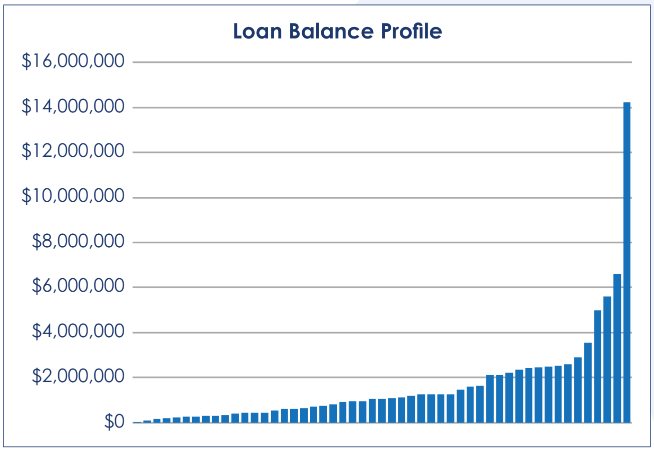


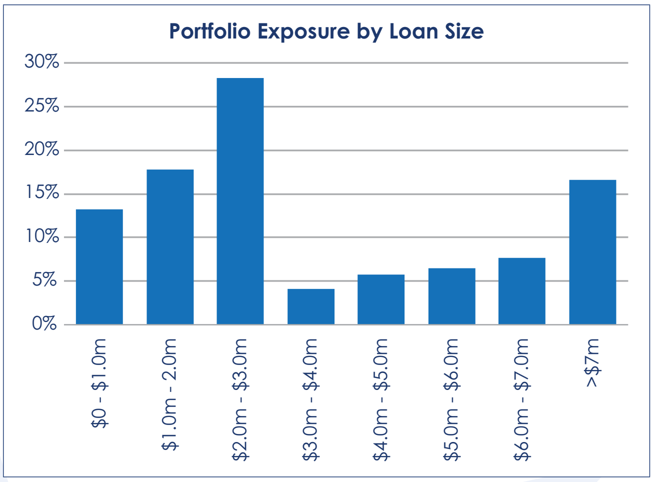
Concentration Risk

SQM Research notes that the number of loans has increased steadily over the past 3.5 years. However, because the Pooled Option sub-scheme may only hold a limited number of loans, it is likely that single borrowers will exceed 5% of the assets.



There is a good spread of loans by size of borrowings, with 60% of the loaned amount being for loans less than $3 million. In SQM Research's opinion, this mitigates the risk of loss that would otherwise arise from a single large default. SQM Research observes however, that there was a single loan for $14.2 million, 17% of the total loan book, which was taken up by a single investor. This loan is to be repaid in full at end of June 2022.





Fund Characteristics

Expected Returns

The Fund targets a net return to investors between 5.0% to 8.0% per annum on capital deployed. The investor's portfolio return (after fees) = Loan investment interest + Interest on cash balances – Millbrook's management fee. SQM Research notes that individual investor's returns will generally differ from any other investor's return due to the following factors:

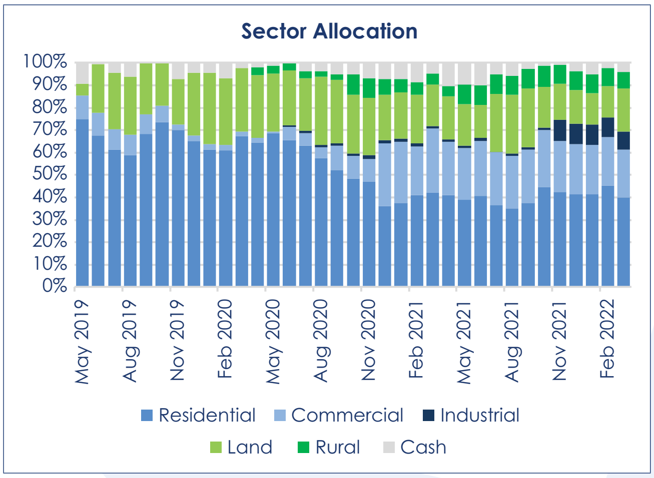
- Each investor will potentially have a different set of loan investments depending on when they subscribed to the loan pool, and the risk characteristics of individual loans to which they have subscribed.
- Each investor will generally hold a proportion of their investment in cash as it may not be possible to immediately deploy their funds or reinvest the proceeds from any loans that have been repaid.
- The reinvestment option chosen by the investor will affect the monthly return achieved by the investor.

Portfolio Maturity

The Fund is primarily exposed to short term liabilities, with around 70% of the portfolio having a maturity of less than 1 year.

Sector Allocation

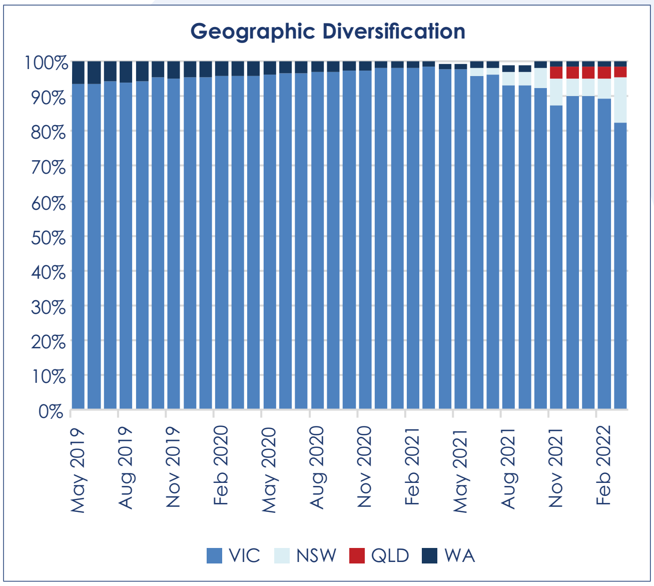
The loan book is diversified with a spread across residential, commercial, industrial and land/rural lending. The exposure to residential has reduced from a high of 75% of NAV with a commensurate increase in commercial loans. This was due to a single large commercial loan which has since been repaid. Residential loans are expected to revert to being circa 65% of the total loan value, with the balance in industrial (8%), land (19%), and rural loans (7.5%).



SQM Research notes that the residential sector has been extremely active and buoyant over the past few years. This may not continue as interest rates are progressively increased. This may in turn curtail the volume of applications for loans and investment opportunities for investors.

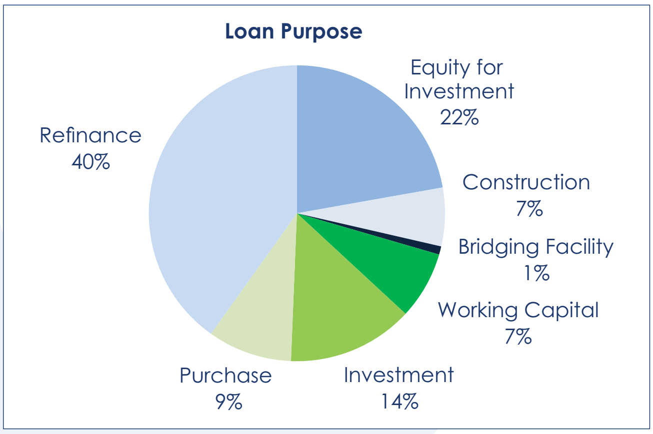
Geographic Diversification

The chart below shows the geographic diversification for the active loan book as of March 2022. SQM Research notes that although the Fund has the capacity to lend against registered mortgages anywhere in Australia, the Fund is not well diversified and is currently invested primarily in Victoria with 86% of the value of loans funded, with minimal investment in other states. The Manager has indicated that it will seek to further diversify its loan exposure into other Eastern states, particularly NSW, as appropriate lending opportunities arise.

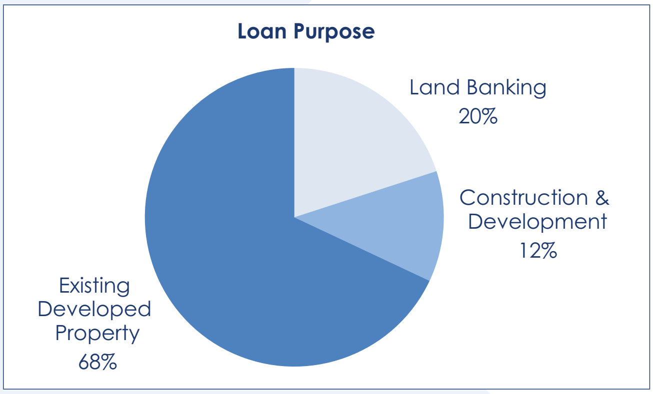


Exposure by Purpose

The chart below shows the dispersion of the current active loan book in terms of the purpose of the loans. Because Millbrook is a low-volume funder, it is not possible to rigidly apply concentration limits on the types of assets or loans within the Pooled Option.

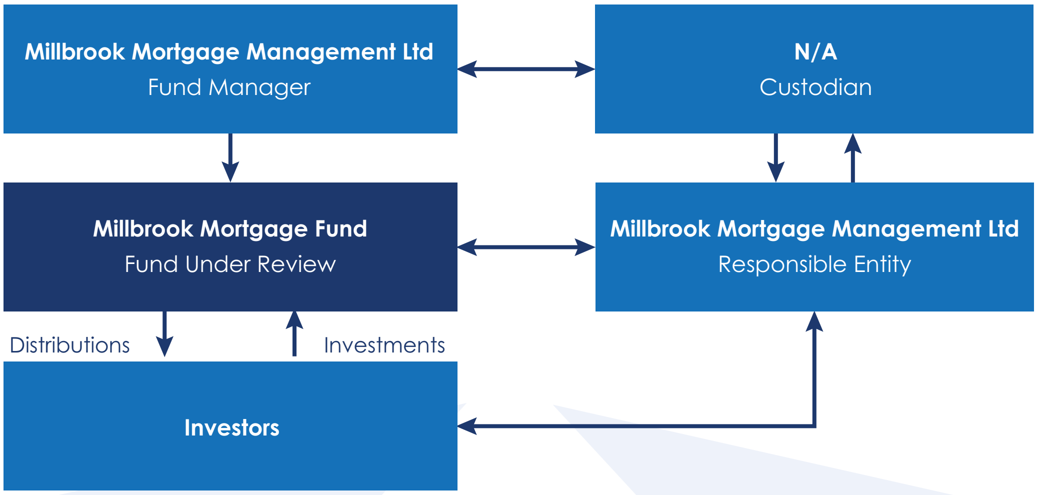


SQM Research notes that 40% of the loan value is for refinancing purposes. Investment borrowing accounts for 36%.



Construction and development loans are a relatively small component at 12%. Construction loans carry additional risks such as an unexpected escalation in construction costs; delays, and an inability to achieve the anticipated sales prices.

Key Counterparties



Investment Manager and Responsible Entity

Millbrook Mortgage Management Ltd (ABN 81 123 219 732) is the Investment Manager and the Responsible Entity for the Millbrook Mortgage Fund. Millbrook is the holder of Australian Financial Services Licence number 335001 and Australian Credit Licence 335001. The manager offers first mortgages on residential, commercial and industrial property in Australia for investment or construction.

The business was purchased on 17 November 2017 by David Lyall Holdings Ltd from the shareholders of AF&L First Mortgages Ltd which established the business in 2009. The name of the business was changed to Millbrook Mortgage Management Ltd and the Millbrook Mortgage Fund. David Lyall Holdings Ltd (incorporated in New Zealand) now holds 50% of shares and Lyall Holdings Ltd (also incorporated in New Zealand) holds the other 50% of shares.

Millbrook's board comprises of three directors, one of whom is independent.

Name	Responsibility / Executive	Independent	Years at Firm	Years in Industry
David Lyall	Director	No	5.0	20.0
George Lyall	Director	No	3.0	6.0
Matthew Bush		Yes	2.0	49.0

Administrator

There is no external Fund Administrator. Millbrook uses CMS Advance software to manage loan and investor records since inception in 2009. It is updated and modified as required and has proven to be suitable for operating and managing the portfolio. Accessibility is limited to operational staff and management and can be accessed remotely under strict password protection.

Compliance

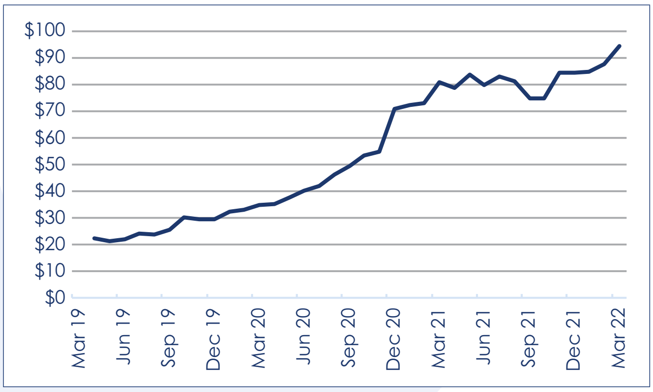
There is a Compliance team which reports to the Board.

Name	Responsibility	Independent	Years at Firm	Years in Industry
Geoff Werner	Compliance	Yes	12.0	49.0
David Lyall	Lending	No	5.0	20.0
Haydn Wright	Compliance	Yes	0.2	30.0
		Average	**5.7**	**33.0**

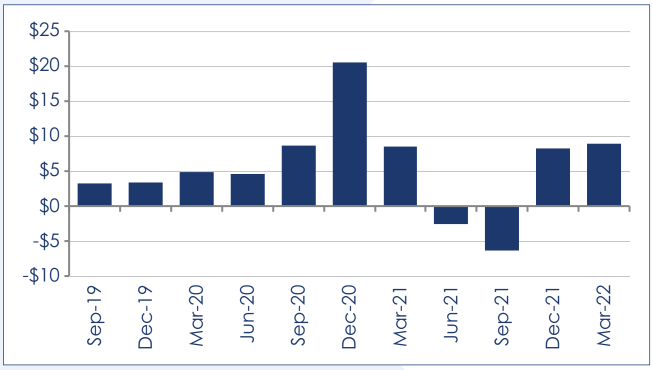
Funds management businesses rely on the operational capabilities of key counterparties. A critical element is the corporate ability of the Responsible Entity to monitor operational performance and to meet the regulatory and statutory responsibilities required. Based on the materials reviewed, SQM Research believes that the Investment Manager and the associated key counterparties are qualified to carry out their assigned responsibilities.

Funds Under Management

As of March 2022, Millbrook had $94.6 million of investors' funds under management. Apart from two quarters in 2021, FUM inflows have grown steadily. SQM Research notes this period represents a boom time in the Australian residential property market which may not be sustainable.



Quarterly Net Flows ($million)



Capacity

The Fund invests in is secured first mortgages. The capacity of the Fund is limited only by available funding, at the right cost of funds, for creditworthy loans. Millbrook has historically concentrated on the Victorian market and is now looking to diversify into other states. Near term capacity constraints in this asset class are not considered to be an issue.

Investment Team

Credit and Investment Committee

Name	Responsibility	Independent	Years at Firm	Years in Industry
David Lyall	Lending	No	5.0	20.0
George Lyall	Lending	No	3.0	6.0
Matthew Bush	Lending	Yes	2.0	49.0
Geoff Werner	Lending	Yes	12.0	49.0
Colin Robinson	Lending	Yes	2.0	50.0
		Average	**4.8**	**35.6**

The investment team consists of five professionals with extensive credit experience, with an average of around 35 years in the industry. The investment team is based in Melbourne.

The Credit and Investment Committee makes all major investment management decisions regarding the loan book. Key strategy and management are conducted by two executive directors who, as owners, are not planning to leave or likely to leave. Experienced external compliance committee members are used to review procedures, staff training and run the compliance committee process in terms of the AFSL obligations.

Staff Turnover

There have been no long-term key staff departures since the purchase of the business four years ago. A Credit Analyst departed and was replaced by Commercial Credit Analyst, Mr Christiansen.

Departures			
Date	**Name**	**Responsibility**	**Reason for Departure**
27-Apr-22	Teddy Kamanga	Investment Relationship Manager	Health reasons
20-Mar-22	Manaki Hurst	Credit Analyst	Competency

Additions / Hires			
Date	**Name**	**New Responsibility**	**Previous Position / Employer**
24-May-22	Fraser Neale	Investment Relationship Manager	Remi Capital
06-Jun-22	Andrew Christensen	Commercial Credit Analyst	La Trobe Financial

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.

Meeting Schedule

Meeting	Agenda	Frequency	Participants
Credit Meeting	Discuss potential transactions	Every 2 days, or as required	Head of credit, Managing Director, Credit Analyst and Business Development Manager.
Investment Meeting	Discuss new fund relationships	Weekly	Head of credit, Managing Director, Investment Relationship Manager & Business Development Manager.
Portfolio meeting	Loan management review	Weekly	Mortgage Manager, Director, Finance Manager, Investor Admin
Management Meeting	Month ahead	Monthly	Mortgage Manager, Director, Finance Manager, Investor Admin, Investment Relationship Manager.
Compliance	Quarterly compliance meeting	Quarterly	Managing Director, Head of Compliance, External Compliance Committee Member and Director
Directors' meetings	Review company operations and issues	Quarterly	Managing Director, Director, Head of Finance

Due to the size and the nature of the business, there is daily informal communication between the key investment staff, as well as a more structured meeting schedule relating to the loan book, compliance and company operations. 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 the team will likely make the best use of their combined expertise.

Remuneration and Incentives

Base salaries are determined in conjunction with external recruiters. Reviews are undertaken annually. Bonuses are determined based on annual company performance and paid as Christmas bonuses. Annual bonuses may be up to $10,000. There are no vesting periods or other lock-in measures.

Apart from the owners, no employees have equity stakes in the business.

Mr David Lyall invests in the Fund via Millbrook Finance Pty Ltd, and Millbrook Mortgage Management Ltd shareholders' funds are also invested as a sub-scheme member in the mortgages. Millbrook's management team have around $3.0m co-invested in the Fund.

SQM Research believes remuneration in the form of firm equity and client-focused performance bonuses act 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.

Fees

Fees and Costs	Fund	Peer Avg
Management Fee (% p.a.)	0.0%	1.03%
Expense Recovery (% p.a.)	–	–
Performance Fee (%)	Nil	0.00%
Buy Spread (%)	0.00%	0.00%
Sell Spread (%)	0.00%	0.00%

Management Fee

Investors do not pay any management fees.

Early Withdrawal / Transfer Fee

$100 fee charged to break the term of a Mortgage Investment and withdraw funds prior to the loan's maturity date.

Buy/Sell Spread

The Fund does not charge a buy/sell spread on applications and redemptions.

Performance Fee

The Fund does not charge a performance fee.

Borrower Fees

In addition to the specified loan interest rate, borrowers are charged an Establishment Fee (usually1.5% - 2% plus GST) upfront, a Management Fee of 1.5% p.a., and a monthly Administration Account Fee $22.00 plus GST. Costs for legal fees, valuation fee, broker fees and registration fees are collected out of the proceeds of the loan at settlement and passed onto the service providers. Additional fees to borrowers may apply for:

- Early repayment fee if under 6 months
- Dishonour fees
- Default realization fee
- Loan discharge fee
- Loan renewal fee

Distributions

Distributions are sourced from the interest paid by borrowers and are paid monthly to Investors. However, if a Specific Option loan is in default, Millbrook may compensate investors by paying distributions as if there were no default. Any such compensating distribution payments are paid from Millbrook's funds and, as such, are separate from any sub-scheme's assets.

Distributions to investors in the Pooled Option sub-scheme are made at a rate as determined by the RE from time to time. Should repayments received from borrowers fall short of the distribution due to investors, Millbrook may undertake to pay that shortfall from its own equity.

Distribution Date	Distribution CPU	Unit price * $	Distribution %
Jun-17	1.89	$3.017	0.63
Dec-17	1.27	$3.702	0.34
Jun-18	65.32	$4.110	15.89
Dec-18	1.47	$3.157	0.47
Jun-19	48.88	$3.724	13.13
Dec-19	0.81	$3.807	0.21
Jun-20	6.11	$3.337	1.83
Jun-21	45.91	$4.801	9.56
Dec-21	12.37	$5.256	2.35

* Unit Prices shown are the monthly average of daily unit prices

Redemption Policy

The Fund's Specific Options are illiquid as repayment of the investor's capital related to any loan is dependent on the borrower repaying their loan. The investment term is the same as the loan invested in, which can be 3 months to 3 years. The average term of a Fund loan is approximately 12 months. This reflects the term of a loan to a borrower and the potential for borrowers to default in repayment of the loan at maturity.

The Fund's Pooled Option is also illiquid but does provide for investors to redeem all or part of their investment after a minimum investment period of 12 months. Redemptions are subject to there being a current redemption offer available on 90 days written notice, the investment having been in place for at least 12 months, and there being sufficient cash on hand. Withdrawals are funded by repayment of the loan by the borrowers or, in the case of default by a borrower, by the enforcement of the security relevant to the loan.

Millbrook will seek to manage cash flows to ensure as far as possible liquidity is available to meet withdrawal requests.. While the RE will endeavour to meet all withdrawals in full, where there is insufficient cash available, withdrawals will be paid on the last day of each month.

Performance

For the purposes of this review, the Manager has provided performance data from April 2019. SQM Research believes this data are sufficient to form an assessment of the Fund's track record and its performance characteristics. SQM Research notes there is no standard industry benchmark for this type of fund. SQM Research has used the RBA Cash Rate plus 5.00% as an indicative benchmark for performance comparative purposes.

The Fund's performance vs. the RBA Cash Rate plus 5.00% is shown below.

Risk/Return Data to 31 March 2022							
Total Return	**1-Month**	**3-Month**	**6-Month**	**1-Year**	**3-Year**	**5-Year**	**Inception**
Fund	0.50	1.51	3.06	6.71	7.21	.	7.21
Benchmark	0.42	1.25	2.52	5.10	5.43	.	5.43
Peer Average	0.52	1.72	3.26	6.90	7.17	.	7.17
Alpha	0.09	0.26	0.54	1.60	1.78	.	1.78
Metrics				**1-Year**	**3-Year**	**5-Year**	**Inception**
Tracking Error (% p.a.) - Fund				0.14	0.13	.	0.13
Tracking Error (% p.a.) - Peer Average				0.40	0.43	.	0.43
Information Ratio - Fund				11.20	13.79	.	13.79
Information Ratio - Peer Average				6.47	8.59	.	2.73
Sharpe Ratio - Fund				46.61	52.51	.	52.51
Sharpe Ratio - Peer Average				62.26	37.95	.	37.95
Volatility - Fund (% p.a.)				0.14	0.13	.	0.13
Volatility - Peer Average (% p.a.)				0.40	0.46	.	0.46
Volatility - Benchmark (% p.a.)				0.00	0.12	.	0.12
Beta based on stated Benchmark				.	0.49	.	0.49

Dividends reinvested. Returns beyond one year are annualised. Return history starts Apr-2019

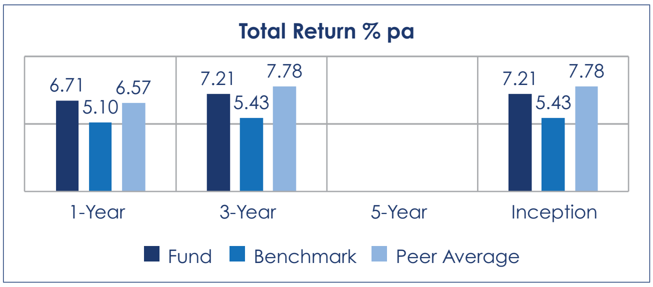
Benchmark: RBA Cash Rate plus 5.00%

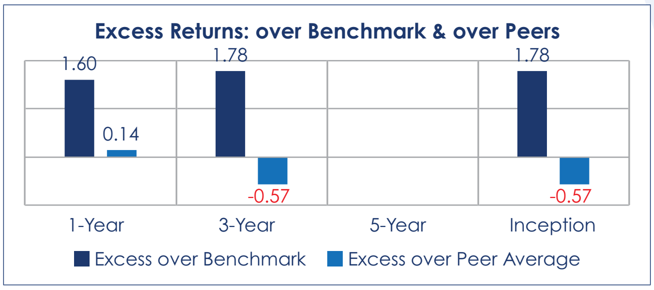
The Fund has outperformed the RBA Cash Rate plus 5.0% by 1.78% p.a. since the return history commenced in April 2019. Over the longer term, the Fund has performed in line with the peer group. Over the twelve months to March 2021, the Fund returned 6.71% (after fees) compared to 5.1% for the benchmark and 6.9% for the peer group.

Quantitative Insight[1]

Note: All return and risk data reported in this section are after-fees and for periods ending March 2022 unless otherwise stated.

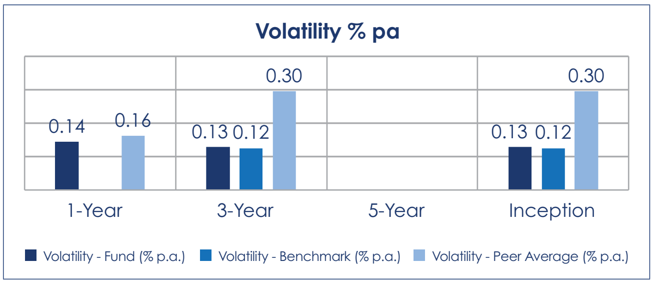
Returns



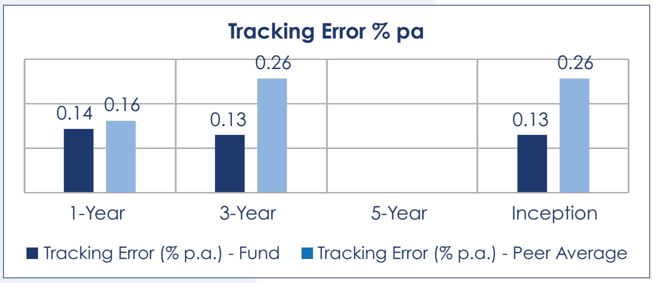


[1] **Note:** Sharpe and Information Ratios are not reliable comparison tools in periods where both the Portfolio and its peers/benchmark record a negative result

Risk



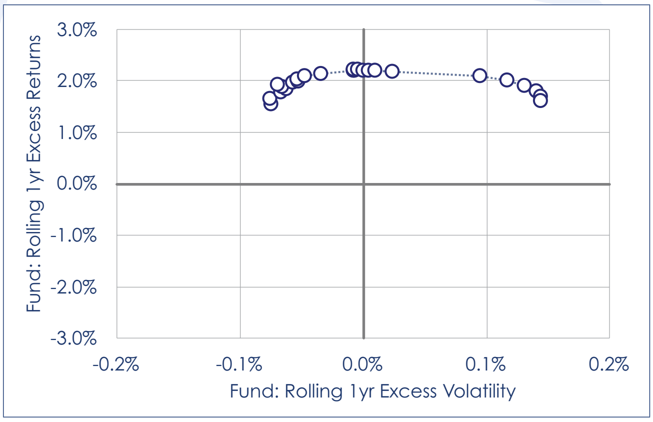
The Fund's **volatility** (standard deviation of monthly returns) over the year to March 2022 was 0.14% compared to a peer average of 0.40% and 0.00% for the benchmark. As another perspective, the Fund's 1-year rolling volatility has varied from a low of 0.01% per annum to a high of 0.14% and averaged 0.05% over the rolling observations. Over this same time frame, the peer group rolling volatility ranged from a low of 0.09% per annum to a high of 0.38% and averaged 0.19%.



The Fund's ex post **tracking error** (standard deviation of monthly excess returns relative to the benchmark) has tended to be lower than its peers, averaging 0.13% p.a. vs. 0.43% p.a. for the peer group average.

Snail Trail

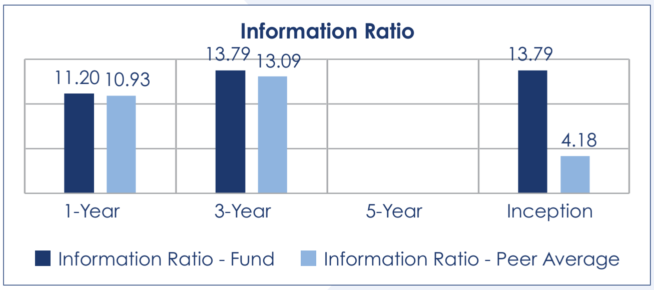
The snail trail chart and tables below show the combination of the Fund's rolling 1-year excess returns and rolling 1-year excess volatility. There are 25 observations in total.



The tables below display the distribution of these observations across the risk/return quadrants as well as the overall frequency of Outperformance v. Underperformance, and of High Volatility v. Low Volatility. As shown in the last table entry, the Fund is in the optimal upper left-hand quadrant (higher return, lower volatility) 64% of the time.

Snail Trail Distribution			
Frequency	**Lo-Vol**	**Hi-Vol**	**Total**
Hi-Return	**16**	9	25
Lo-Return	13	0	0
Total	**16**	**9**	**25**
25 rolling 1-year observations			
% of Total	**Lo-Vol**	**Hi-Vol**	**Total**
Hi-Return	**64%**	36%	100%
Lo-Return	0%	0%	0%
Total	**64%**	**36%**	**100%**

Risk-Adjusted Returns



Correlation

There is a negative correlation of the Fund's returns with the S&P/ASX 300 TR Index over the longer term and a low correlation to the MSCI World ex Aust Index, as would be expected. Correlation with the Bloomberg Ausbond Composite Index and the Bloomberg Global Aggregate Index (Hedged) has been moderate at 41.6% and 45.8 respectively since inception.

Correlation	Min	Max	Avg	Inception
S&P/ASX 300 TR	-58.3%	51.2%	-6.3%	1.6%
MSCI World ex Australia TR	-19.4%	52.0%	11.6%	18.9%
Bloomberg AusBond Comp	-58.3%	51.2%	-6.3%	41.6%
Bloomberg Global Agg TR Hedged	-68.7%	58.9%	-2.6%	45.8%

Over the life of the Fund, the 1-year rolling correlation vs. the Australian equity market has ranged from a low of -58.3% to a high of 51.2% and averaged -6.3%. Over the same time frame, the peer group's 1-year rolling correlation has ranged from a low of -12.7% to a high of 32.4% and averaged 7.2%.

Tail Risk

(The analysis in the paragraph below looks at the ***performance relationship of the Fund to the S&P/ASX 300****, a practice that SQM Research 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 softening or exaggerating the negative performance experienced at such times.)*

The table below details the **ten largest negative monthly returns** for the S&P/ASX 300 TR Index **since the inception of the Fund**. This is compared to the Fund's performance over the same ten months. The correlation of the Fund's returns to the S&P/ASX300 returns over the span of tail risk equity market extremes is -13.4%. The Fund posted 9 positive returns compared to the 9 negative returns of the Australian stock market.

The sum of returns over those 9 months was -45.7% for the S&P/ASX 300 and +5.2% for the Fund, a difference of +50.9%. These figures point to strong defensive characteristics of the Fund in the face of extreme equity tail risk.

Extreme Market Returns vs Fund Return Same Month

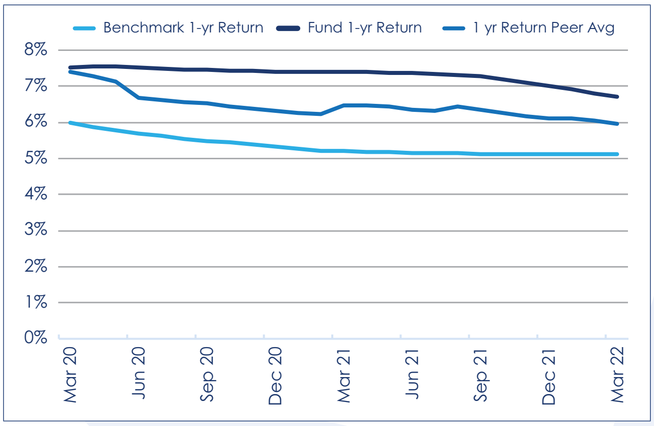
Index: S&P/ASX 300 TR — **From Apr-19 to Mar-22**

Rank	Date	Market	Fund	Difference
1	Mar-20	-20.83%	+0.60%	+21.43%
2	Feb-20	-7.76%	+0.60%	+8.36%
3	Jan-22	-6.45%	+0.50%	+6.96%
4	Sep-20	-3.59%	+0.59%	+4.18%
5	Aug-19	-2.27%	+0.62%	+2.89%
6	Dec-19	-2.02%	+0.60%	+2.63%
7	Sep-21	-1.89%	+0.57%	+2.45%
8	Nov-21	-0.53%	+0.51%	+1.04%
9	Oct-19	-0.38%	+0.61%	+0.99%
10	.	.	.	.
Totals		**-45.74%**	**+5.20%**	**+50.94%**

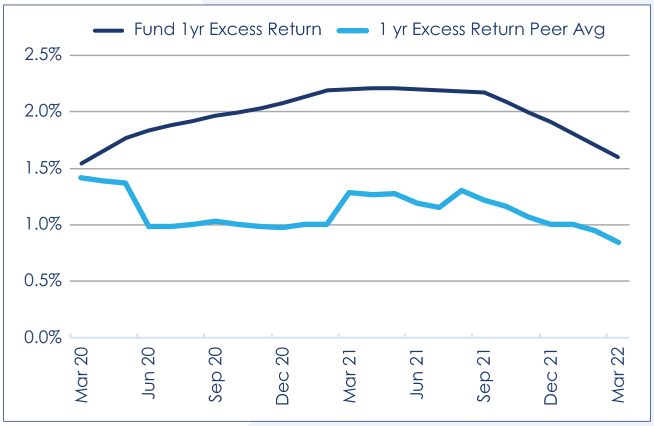
			No. of Months
Correlation	-13.4%	Positive Return	9
Capture	-11.4%	Outperform	9

Return and Risk Charts

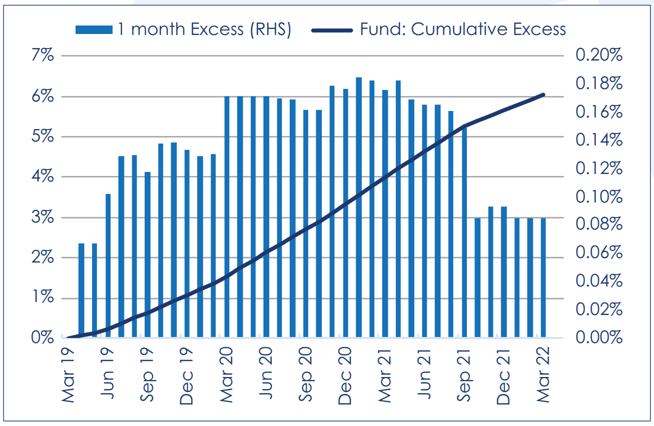
Rolling Returns



Rolling Excess Returns

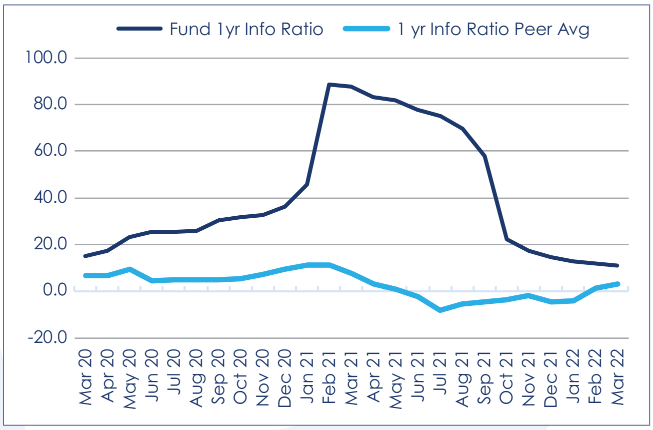


Cumulative Excess Returns relative to Benchmark

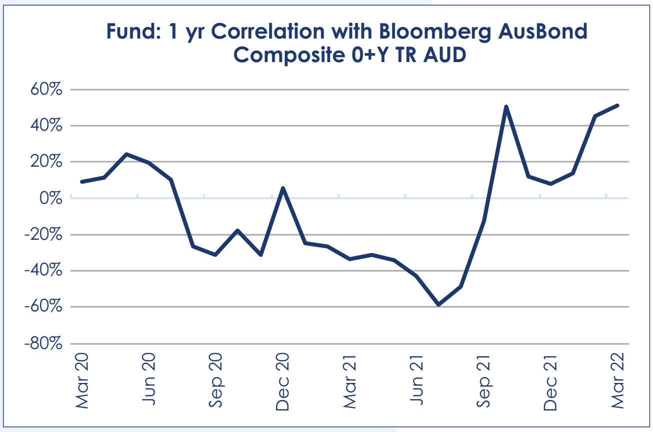


Return and Risk Charts

Rolling Information Ratio



Rolling Correlation



Investment Team

Mr David Lyall. Managing Director /Compliance Manager (Credit Committee Member)

Mr Lyall has over 20 years' experience in business and lending and oversees the day-to-day operations and management of the Fund since purchasing the business in November 2017. He previously established Millbrook Finance Pty Ltd, a specialist non-bank property lender, in Melbourne in 2005 and today additionally operates two mortgage fund managers, Millbrook Mortgage Management Ltd and Millbrook Funds Pty Ltd. Between them these three finance entities control funds in excess of $200M. He has owned and operated several other businesses in home building, land subdivision, insurance, finance, and farming industries. Mr Lyall holds a Bachelor of Law from the University of Canterbury in New Zealand and is a Responsible Officer for the Funds AFSL.

Mr Matthew Bush. Director (Credit Committee Member)

Mr Bush has been involved in banking and finance for over 45 years and has extensive skills in retail and commercial lending, and loan administration. Since 2000 he has been a Director of Capital Access Victoria Pty Ltd which operates as a specialist consultant in commercial property and business finance. He is no non-executive director and is a member of the Credit Committee. Mr Bush is a Fellow of the Financial Services Institute of Australasia and holds a Diploma in Accounting, Diploma of Financial Services (Finance/ Mortgage Broking Management).

Mr George Lyall. Director/Mortgage Manager (Credit Committee member)

Mr George Lyall had several years' experience as a credit analyst for a major mortgage fund manager in Melbourne before moving to the UK and working for a firm of specialist private lenders for two years. He joined Millbrook in 2020. Mr Lyall holds a Bachelor of Finance from the Swinburne University of Technology and a Diploma of Building and Construction from the RMIT, Melbourne.

Mr Colin Robinson. Head of Credit (Credit Committee Member)

Mr Robinson commenced in January 2022 as executive Head of Credit focused mainly on credit assessment of commercial and residential property applications. He has held Executive and General Management positions across a broad range of industries, with a predominant focus on the funding of commercial and residential property development, predominantly in the Melbourne and Sydney markets. He was previously employed by a major Australian Bank to establish a Commercial Property Lending division. Previous experience also includes funding construction development (commercial and residential property), with experience in all forms of equity and debt financing (including mezzanine finance); compliance (risk management) for funds management activities; strategy development planning across a range of industries with expertise in commercial property lending businesses. Mr Robinson holds a Bachelor of Economics, Graduate Diploma in Finance and Mortgage Broking, Graduate Diploma in Applied Finance and Investment and is a member of the Australian Institute of Company Directors.

Mr Geoffrey Werner. Chairman of the Compliance Committee (Credit Committee Member)

Mr Werner has been with the Fund since 2009 as a non-executive director and compliance committee member. He relinquished his directorship upon Millbrook's purchase from AF&L Fist Mortgages in 2017. He has considerable experience in Banking and Finance over 40 years and held positions as a Commercial Manager, Business Development Manager, Lending Manager, Regional Credit Manager. Manager Regional Securities and Bank Manager in two major banks. Mr Werner's qualifications are Advanced Certificate in Accounting plus numerous in-house training courses in the executive development program of a major bank.

Ms Opal Brooks. Head of Finance

Ms Brooks joined Millbrook a year ago and has key responsibilities that include Budgeting and Forecasting, Cash flow Management, Financial preparation/ management and Audit management. Previous experience includes over 10 years' experience in corporate accounting and financial management functions for several businesses in Australia and overseas including two major accounting firms. Ms Brooks' qualifications include CPA, MBA in Finance and Diploma in Financial Planning.

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