



Privity Private Income Fund

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



Superior

January 2025

INTRODUCTION

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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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Report Date: 21 January 2025

Star Rating**	Description	Definition	
4½ stars and above	Outstanding	Highly suitable for inclusion on APLs <i>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.</i>	Highest Investment Grade
4¼ stars	Superior	Suitable for inclusion on most APLs <i>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.</i>	High Investment Grade
4 stars	Superior	Suitable for inclusion on most APLs <i>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.</i>	High Investment Grade
3¾ stars*	Favourable	Consider for APL inclusion <i>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.</i>	Investment Grade
3½ stars*	Acceptable	Consider for APL inclusion <i>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.</i>	Low Investment Grade
3¼ stars	Caution Required	Not suitable for most APLs <i>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.</i>	
3 stars	Strong Caution Required	Not suitable for APL inclusion <i>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.</i>	
Below 3 stars	Avoid or Redeem	Not suitable for APL inclusion <i>SQM Research has multiple material concerns surrounding the Fund.</i>	
Event-driven Rating	Definition		
Withdrawn	<i>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.</i>		
Hold	<i>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.</i>		

* 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	Privity Private Income Fund (Previously known as "DCF Private Debt Fund IV-B Class A Units")
APIR code	AMT2564AU
Asset Class	Private Debt
Management and Service Providers	
Fund Manager	Privity Credit Pty Ltd (Previously known as "DCF Asset Management Pty Ltd")
Responsible Entity	AMAL Trustees Ltd
Fund Information	
Fund Inception Date	14th September 2021
Fund Size	\$93.9M (\$204.3M for strategy) (as of 31 October 2024)
Return Objective (per IM)	"To provide monthly income returns, mitigating the possibility of capital loss, via a diversified portfolio of senior credit exposures, including appropriately geared asset-backed loans (including real property mortgages) and robust structured covenants for cash flow backed loans..."
Internal Return Objective	7.5% p.a. to Investors, net of fees and expenses (effective from Mar 2025), currently, 8-11% p.a. to Investors, net of fees and expenses
Risk Level (per IM)	Low to Moderate
Internal Risk Objective	Preservation of principal and earned return
Benchmark	Not Stated
Number of stocks/positions	17
Fund Leverage	Up to 50% allowed. Current: 0.00%
Top 10 Holdings Weight	84.68%
Investor Information	
Management Fee	1.50% p.a.
TCR (Total Cost Ratio)	3.50% p.a. as of Nov 2024
Buy Spread	0.00%
Sell Spread	0.00%
Performance Fee Rate	18.5% on excess returns over 6.50% p.a. hurdle
Minimum Application	\$50,000
Redemption Policy	Monthly
Distribution Frequency	Monthly
Investment Horizon	4 years
Currency Hedging Policy	Not applicable

As the Fund has no official benchmark mentioned in the IM, SQM Research has used the "Debt Proceeds Hurdle or Performance Hurdle" of 6.50% p.a. as the Reference Index for analysis purposes only

Fund Summary

Description

The **Privity Private Income Fund (Formerly DCF Private Debt Fund IV-B Class A Units) (the "Fund")** is an unlisted, open-ended, unregistered Australian-managed investment scheme, offering Wholesale investors an opportunity to gain access to the corporate credit market.

The Fund seeks to provide investors with **direct exposure to the Australian and New Zealand corporate credit market**, a market that is dominated by traditional regulated banks and is not easy to access for non-bank investors.

The Fund is seeking to raise \$300 million and will comprise a diversified exposure of credit products to companies that broadly reflect activity in the corporate credit market and is diversified by the borrower, industry and credit quality.

The Fund aims to provide **stable monthly income** returns, mitigating the possibility of capital loss, via a diversified portfolio of corporate credit exposures, including appropriately geared asset-backed loans (including real property mortgages) and robust structured covenants for cashflow-backed loans.

The Manager will strive to implement strategies to balance the delivery of targeted returns **(8% to 11%)** whilst preserving investor capital.

The Fund aims to hold **30 plus direct secured credit opportunities, currently 17** with an average size of \$10-50 mil across a diverse range of credit transactions, including corporate, asset-backed, growth capital, acquisition

finance and property. The suggested investment timeframe is a minimum of four years.

The Fund will **co-invest with or in Privity Private's (DCF Private Debt) Closed Funds**.

All new co-investments will be made on a pari passu basis with Privity Private Closed Funds, calculated by reference to the respective commitments to each of the relevant Fund class of units (Class) and Privity Private Closed Funds from time to time.

Privity Private III (viz. DCF Australian Private Debt Fund) was launched to continue to target the credit gap for corporate borrowers and was tailored for the wholesale investor marketplace. This Fund is a closed-end unit trust offering investors an opportunity to gain access to the corporate credit market with strong investment returns to be delivered due to premium pricing achieved via a robust investment structure across a portfolio of diverse credit exposures.

Privity Private III has now been successfully wound up, and its capital repatriated to the investors, with investors earning an IRR of 11.62% over the life of the fund.

Privity Private IV and Privity Private Income Fund (viz PP IV and PP IF) continue the investment strategy through a dual structure consisting of an open-ended fund (PP IF) that intends to co-invest with a closed-end fund (PP IV) on a pari passu basis on all investments.

The Fund has been rebranded as "Privity Private Income Fund" (PPIF). This is in line with the overall rebranding exercise undertaken by the group.

Old Fund Name	New Fund Name	Acronym going forward
DCF I	Privity Private I	PP I
DCF II	Privity Private II	PP II
DCF III - Australian Private Debt Fund	Privity Private III	PP III
DCF Private Debt IV	Privity Private IV	PP IV
DCF Private Debt IV-B	Privity Private Income Fund	PP IF

Effective 9/1/2025

Fund Rating

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: 4.00 stars (Issued Jan 2024)



SQM Research's Review & Key Observations

About the Manager

Privity Credit Pty Ltd (Formerly DCF Asset Management Pty Limited) (**ACN 622 234 315**) ("**Privity**") is a private debt fund manager specialising in the provision of customised non-bank financial solutions to corporate borrowers in the Australian and New Zealand markets.

By aggregating capital from wholesale investors, the Manager aims to deliver access to this market in a scalable and diversified manner. Privity was established to take advantage of the credit shortfall that exists for mid-market corporate borrowers.

Privity's principal credit investments include but are not limited to corporate finance, asset-backed finance, growth capital & acquisition finance.

Privity launched its first initiative in 2013 and has established four funds (PP IF and PP IV are currently active). Privity employs seven staff based in Melbourne, Sydney and Hong Kong.

The Manager's legal name changed to **Privity Credit Pty Ltd from DCF Asset Management Pty Limited** on 9th January 2025. All marketing collateral, Information Memorandum, DDQ, website, social media and similar have also been rebranded.

The Senior Management concluded a strategic partnership with **Scarcity Partners Pty Ltd**, a GP staking firm, in September 2024, taking a minority interest in the Manager. Scarcity Partners supports opening new avenues for capital raising for the Funds. With the retention of the purchase price within the Manager as growth capital, it is well capitalised to take advantage of its next phase of growth.

With the strategic partnership with Scarcity Partners, the business has access to deep funds management expertise ranging from new product development, distribution (raising capital), operational efficiencies and marketing.

Investment Team

The senior management team comprises **Ryan Donnar, Atiya Habib, and Adam Howell ("Executive Committee")**.

The Executive Committee is responsible for setting the strategic direction (in conjunction with the Board) and ensuring overall IC and risk processes are managed effectively. All critical business decisions, other than IC, are made by the Executive Committee.

Two additional team members have been introduced into the Investment Committee as **floating voters**. **Ross Anderson**, who votes on new deals and **Anthony Luth**, who votes on decisions pertaining to existing deals. In respect of any one transaction, one of the floating voters sits on the IC, along with the permanent voters – Ryan Donnar, Atiya Habib and Adam Howell and votes at the IC for decisions.

Each key function has a designated support role from another member of the Executive Committee. Privity Credit also has extensive systems, processes and policy manuals that govern each key function. The group also has an extensive network of professionals ranging from junior through to senior levels which it can leverage should the need arise.

The **key person risk** of the Fund is deemed to be low.

1. Investment Philosophy and Process

Investable Universe

The Fund invests in mid-market corporate debt in a variety of approved forms, typically through structured facilities across the Australian or New Zealand corporate credit markets, mostly through direct lending.

The Fund targets credit opportunities with an average size of \$10-50m across a variety of public and private companies and industry sectors.

These are predominantly senior secured: asset-backed, securitisation, senior secured cashflow or junior for asset-backed / securitisation only.

Philosophy / Process / Style

The Fund aims to provide **stable monthly income returns**, **mitigating** the possibility of **capital loss**, via a diversified portfolio of corporate **credit exposures**, including appropriately geared **asset-backed loans** (including real property mortgages) and robust structured covenants for **cashflow-backed loans**.

The Manager strives to implement strategies to balance the delivery of targeted returns (8% to 11%) whilst preserving investor capital.

Privity's philosophy and vision are comprised of the following:

- Aim to preserve investors' capital
- Global expertise with local presence and focus
- Longevity: adding value and building prosperous long-term relationships by lending to sustainable and responsible companies
- Integrity: continuously act in the best interest of all stakeholders

- **Dynamic:** the ability to understand changing market conditions, trends and economic cycles and adapt accordingly to identify the most suitable solutions for each investment opportunity. Our approach to active investment management is based on an investment process that fully integrates sustainability analysis into our decision-making and is focused on long-term performance
- **Evolution:** continue to build on an established and successful platform
- **Pragmatic:** delivering premium risk-adjusted returns to Investors, with management capital invested across the portfolio alongside the investors
- Be a leading alternative credit capital provider to the Australian and New Zealand corporate sector
- Aim to deliver credit solutions that genuinely assist clients and investment partners in achieving their growth potential

The Fund provides credit to Eligible Borrowers to create a pool of investments that comply with Privity's Credit Policy and Framework, reflective of activity in the corporate credit market and with a diversity of borrower, industry and credit quality.

Borrowers: Credit to a variety of public and private companies, and no more than 20% of the Fund assets will be invested in a single borrower group

Industries: Credit across industry sectors and no more than 25% of the Fund's investments will be in a single industry

Credit quality: Mostly senior secured credit exposures provided across the credit risk spectrum of the corporate credit market, with a strong focus on established and growth businesses that sit just outside banking credit requirements or require customised funding that is no longer provided by banks

Privity's lending is directed at borrowers who either choose not to deal with traditional major banks or do not meet the rigid and cookie-cutter lending criteria set out by those financiers.

The credit process and portfolio management involve rigorous **bottom-up** analysis of each target borrower and credit exposure to ensure a high probability of returning its capital and interest income in whole and in a timely manner.

The team looks for **value opportunities** across the Australian and New Zealand corporate credit markets and focuses on opportunities that would provide a premium return versus risk to Investors. Each investment will be assessed in line with the Privity's Credit Policy and Framework.

2. Performance & Risk

Return Objective

The return objective stated in the IM is: "The Fund aims to provide monthly income returns, mitigating the possibility of capital loss, via a diversified portfolio of senior credit exposures including appropriately geared asset-backed loans (including real property mortgages) and robust structured covenants for cash flow backed loans.

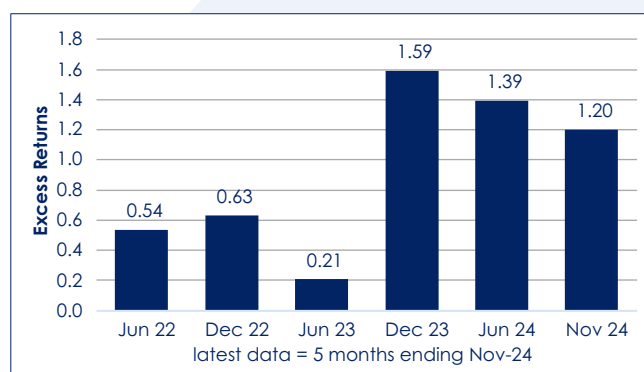
The Manager will strive to implement strategies to balance the delivery of targeted returns whilst preserving investor capital."

The Fund does not have an official benchmark stated in the IM.

However, the Fund's Debt Proceeds Hurdle, as stated in the IM, is 6.50% p.a.

As the Fund has no official benchmark mentioned in the IM, SQM Research has used the "Debt Proceeds Hurdle or Performance Hurdle" of 6.50% p.a. as the Reference Index for analysis purposes only.

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



Length of Track Record

The Privity Private Income Fund has a relatively short history of 3.2 years (or 38 months).

Observations and analysis of returns will have modest statistical meaning.

SQM Research notes that returns, volatility, and other risk measures can be “noisy” and less reliable when quantified using a small sample size of observations.

Risk Objective

The Fund's IM states that the risk level of the Fund is “low”.

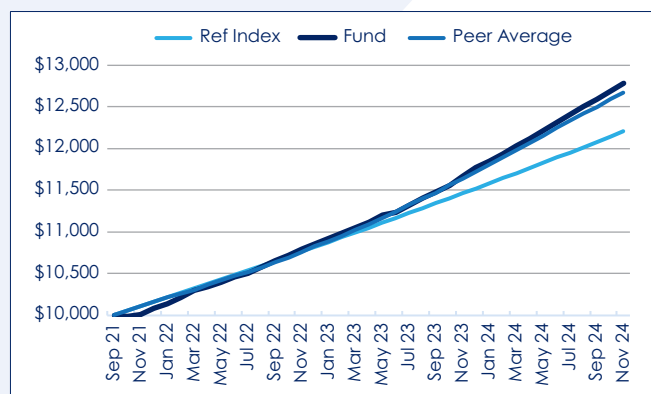
Fund Performance to 30 November 2024 (% p.a.)

Total Return	1-Month	3-Month	6-Month	1-Year	3-Year	Inception
Fund	0.74	2.27	4.66	9.63	8.49	8.06
Ref Index	0.53	1.59	3.20	6.50	6.50	6.50
Peer Average	0.66	2.04	4.27	8.91	7.63	7.57
Alpha	0.21	0.68	1.46	3.13	1.99	1.56

With distributions reinvested. Returns beyond one year are annualised. Return history starts Oct-2021

Ref Index: 6.50% p.a.

Growth of \$10,000



Strengths

- A robust and well-established credit assessment process designed to identify risky borrowers and price loans accordingly
- A strong pipeline for deal flow
- An experienced credit and investment team
- Fixed coupon payments, providing some predictability to the distributions to investors
- Relatively rapid turnover of loans, with term commitments between 12 and 36 months

- No immediate pressure for the deployment of the capital raised
- The FUM of the Fund has increased materially in the last 12 months
- The Fund has outperformed the reference index and its peers in all periods
- The key person risk of the Fund is low
- The Fund has no related party loans

Weaknesses

- High performance fees, with a hurdle rate less than the net investment objective
- The total cost ratio is materially higher than the peers' average
- A concentrated portfolio, in terms of sector exposures and number of investments, relative to more diversified income funds
- The Fund's notes are invested in unrated instruments. The Manager has advised that the internal rating system follows the S&P and Moody's methodology

Other Considerations

- Privity Private Income is a dual structure fund – Open and Closed-ended
- The Fund has a short track record. However, SQM Research notes that since 2013, Privity has successfully operated three previous funds focusing on medium-term asset-backed and cashflow loans to SME and mid-market corporate borrowers
- Corporate debt can be a component in a balanced investment portfolio with a relatively low risk of capital loss. Domestic credit-based investment opportunities are somewhat limited for Australian investors, with few ways to access the risk-return characteristics offered by direct lending
- While the hurdle rate is 6.5%, the Fund upped its distribution to 7% p.a. during 2023 to keep the fund competitive in relation to the rising yields for investment products in the market (driven by a higher cash rate). The Manager has advised that the distribution has been increased to 8% in Sept 2024
- 40% of the loans have warehouse structure, and 100% of the book is benchmarked as the S&P and Moody's methodology
- The Manager has advised that the internal credit risk grading is not audited by any external or independent third-party
- One of the loans to a borrower in the corporate FX sector defaulted in June 2023. An appropriate level of provision was raised based on the valuation by an independent third-party valuer, ICE Data

Services, who considered, among other things external advisor's (KPMG) assessment. The impact on the NAV of the Fund for the month of June 2023 due to the provision was negligible (0.65% of NAV), amounting to \$571k, with the NAV still increasing by \$159k for the month. Since the default, the underlying business has been sold, and the first phase of the recovery process has been successfully completed. The second phase of recovery is based on the realisation of the business' debtor book, D&O Insurance policy, and other residual assets of the company is in the final stages. Currently, the recovery rate is running higher than the provision levels, and the expectation is that the outstanding amount will be fully recovered. It is expected that this phase will run into 2025. The loan is not considered material in the portfolio, accounting for 0.57% of the overall portfolio

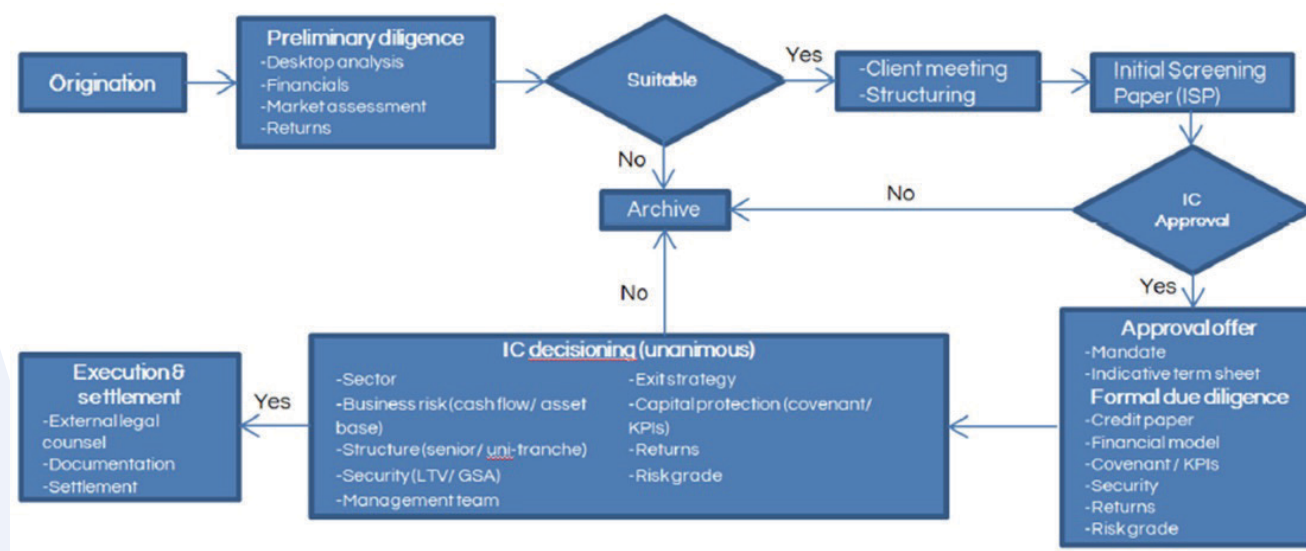
Key Changes Since the Last Review

- In September 2024, the Senior Management concluded a strategic partnership with Scarcity Partners Pty Ltd, a GP staking firm taking a minority interest in the Manager. Scarcity Partners support in opening new avenues for capital raise for the Funds. With the strategic partnership with Scarcity Partners, the business has access to deep funds management expertise ranging from new product development, distribution (raising capital), operational efficiencies and marketing
- The Fund has been rebranded as "Privity Private Income Fund" (PPIF). This is in line with the overall rebranding exercise undertaken by the group

Original Fund Name	New Fund Name	Acronym going forward
DCF I	Privity Private I	PP I
DCF II	Privity Private II	PP II
DCF III - Australian Private Debt Fund	Privity Private III	PP III
DCF Private Debt IV	Privity Private IV	PP IV
DCF Private Debt IV-B	Privity Private Income Fund	PP IF

- The Manager's legal name changed to Privity Credit Pty Ltd. All marketing collateral, Information Memorandum, DDQ, website, social media (Linkedin), and similar have also been rebranded. The marketing name for the group will be "Privity Credit"
- The Fund has been approved to list on Dash (platform), bringing the total platforms where it is listed to 8
- The fee structure has been changed. The new fee structure is outlined below and is expected to go live on 31st March 2025
 - Management Fee: 1.10% p.a.
 - Investor Preferred Return: 7.5%
 - Manager Carried Interest: 15% after Investor Preferred Return, with catch-up
- The Fund increased its cash distribution to 8% from September 2024, paid monthly
- The Head of Distribution role was added in October 2024, with Nigel Credlin recruited into the role. He will focus on raising capital, Investor Relations and Operations for the Fund

Investment Process Diagram



Process Description

Investment Process

Research and Portfolio Construction Process

Origination

Privity has institutional relationships with financial advisors, retail and investment banks, mortgage trusts, family offices, specialists, private funders and various other third-party intermediaries (lawyers, accountants, advisors, etc.).

Privity also has its own origination personnel who deal directly with the borrowers and the market to source high-quality transactions prior to those transactions entering the usual referrer and intermediary networks. In addition, referrals will be sought from Privity's established relationship network, where the referrer has an existing relationship with the borrower so that the referrals are qualified, genuine borrowers.

Privity's origination/investment team meets with senior management of the prospective borrower multiple times during the credit and due diligence phase. Post-funding a transaction, portfolio management has at least monthly contact with the borrower.

The origination pipeline is actively discussed on a weekly basis and heavily filtered for viability, quality of credit, sponsors, various negative screening markers, probability of success in concluding the deal and profitability. SQM Research notes that demand for loans exceeds supply, so there is no pressure to deploy capital to more risky borrowers.

Investment Process

Privity has developed an extensive due diligence process to assess the underlying business in the transaction. Legal, valuation and financial due diligence are undertaken to validate the borrower-provided information to establish an accurate risk assessment.

Investment Process

Research
and Portfolio
Construction
Process*...continued*

The **credit process** comprises the following steps.

- *Step 1:* Privity confirms that the opportunity is within the mandate and then drafts an **Initial Screening Paper (ISP)**, which includes a preliminary assessment of the opportunity, summary financials, preliminary structure and economics, identifies key credit risks and conflict checks (company, directors and other related parties). This ISP summary is presented to the **Privity Investment Committee (IC)**
- *Step 2:* Formal decisions to lend (or not) are made by the Investment Committee based on a full credit assessment, including any further external due diligence as and where needed. The IC's decision is unanimous, and its conditions of approval form part of formal engagement and documentation with the borrower. If the preliminary assessment of the ISP meets initial Investment Committee approval, Privity issues indicative terms to the eligible borrower, which contains a detailed list of diligence items
- *Step 3:* On borrower acceptance of the indicative offer and execution of a mandate agreement, Privity commences **formal due diligence** and moves towards **formal credit submission** approval. The due diligence includes meeting with the prospective borrower's management team, valuation of the security, detailed analysis of the operating business, its ongoing viability, industry sector, the creditworthiness of the eligible borrower and the client's exit strategy. The due diligence process includes, but is not limited to, client-audited financials (where applicable), tax statements, KYC checks and business reviews
- *Step 4:* Following the completion of due diligence, the Privity Investment Committee considers the transaction and, if appropriate, approves the transaction. Transactions are risk-graded and priced by the Investment Committee in accordance with the Credit Policy depending on the assessed risk of the transactions
- *Step 5:* Privity then issues a **formal credit-approved funding offer** to the eligible borrower, which includes terms, covenants and required conditions precedent
- *Step 6:* If the formal offer is accepted, Privity engages a panel law firm to prepare the finance documents that will govern the investment. The panel law firm must provide a **sign-off on the documentation** covering compliance with credit approval, the enforceability of the documents, satisfaction of conditions precedent to funding and registration of each security interest
- *Step 7:* Prior to funding, Privity must receive the sign-off from the panel law firm, confirmation that the transaction is compliant with the Fund's mandate, and the Trustee and Custodian authorises release of funds
- *Step 8:* Documentary and financial close of the investment

Credit Assessment

In assessing the creditworthiness of a borrower, Privity applies an internal rating to reflect the risk of payment default and recovery.

Privity uses a credit rating methodology to provide a shadow rating for these transactions to validate the credit assessment.

Investment Process

Research
and Portfolio
Construction
Process

...continued

The credit assessment process examines the following:

- **Business Risk Profile:** The operating business risk of the borrower in the markets in which it participates defines its business risk profile. A borrower's strengths and weaknesses in the marketplace determine its capacity to generate cash flow in order to service its obligations in a timely fashion, and as such, the business risk profile affects the amount of financial risk that a borrower can bear at a given point in time
- **Financial Risk Profile:** The financial risk profile is the outcome of decisions that the management of a borrower makes in the context of its business risk profile and its financial risk tolerances. This includes decisions about how the company is funded and how its balance sheet is constructed. It also reflects the relationship of the cash flows the borrower can achieve relative to its financial obligations
- **Qualitative Analysis:** Quality of the borrower's management team and the governance structure. Privity undertakes in-depth due diligence benchmarking the management, including their experience, ability to drive business through unforeseen circumstances, professionalism and market referencing. Privity also looks at the enterprise-level as well as functional governance structures
- **Other Factors:** Include capital structure, financial policy and access to liquidity

Risk is primarily measured through the classification of borrowers across three credit risk grades. This is dependent on the cashflow generating ability of the borrower and the underlying security package available.

The overall assessment is then summarised, and a credit grade is assigned to the borrower.

Rating	Description	Characteristics
A	Stable cash flow and strong asset coverage	Interest service: 100% cash paid. Minimum interest rate: 7.0%.
B	Either stable cash flow or strong asset coverage	If stable cash flow: 100% cash paid. If strong asset coverage Interest service - PIK (or a combination of PIK and cash paid). Minimum interest rate: 8.5% (or as approved by IC).
C	Emerging cash flow and asset coverage	Interest service - PIK (or a combination of PIK and cash paid). Minimum interest rate: 11.0% (or as approved by IC). Equity kickers where commercially possible.

There is a pricing floor for each loan, which is then adjusted upwards to reflect any perceived increase in the individual risk level and the level of demand for loans in that risk level.

Investment Process

Research
and Portfolio
Construction
Process*...continued*

Loan Management

Privity takes into account the **structural strengths or weaknesses** of each loan while assessing the potential loss of a default. These include:

- The relative positioning and claim of its loan (principal repayment and interest payments) on the cashflow waterfall of the borrower. Privity aims to position its loans for servicing and repayment as first in line after the operating expenses of the business have been met. Financial covenants (e.g. leverage and interest cover ratio covenants) are supplemented by other covenants such as CAPEX limit, restrictions on distributions, financial indebtedness and granting security interests
- In most cases, Privity has senior security on all or substantially all assets, including specific security over any material assets such as commercial, industrial and corporate-owned residential real estate assets, and tangible corporate assets used within the operating businesses (plant and equipment, receivables contracts and other cash flows). LTV ratios and other security-driven covenants for loans are determined on a case-by-case basis
- Significant equity in the business. In particular, the equity percentage held by key sponsors/management teams in the business reflects their skin in the game. In this respect, Privity may request a minimum net worth covenant
- A focus on clear and defined exit strategies at the loan level, e.g. amortisation, refinance, capital event, sale or source of external funding

Portfolio Construction

On average, Privity would review approximately 80 to 100 opportunities per year. Additional diligence is conducted to refine perspectives before approaching such companies to initiate discussions. Privity will typically lodge an indicative bid for 20% of these opportunities every year. Full diligence is conducted on approximately 15 deals, which generally results in the Privity completing 10 investments per year.

As assets under management grow, the Fund will target 30+ investments, with a pipeline of between 1 to 3 investments per quarter, to reach 25+ investments in approximately 12 to 18 months. The Investment Committee determines the relevant industry sector and borrower exposures through a combination of research, credit assessment and concentration limits.

Privity typically seeks term commitments between 12 and 36 months, with floating rates coupon for the period (mixed between Cash and PIK), based on BBSW + Margin and a floor rate. Extensions through refinancing are possible to achieve a weighted average life to maturity for the Fund of 2 to 4 years. A natural exit from some investments will occur with the recycling of the proceeds into new investments.

Portfolio Review and Monitoring

Once a loan has been executed, the Portfolio Manager has day-to-day oversight over the risk profile of the borrower and the loan. Interactions with the management of investee companies will depend on the complexity of the deals.

Investment Process

Research and Portfolio Construction Process

Once the loan is part of the portfolio, it is monitored for risk and its impact on portfolio-level holdings through borrower and sector limits. This is accomplished through periodic site visits, monthly calls with the borrower, regulatory considerations, review of financial statements, compliance with covenants, monthly reporting from Privity's appointee to the board of the borrower (where applicable), and quarterly meetings with the borrower management team.

...continued

The post-settlement process is briefly described below:

Loan Booking	Portfolio/Risk Management	Operations	Amendments
<ul style="list-style-type: none"> Booking of the loan in the Portfolio Management System Providing all the information to MUFG to set up the loan Use of an external law firm to register a security interest on the PPSR 	<ul style="list-style-type: none"> Weekly review Monthly review with IC. Adhoc review, as required (e.g. Covid) Regular review with Borrower Privity often has a Board observer/ representation 	<ul style="list-style-type: none"> Disbursement Interest payments Principal repayments Administered through Amal (Trustee) and MUFG 	<ul style="list-style-type: none"> Any amendment to IC-approved terms will be referred back to IC for consideration & any subsequent approval

Sell Discipline

While IC approves the lending opportunity, it actively considers the **size of the loan vs the overall portfolio holdings** and, where required, specifies the requirement for selling down.

Once the loan forms part of the portfolio, it is monitored for the risk at the individual loan level and also its impact on portfolio-level holdings through borrower and sector limit utilisations.

Such impacts are discussed on a monthly basis at the Portfolio Management Review with IC.

If, for instance, the risk profile of the underlying loan changes such that it is not in line with the acceptable risk or return matrix of the Fund or the sector concentrations become sub-optimal, IC directs portfolio management to execute partial sell-downs of such loans.

The sell-down is executed by Privity by actively seeking counterparties in the market for such placement and is typically undertaken through Funded Risk Participations. The outcomes are reported back to IC for compliance.

Risk ManagementPortfolio Constraints

The Fund's investment portfolio will consist primarily of loans, which typically will not be rated by any agency.

Investment Process

Research
and Portfolio
Construction
Process*...continued*

Portfolio risks are managed to the constraints shown below.

Portfolio Risk	Risk Management Constraints
Maximum exposure to a single borrower	20% of the Fund's assets
Maximum exposure to a single industry	25% of the Fund's assets
Credit quality	Mostly senior secured credit exposures
Maximum low credit grade exposure	"C" Credit Grade exposures to be <20% of Fund assets
Portfolio Holdings	Targeting 30+ investments
Currency Risk	All investments are in AUD
Cash Exposure	<5% of commitments available for liquidity
Use of Derivatives	Borrowers are required to hedge any FX risk

No formal risk model is formally used to test the portfolios' sensitivity to specific risk factors or changed market conditions on a regular basis. Once the Fund is established, the risk control across the portfolio is essentially based on the level of communication between the Portfolio Manager and the underlying borrowers.

Covenants and other contractual obligations are structured to circumstances with monthly reporting, compliance certification, annual audited accounts where appropriate, and a variety of undertakings / negative pledges to be fit for purpose. When considering the Fund's portfolio diversification, likely cashflows and loan sizes, SQM Research notes that the Fund's design has some risk mitigation characteristics. In the event of an individual loan being a total loss, the maximum 20% fund exposure limit means that the investors' loss is likely to be less than the target 6.0% annual distribution rate. While investors may lose the capital value across any one year, it could be likely to recover in annual income.

Monitoring of rating upgrades vs downgrades is conducted as part of the monthly monitoring and/or annual review portfolio review process. The borrower's operating performance is monitored on the back of their regular reporting requirement. Any material outperformance/underperformance, material development, or covenant non-compliance then feeds into **rating reviews**.

On a more macro scale, there is a risk to the Fund if there should be a reversal of the trend for the mainstream banking industry to reduce the balance sheet. There may be greater competition for transactions. However, this is viewed as highly unlikely in the current regulatory environment. In addition, the emergence of new credit funds operating in the same market may provide greater competition for transactions. However, Privity has already established an originations network and a volume of available opportunities to fund which reduces this impact in the near term.

Privity operates a systematic and coordinated portfolio monitoring and management system.

PM interfaces with:

- Borrowers
 - At least on a monthly basis
 - Business and financial reporting as per the loan documentation
 - Annual reviews, including discussions on forecast financial performance

Investment Process

Research
and Portfolio
Construction
Process*...continued*

- Investment Committee for internal risk management
 - At least on a monthly basis
 - Seek any clarifications on terms of approval
 - Seek any changes to terms of approval including any covenant waivers, resets, etc.
 - Monthly portfolio reviews
 - Adhoc portfolio reviews are driven by macro factors (such as Covid-19)
 - Report any non-compliance by the borrower
 - Flag credit weakness and seek guidance on the next steps
- Head of Credit
 - At least on a fortnightly basis for a summary review covering any potential issues across the portfolio or individual borrower
 - Discuss action points from the monthly Portfolio Management Review (PMR)
 - Discuss the revision in risk grades – downwards/upwards, as applicable, across the portfolio
- Other parties
 - Specialised due diligence providers and valuers for any borrower/loan review as directed by the Investment Committee
 - MUFG for portfolio reporting
 - Operations for reconciling the payments from the borrowers

Default Management

Privity will not entertain defaulting borrowers.

Privity will exercise commercial discretion in each individual default occurrence. The Head of Risk, in conjunction with the Investment Committee, will manage the process following a default. Any enforcement process is undertaken in accordance with relevant laws and regulations but in an efficient manner with the aim to maximise the return to the Fund and minimise the possibility of a loss of capital or other amounts owing to the Fund.

Default interest rates are generally charged at the non-default interest rate plus 5.0%. In SQM's opinion, the default interest rate should provide the Fund with adequate protection against any additional costs arising from a default situation.

Investment Process

Research
and Portfolio
Construction
Process*...continued*Cash Management

The Fund is expected to be fully invested.

A minimum of 5% of commitments is maintained in cash to be available to provide investors with liquidity for redemptions.

Portfolio Characteristics**Portfolio Turnover and Active Share**

Terms are structured between 1 to 3 years, but with behavioural maturity showing signs that extensions through refinancing are possible to achieve a weighted average life to maturity of 2 to 4 years.

Liquidity

Open and Closed fund structures have supported origination and growth.

Originations and expected fund redemptions are balanced against fund size and return profile. Privity Private Income Fund maintains a minimum of 5% of commitments in cash available for liquidity purposes.

Leverage

As of 31st October 2024, leverage exists against the underlying loan portfolio in a sub-trust. The drawn amount under the line translates to 20.7% leverage.

Material Risks

Material risks which are associated with the Fund include:

Currency Risk: Privity does not take currency risk. All loans are provided in AUD, and borrowers are required to hedge any material FX risks.

Valuation Risk: Fund investments will have no or, at best, a limited, liquid market.

As a result, their fair value may not be readily determinable. Because valuations of loans of private companies are inherently uncertain, they are based on Privity's estimates of the prevailing creditworthiness of the borrower.

Determinations of fair value may differ materially from the actual values obtainable in an arm's-length sale of such investments to a third party.

Concentration Risk: The Fund's assets may be concentrated in certain commercial or industrial sectors but, overall, must remain within the required concentration limits.

Investment Process**Research
and Portfolio
Construction
Process*****...continued***

In addition, some of the Fund's investments may be substantially larger than others. This limited degree of diversification increases risk because the overall return of the Fund may be substantially affected by the poor performance of just a small number of investments.

Liquidity Risk: Some of the Fund's investments will be highly illiquid and consequently, the realisation of those investments and repayment of capital back to the investor may require a long period of time.

An investment in the Fund should be considered illiquid. The Closed Fund has a maturity of five years from the final closing date of the Privity Private Income Fund and may be extended by a further two years at the discretion of the Manager. The units will not be listed on any investment exchange and there is no public market for the units.

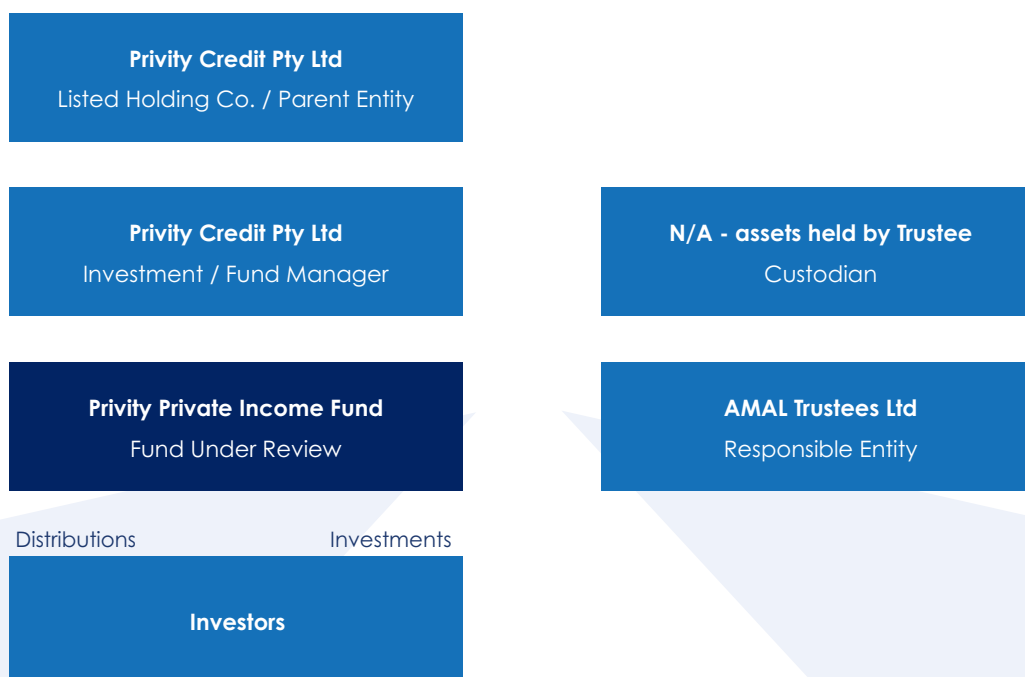
Credit Risk: There are various factors that could adversely impact the ability of credit counterparties that have borrowed funds to fulfill their payment obligations or which may cause other events of default.

Counterparty Risk: There is a risk with external counterparty and service provider arrangements that the party to a contract defaults on or fails to perform its contractual obligations. This may result in a loss for the Fund or the investment activities of the Fund being adversely affected.

Covenant Risk: The private credit investments to which the Fund could have exposure may be made on such terms, which can carry more risk to the lender than traditional loans. As a result, the Fund may be exposed to a greater level of risk, which could adversely impact investment performance.

Due Diligence Risk: In all investments, there exists a risk that material items that could affect the investment performance of individual investments are not identified during the investment analysis process and that these risks are not mitigated by the Manager.

Key Counterparties



Parent Company / Investment Manager

Privity Credit Pty Limited (ACN 622 234 315) is a private debt fund manager specialising in the provision of customised non-bank financial solutions to corporate borrowers in the Australian and New Zealand markets.

Privity is a non-bank funder focusing on medium-term asset-backed and cashflow loans to the corporate debt market. Privity was established to take advantage of the credit shortfall that exists for mid-market corporate borrowers.

Privity's lending is directed at borrowers who either choose not to deal with traditional major banks or do not meet the lending criteria set out by those financiers.

Privity's core focus includes but is not limited to the following:

- Corporate finance
- Asset-backed finance
- Growth capital
- Acquisition / event-driven finance
- Capital restructure

Privity's **board** is collectively responsible for the management and strategic direction of the Group. The executive directors of the group have joint responsibility for the **Investment Committee** approval process and overall management of the Portfolio of Investments.

The Group launched its first initiative in 2013, Privity Private I (viz. Australian Credit Enhanced (ACE) – Note Programme), which provided stretched senior facilities to SME and mid-market corporate borrowers, utilising credit enhancement provided via an AA S&P-rated insurance product. The ACE Note Programme was institutionally backed by a major global bank.

The Group launched its second initiative, Privity Private II (viz. DCF No.1 Pty Limited), in November 2015, which was institutionally backed by a major global fund manager, targeted at short-term event-driven finance solutions for SME and mid-market corporate borrowers.

Privity Private III (viz. DCF Australian Private Debt Fund) was launched to continue to target the credit gap for corporate borrowers and was tailored for the wholesale investor marketplace. This fund is a closed-end unit trust offering investors an opportunity to gain access to the corporate credit market with strong investment returns to be delivered due to premium pricing achieved via a robust investment structure across a portfolio of diverse credit exposures. Privity Private III has now been

successfully wound up, and its capital repatriated to the investors, with investors earning an IRR of 11.62% over the life of the fund.

Privity Private IV and Privity Private Income Fund (viz PP IV and PP IF) continue the investment strategy through a dual structure consisting of an open-ended fund (PP IF) that intends to co-invest with a closed-end fund (PP IV) on a pari passu basis on all investments.

Note that the Manager's legal name has been changed to Privity Credit Pty Ltd. from DCF Asset Management Pty Ltd in January 2025. The Manager has advised SQM that the Fund IM/DDQ (updated for the new name) have been signed in Jan 2025 as well.

Governance

Responsible Entity

The Board of Directors of the Responsible Entity (**AMAL Trustees Ltd**) consists of **3** directors, **none** 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 **27.7** years of industry experience.

The Responsible Entity's **Compliance Committee** is composed of **1** member, **none** of whom are independent. The Chair **is not** independent. SQM Research prefers independence in an RE oversight body such as the Compliance Committee as a strong and favourable factor in Fund governance. Compliance Committee members have an average of **32** years of industry experience.

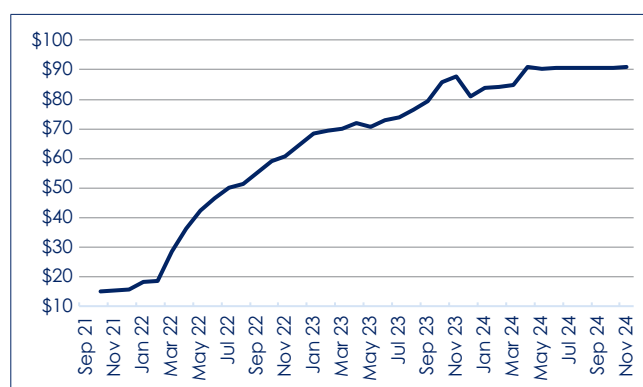
Management Risk

Funds management businesses rely on the operational capabilities of key counterparties. A critical element is the ability of the Responsible Entity to monitor operational performance and to meet the regulatory and statutory responsibilities required. For any investment fund, there is a risk that a weak financial position or management performance deterioration of key counterparties could temporarily or permanently compromise their performance and competency. This can adversely affect financial or regulatory outcomes for the Fund or associated entities.

Based on the materials reviewed, SQM Research believes that Privity Credit Pty Limited and associated key counterparties are well qualified to carry out their assigned responsibilities. Management risk is rated as material

Funds under Management (FUM)

FUM for Fund under Review (\$mill)



Distributions

Distributions occur on a monthly basis, subject to the availability of distributable income. In a scenario where the Fund's realised losses and expenses exceed income in a distribution period, the Fund may elect not to make a distribution during that time.

Distribution Date	Distribution CPU
Mar-24	0.62
Apr-24	0.60
May-24	0.62
Jun-24	0.60
Jul-24	0.62
Aug-24	0.62
Sep-24	0.69
Oct-24	0.71
Nov-24	0.69

Name	Responsibility / Position	Location	Years at Firm	Years in Industry	Qualifications
Ryan Donnar	Head of Originations and Execution	Melb	8.0	23.0	Bachelor of Business – Economics and Finance from RMIT University – Honours 1st Class, and a Master of Business Administration from Melbourne Business School.
Atiya Habib	Head of Credit	Hong Kong	7.0	30.0	MSc – International Accounting & Finance from the London School of Economics and Political Science (LSE) and an MBA – Major in Finance – IBA from the University of Karachi – Pakistan
Adam Howell	Head of Risk	Melb	7.5	25.0	Bachelor of Commerce (BCom) from Wollongong University, a Bachelor of Laws (LLB) from Wollongong University and a Postgraduate Applied Finance degree from FINSIA
Nigel Credlin	Head of Distribution	Melb	0.1	15	Bachelor of Commerce (Economics/ Finance) Arts (Mandarin) from Deakin University. Options Level 2 accredited and Diploma in Financial Planning.
Ross Anderson	Portfolio Operations Manager	Melb	3.5	33.0	BSc from Melbourne University and MBA from Monash University
Anthony Luth	Investment Director	Melb	3.5	28.0	Bachelor of Commerce (BCom) and a Bachelor of Laws (LLB) from Melbourne University
Kenley Chan	Operations Manager	Melb	3.5	9.0	Bachelor of Economics from the University of New South Wales and an Advanced Diploma in Financial Planning from Kaplan Professional

Investment Team

The senior management team comprises **Ryan Donnar, Atiya Habib, and Adam Howell** (“**Executive Committee**”).

The Executive Committee is responsible for setting the strategic direction (in conjunction with the Board) and ensuring overall IC and risk processes are managed effectively. All critical business decisions, other than IC, are made by the Executive Committee.

Each of the Managing Partners has more than 23 years of originating, structuring and risk-managing structured loans and, most importantly managing risks through the cycle. The Investment team as a whole has more than (100 years of experience in private structured lending).

The investment team consists of banking and structured finance professionals from a diverse range of credit backgrounds located in Sydney, Melbourne and Hong Kong.

The investment team has worked together successfully for six years, including for the entire duration of Privity’s prior fund, Privity III (Privity Australian Private Debt Fund). Two executive committee members have worked together for at least ten years on three Privity vehicles. The other two executive committee members have worked together over a period spanning over 15 years.

The Head of Origination and Execution oversees and coordinates the origination and credit assessment process of each investment. The Head of Credit oversees overall credit risk and process. The Head of Risk oversees the structuring and documentation of each investment.

Each new transaction is assigned a deal team consisting of a designated deal lead and the most appropriately experienced analysts and deal support for the nature of the underlying structure, industry and nature of the investment.

Generally, two to three staff members will be involved in any particular transaction. The allocation of staff to each deal is based on previous sector experience and related deal types. Individual fit with investee management teams is also important when deciding staff allocations.

Privity continues the corporatisation of its operations. In addition to two senior members covering each function, the group has added the Portfolio Manager as a floating / swinging IC Member in the event of the absence of any one individual IC Member.

Two additional team members have been introduced into the Investment Committee as floating voters. Ross Anderson, who votes on new deals and Anthony Luth, who votes on decisions pertaining to existing deals. In respect of any one transaction, one of the floating voters sits on the IC, along with the permanent voters – Ryan Donnar, Atiya Habib and Adam Howell and votes at the IC for decisions.

In line with the Executive Committee supporting other areas, in addition to their core key function, the coverage from a business continuity perspective is summarised below:

	Primary Responsibility	Support
Origination & Execution	Ryan Donnar	Adam Howell & Anthony Luth
Credit & Portfolio	Atiya Habib	Ryan Donnar, Ross Anderson & Anthony Luth
Risk & Operations	Adam Howell	Nige Credlin, Ross Anderson & Kenley Chan
Capital*	Nigel Credlin	Executive Committee

* In addition, the distribution/raising of Capital has been further strengthened by formalising Shed Enterprises as placement agents for PP IV & PP IF. The business added a Head of Distribution (Nigel Credlin) in 2024 to focus on capital raise, IR and operations.

With the strategic partnership with Scarcity Partners, the business has access to deep funds management expertise ranging from new product development, distribution (raising capital), operational efficiencies and marketing.

Meeting Schedule

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

Meeting	Agenda	Frequency	Participants
Borrowers	Business and financial reporting as per the loan documentation. Discussion on forecast/projections	Monthly	Investment Team Members and Portfolio Operations Manager
Investment Committee	Approval of Initial Screening Papers ("ISP"), formal approvals of lending proposals/credit submissions, internal Risk Management, clarifications on terms of approval, seek any changes to terms of approval, including any covenant waivers, resets, portfolio reviews, Ad hoc portfolio reviews driven by macro factors, report any non-compliance by the borrower, flag credit weakness and seek guidance on next steps	Fortnightly or as required	3 Managing Partners (Origination, Credit and Risk), Investment Director (floating), Portfolio Operations Manager (floating)
Executive Committee	Investment opportunities, market intelligence, risk management	Weekly	3 Managing Partners (Origination, Credit and Risk)
Credit - PM	Summary reviews of any potential issues across the portfolio or individual borrowers, discuss action points from the monthly Portfolio Management Review, discuss the revision in risk grades across the portfolio	Fortnightly or as required	Managing Partner (Credit), Portfolio Operations Manager
Portfolio Review	Review the risk (a) as portfolio credit grades, lending, sector and grades limits, and returns, and (b) review the risk of the underlying borrowers	Monthly	3 Managing Partners (Origination, Credit and Risk), Portfolio Operations Manager, Investment Director
Investor	To provide updates to investors and IFAs on fund performance and market developments	As required	Managing Partners, Head of Distribution

Meeting	Agenda	Frequency	Participants
Origination & Portfolio WIP	Screen the new lending opportunities at a high level, high-level updates across portfolio names, share market, structures & sector intelligence	Weekly	All Team Members
Risk, Capital & Operations	Risk and governance updates, Capital updates, IR & Ops	Weekly	All Team Members
Distribution	Capital updates, IR & Ops	Weekly	3 Managing Partners, Head of Distribution
Marketing	Marketing collateral/updates, events, conferences, PR	Weekly	3 Managing Partners, Head of Distribution, Chief Marketing Officer (Scarcity Partners)

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

Staffing Changes

Departures		
Date	Name	Responsibility
06-Apr-23	Nicolas Politopoulos	Head of Capital

Additions / Hires		
Date	Name	New Responsibility
21-Oct-24	Nigel Credlin	Head of Distribution
21-Oct-24	Danielle Stitt*	Marketing

* shared resource with Scarcity Partners

SQM Research observes that the levels of investment experience and company tenure are strong across the investment team. The size and nature of staff turnover are not an issue of concern, in SQM's view.

Remuneration and Incentives

In principle all investment professionals are paid salaries at or below market, with the predominant financial incentive for such persons being in the form of bonus or carried interest payments.

Each investment professional's entitlement to bonus or carried interest is subject to vesting over time, which is based on their length of tenure at Privity Credit. The payment of bonus or carried interest is also subject to 'bad leaver' provisions. Bonuses are paid 12 months in arrears, with the discretion to hold back up to 50% of the bonus.

In addition, each Investment team member and other material employees hold an equity interest in the Manager and receive dividend distributions based on the successful financial performance of the Manager (which is directly related to the overall performance of

the Fund). Equity participation provides true alignment and a material incentive for employees to contribute to the success of the Fund.

Each of the Executive Committee members holds a significant amount of equity in the Manager, with all material team members holding varying levels. Each of the Executive Committee members and all Investment Team members have 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. It focuses on the customers' needs and medium to long-term results.

Fees and Costs	Fund	Peer Avg**
Management Fee % p.a.	1.50%	1.21%
Expense Recovery/Other Costs % p.a.	–	–
Performance Fee %	18.50%	20.25%
Total Cost Ratio TCR % p.a.	3.52%	1.58%
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.

Management Fee

The management fee includes GST and is net of any applicable Reduced Input Tax Credits (RITC).

Performance Fee

There is a performance fee charged as follows:

- In the case of Debt Proceeds, an amount equal to the lower of:
 - 18.5% of the increase of the Net Unit Value of the Debt Proceeds Sub-Class of Units for such Fee Period, calculated by reference to the prevailing Net Unit Value of such Debt Proceeds Sub-Class of Units on the first day of the immediately previous Fee Period, provided that the Debt Proceeds Hurdle is satisfied
 - The Debt Proceeds Hurdle, if satisfied and 100% of the amount which represents the Debt Proceeds Outperformance in excess of the Debt Proceeds Hurdle, in each case, multiplied by the Net Unit Value
- In the case of non-Debt Proceeds, 50% per annum of the Non-Debt Proceeds Outperformance ("Non-Debt Proceeds Hurdle")

Borrower Fees

Investment fees will be determined on a case-by-case basis contingent on the risk profile of the transaction.

The current fee structure is anticipated to be as follows:

- Establishment Fee (charged to the borrower at financial close)
- Interest Rate
 - Minimum 7.00% per annum, including fees (may be either current, payment in kind (PIK) or a blend of both)
 - Default Interest Rates (generally charged at a non-default Interest Rate plus 5.00%)

SQM Research observes that:

- The Fund management fee is 1.50% p.a., which is 29 basis points higher than the peer group average of 1.21% p.a.**
- The Total Cost Ratio (TCR) is 3.52% p.a., which is 194 basis points higher than the peer group average of 1.58% p.a.**

As the Fund has no official benchmark mentioned in the IM, SQM Research has used the "Debt Proceeds Hurdle or Performance Hurdle" of 6.50% p.a. as the Reference Index for analysis purposes only.

Risk/Return Data to 30 November 2024						
Total Return	1-Month	3-Month	6-Month	1-Year	3-Year	Inception
Fund	0.74	2.27	4.66	9.63	8.49	8.06
Ref Index	0.53	1.59	3.20	6.50	6.50	6.50
Peer Average	0.66	2.04	4.27	8.91	7.63	7.57
Alpha	0.21	0.68	1.46	3.13	1.99	1.56
Metrics				1-Year	3-Year	Inception
Tracking Error (% p.a.) - Fund				0.20	0.48	0.71
Tracking Error (% p.a.) - Peer Average				0.34	0.61	0.60
Information Ratio - Fund				15.39	4.17	2.18
Information Ratio - Peer Average				11.82	1.42	0.39
Sharpe Ratio - Fund				25.41	11.34	7.21
Sharpe Ratio - Peer Average				36.42	10.47	10.87
Volatility - Fund (% p.a.)				0.20	0.48	0.71
Volatility - Peer Average (% p.a.)				0.34	0.61	0.60
Volatility - Ref Index (% p.a.)				0.00	0.00	0.00
Beta based on stated Ref Index				.	.	.

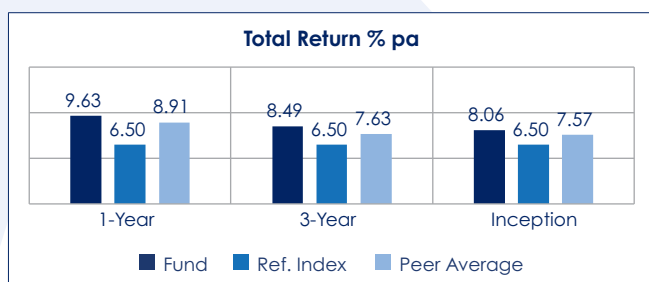
Distributions reinvested. Returns beyond one year are annualised. Return history starts Oct-2021

Ref Index: 6.50% p.a.

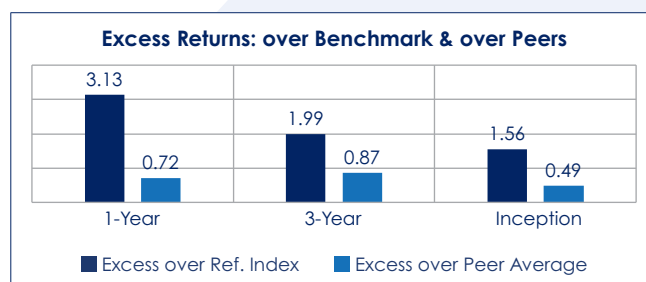
Quantitative Insight¹

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

Returns



Excess Returns (Alpha)



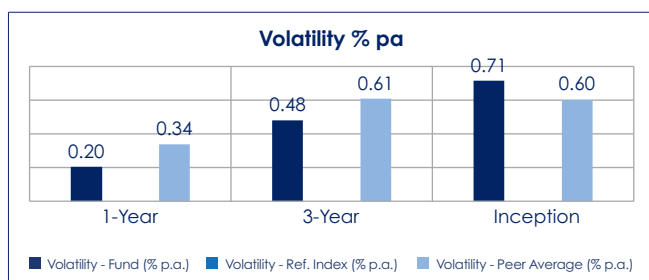
The Fund has displayed strong performance across all periods when compared with the reference index and peers.

The Fund has moderately outperformed the reference index and modestly outperformed its peers in all periods.

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

Risk



The Fund's **volatility** (annualised standard deviation of monthly returns) has tended to be modestly lower than the peers in 3-year and shorter periods but modestly higher since inception basis.

The reference index has had zero drawdowns, as expected from inflation or cash-based indexes.

SQM has measured and reported tracking errors in the table above. Since the Fund's benchmark has almost no volatility, the tracking error readings add no new information to observations gained from studying volatility. The tracking error of the Fund is virtually identical to its volatility (standard deviation).

The **risk outcomes**, as described above regarding volatility and tracking error are consistent with the PDS statements about risk and are in line with SQM's expectations for this Fund.

Drawdowns

Drawdown Summary			
Drawdown Size (peak-to-trough)			
	Fund	Bench	Peers
Average	-0.21%	—	-0.61%
Number	1	0	1
Smallest	-0.21%	—	-0.46%
Largest	-0.21%	—	-0.87%
Length of Drawdown (in months)			
	Fund	Bench	Peers
Average	2.0	—	2.1

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

Average drawdowns have been modestly better than the peer average.

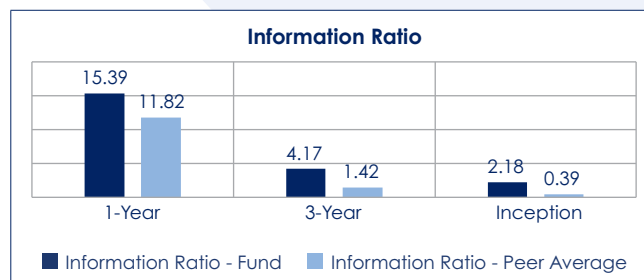
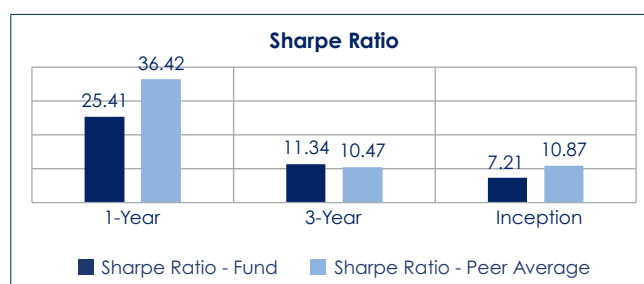
The Reference Index has had zero drawdowns, as expected from inflation or cash-based indexes.

Upside/Downside Capture

	Downside Capture		Upside Capture	
	3 years	Inception	3 years	Inception
Fund	.	.	129.6%	123.2%
Peer Average	.	.	116.6%	115.7%

for a cash Ref Index, downside capture is not valid

Risk-Adjusted Returns



The Fund's risk-adjusted returns (as measured by Sharpe ratios) have been materially worse than the peer average and (as measured by Information ratios) have been moderately better than the peer average.

Correlation of Fund to Asset Classes

Market	3 years	Inception	Market Indexes
Aust Bonds	+5.7%	+25.4%	Bloomberg AusBond Composite 0+Y TR
Aust Equity	+21.5%	+17.2%	S&P/ASX 300 TR
Global Bonds	+10.7%	+8.5%	Bloomberg Global Aggregate Hdq AUD
Global Equity	-3.3%	-4.7%	MSCI World Ex Australia NR AUD

Correlation Key

Low	High	Description
0%	20%	low, weak
20%	40%	modest, moderate
40%	70%	significant, material
70%	90%	strong, high
90%	100%	substantial

Tail Risk

(The analysis in the table below looks at the **tail risk performance relationship of the Fund to the ASX300**, a practice that SQM has set as common across asset classes in Fund reviews. This approach recognises that for the large bulk of financial planner clients, their key traditional asset class **risk** regarding **size** and **volatility** is to Australian equities. Exploring that relationship is useful regardless of the asset class of the Fund itself, as it is helpful to understand how a Fund has acted in times of Australian equity market stress in terms of softening or exaggerating the negative performance experienced at such times.)

The table below details the **largest negative monthly returns** for the ASX 300 **since the inception of the Fund**. This is compared to the Fund's performance over the same months.

Extreme Market Returns vs Fund Return Same Month				
Index: S&P/ASX 300 TR		From Oct-21 to Nov-24		
Rank	Date	Market	Fund	Difference
1	Jun-22	-8.97%	+0.65%	+9.62%
2	Jan-22	-6.45%	+0.59%	+7.04%
3	Sep-22	-6.29%	+0.68%	+6.97%
4	Oct-23	-3.80%	+0.67%	+4.47%
5	Dec-22	-3.29%	+0.59%	+3.89%
6	Apr-24	-2.92%	+0.68%	+3.61%
7	Sep-23	-2.89%	+0.70%	+3.59%
8	May-22	-2.76%	+0.43%	+3.19%
9	Feb-23	-2.55%	+0.56%	+3.11%
10	May-23	-2.53%	+0.80%	+3.33%
Totals		-42.46%	+6.35%	+48.81%

No. of Months			
Correlation	-4.5%	Positive Return	10
Capture	-15.0%	Outperform	10

Tail Risk Observations:

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

Snail Trail

The snail trail chart and tables below show the combination of the Fund's rolling 1-year excess returns and volatility.

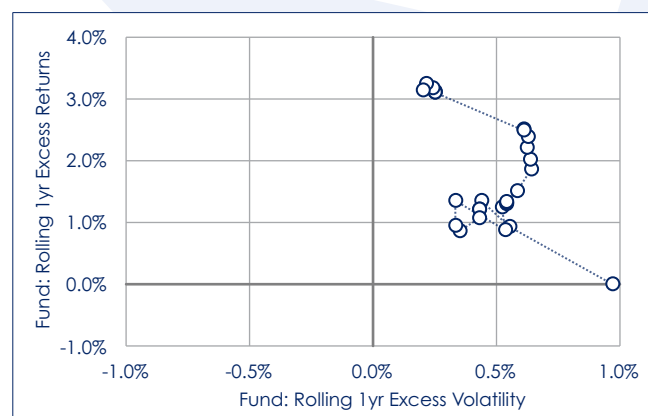
There are 26 observations in total.

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

Snail Trail Distribution			
Frequency	Lo-Vol	Hi-Vol	Total
Hi-Return	0	26	26
Lo-Return	0	0	0
Total	0	26	26

26 rolling 1-year observations

% of Total	Lo-Vol	Hi-Vol	Total
Hi-Return	0.0%	100.0%	100.0%
Lo-Return	0.0%	0.0%	0.0%
Total	0.0%	100.0%	100.0%



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

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

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

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

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

Consistency

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

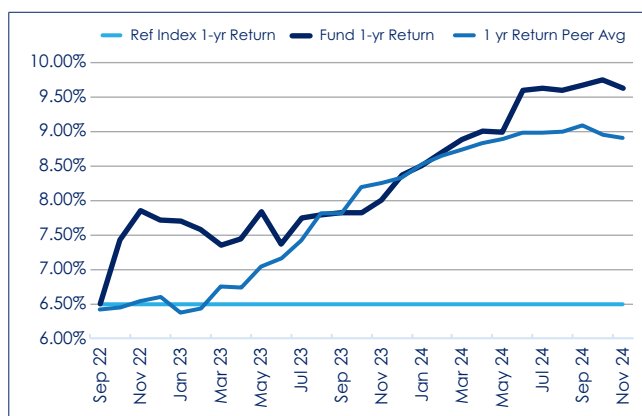
Annual Returns

Year	Fund	Ref Index	Peer Avg	vs. Bench	vs. Peers
2022	+7.71	+6.50	+6.56	+1.21	+1.15
2023	+8.37	+6.50	+8.32	+1.87	+0.05
Nov-24	+8.63	+5.94	+8.10	+2.69	+0.53

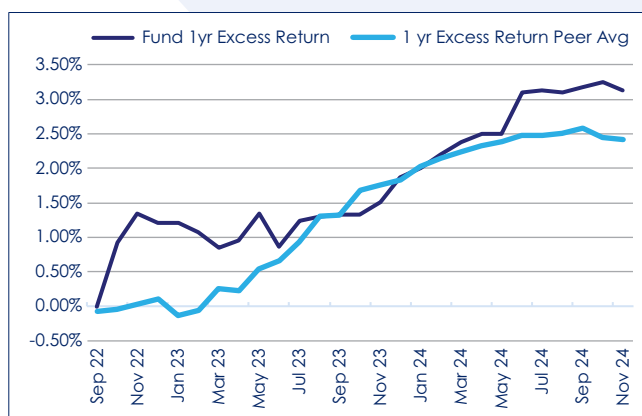
2024 data = 11 months ending Nov-24

Return and Risk

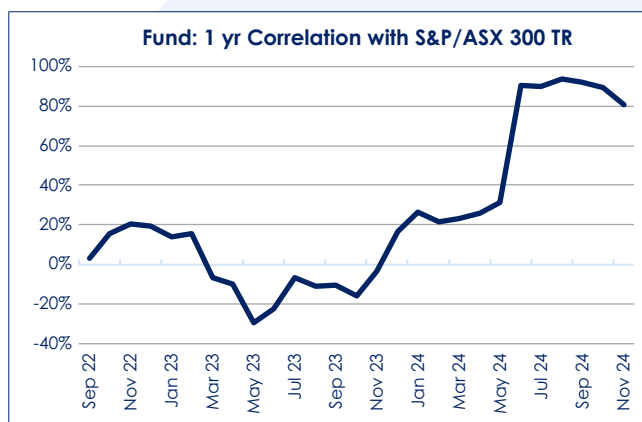
Rolling Returns



Rolling Excess Returns

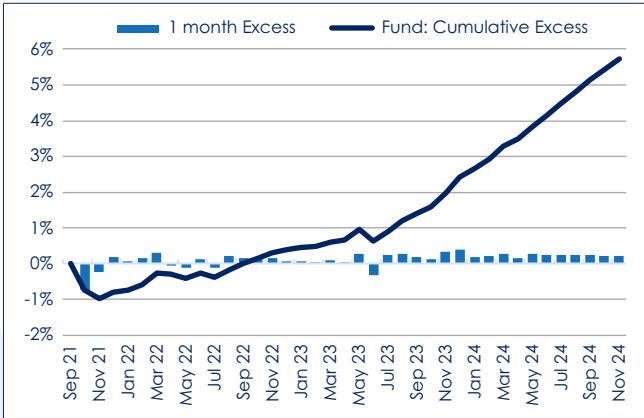


Rolling Correlation

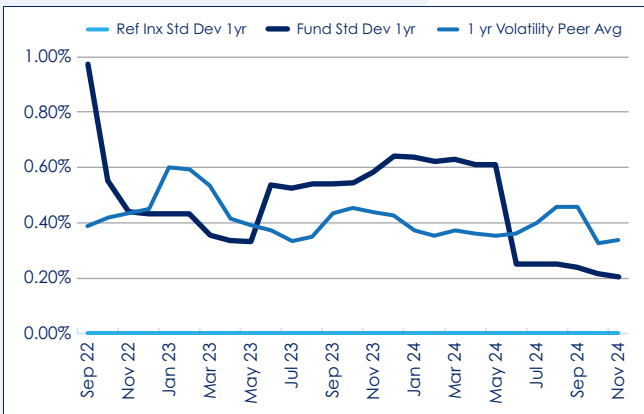


Return and Risk

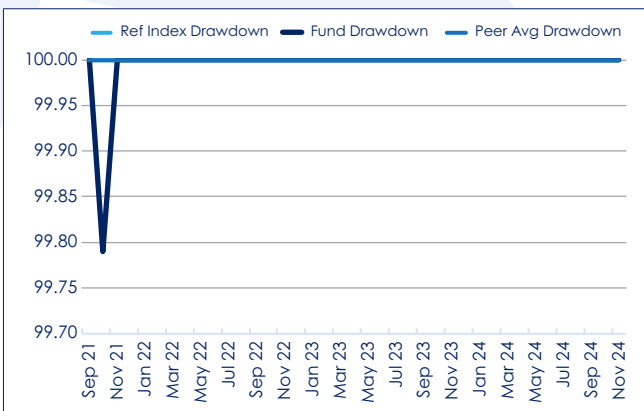
Cumulative Excess Returns



Rolling Volatility



Drawdowns



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

Fund Constraints and Risk Limits	Permitted Range or Limit
Individual Borrower (max)	20%
Industry Sector (max)	25%
Direct Property Lending (max)	25%
Negative Screening ESG	Yes
Negative Screening Construction	Yes
Other Constraints	
Maximum exposure to single-security	20%
Maximum exposure to single stock/company	20%
Maximum exposure to a single sector	25%
Maximum exposure to a single country	100% (Australia and New Zealand)
Maximum exposure to geographic region	100% (Australia and New Zealand)
Limit for Holdings Not in Benchmark	N/A

Top 5 Holdings*

Name	Weight	Currency	Mat (yrs)	Fixed/Float	Public/Private	% of Issue Size
P009	16.82%	AUD	1.08	Float	Private	100.00%
P008	15.05%	AUD	3.04	Fixed	Private	29.90%
P013	10.83%	AUD	0.45	Fixed	Private	100.00%
P022	8.92%	AUD	2.03	Float	Private	100.00%
P019	8.53%	AUD	0.46	Float	Private	6.12%

* As reported to SQM on the return of the RFI – holdings will change over time.

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

$$\text{Alpha} = \text{Fund Return} - \text{Benchmark Return}$$

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.

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