



RF Eclipse Select Credit Fund

This report has been prepared for financial advisers only



Favourable

March 2020

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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Report Date: 18 March 2020

Star Rating *	Description	Definition	Investment Grading
4½ stars and above	Outstanding	Highly suitable for inclusion on APLs <i>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.</i>	High Investment grade
4¼ stars	Superior	Suitable for inclusion on most APLs <i>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.</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 corporate 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. There are no corporate governance concerns, or they are of a minor nature.</i>	Approved
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 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.</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 potential substandard. There are possible corporate governance concerns. Management quality is not of investment-grade standard.</i>	Unapproved
3 stars	Strong 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 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.</i>	Unapproved
Below 3 stars	Avoid or redeem	Not suitable for most APL inclusion	Unapproved
Event-driven Rating		Definition	
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.</i>	
Withdrawn		<i>Rating no longer applies. Significant issues have arisen since the last report date. Investors should consider avoiding or redeeming units in the fund.</i>	

* 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 
Favourable. Consider for APL inclusion.

Fund Description	
Fund Name	RF Eclipse Select Credit Fund
APIR code	Mortgage Trust
Management and Service Providers	
Fund Manager	RF Eclipse Limited
Responsible Entity	RF Eclipse Limited ACN 089 265 270, AFSL 238546
Custodian	RF Eclipse Limited
Fund Information	
Fund Inception Date	6-Dec-99
Fund Size	\$191.34 mill as at Nov-2019
Return Objective (as per PDS)	To provide investors with regular income and capital stability, by offering the opportunity to invest in loans secured by a registered mortgage
Internal Return Objective	Not Applicable
Risk Level (per PDS)	Subject to risk
Internal Risk Objective	Not Applicable
Benchmark	Not Applicable
Number of Loans	75 as at Nov-2019
Fund Leverage	Not Applicable
Turnover	Not Applicable
Top 10 Holdings Weight	18.50%
Investor Information	
Minimum Application	\$10,000
Redemption Policy	A Syndicate member has no right to withdraw from a Syndicate until the Mortgage Investment has been repaid
Distribution Frequency	Monthly
Investment Horizon (per PDS)	6 to 36 months
Currency Hedging Policy	Not Applicable
Establishment fee	Maximum of 2.0% paid by Borrower
Management Fee	0.55% per annum paid by Investor (note: while allowed in PDS, not applied by Manager)
ICR – latest	1.98%
Buy Spread	0.00%
Sell Spread	0.00%
Performance Fee Rate	0.00%

Fund Summary

Description

The **RF Eclipse Select Credit Fund (the "Fund")** is an Australian managed investment scheme operating as an unlisted contributory mortgage fund. The RF Select Credit Fund is a rebranded product that was formerly known as the Eclipse Prudent Mortgage Fund. The fund was established in August of 1998 and since inception has originated over \$1 billion. RF Eclipse Select Credit Fund has approximately \$191.34 million in funds under management as at Nov-2019. The Fund lends loan products to borrowers who are investors and developers on a mortgage basis to a maximum of 65% LVR on an interest-only basis. Loans are spread across five main loan categories consisting of the development site, construction, investment, residual stock and sponsor supported investment loans for periods of 6 to 36 months. The Fund's continuing objective is to provide members with stable and recurring income with low volatility while preserving investors' capital.

Fund Rating

The 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 & Key Observations

1. People and Resources

About the Manager

The Fund is managed by RF Eclipse Limited, a leading alternative lender to the real estate market, specialising in financing for residential, commercial, retail, vacant land or industrial properties and/ or construction projects located primarily in Australian metropolitan areas. RF Eclipse currently manages approximately \$600M of total funds across several mandates, managed accounts and funds.

RF Eclipse Limited has been established since 1999 and was acquired by RF Capital in June 2016. RF Capital is an alternative asset manager with global capabilities in real estate, credit, hedge fund management and hedge fund advisory across Australia, UK/Europe and the Middle East.

RF Capital originates from, and is owned by the Andrew Roberts family office and provides the family office with its investment capability. RF Capital was established in

2008, following the sale of the Roberts Family interest in Multiplex Group to Brookfield Asset Management.

Investment Team

The investment team is made up of members who have considerable knowledge and experience in the investment industry, headed by CEO Mr Michael Vella. Mr Vella has over 30 years' experience in property, funds management, debt financing, commercial lending, insolvency and debt recovery at ANZ Bank, AMAL Asset Management, Mirvac Group and PPB Advisory. Mr Vella does not sit on the Credit Committee. A highly experienced Credit and Investment Committee chaired by Mr Chris Rees reviews and approves all loans before they are funded by investors. The Credit and Investment Committee boast an average of approximately 30 years of industry experience across four individuals. The other members of the Credit Committee are John Moore (Independent Member), Malcolm Graham (Independent Member) and George Kostas (Group CEO, RF Capital).

Other senior members of the team include General Manager of Credit and Lending - Allen Tulich, Manager New Business and Originations - Malcolm Vaughan. Sonia Earp works as an Investor Relations Manager and holds experience in stakeholder management. Other key positions include Fiona Dixon (Outsourced Provider-Compliance for Business), Loans manager – Sheri Foreman and Lawyer – Tristan Murray and Financial Controller David Aiossa. The **Key person risk** of the Fund is deemed as low.

There are regular meetings scheduled throughout the year for the Credit Committee, the Board, the Risk and Compliance Sub Committee and Audit Sub Committee for reviewing purposes.

2. Investment Process and Philosophy

Investable Universe

The Fund offers a Mortgage Investment secured by a registered first mortgage over legal interests in real property. Mortgages with a maximum of 65% LVR are provided on an interest-only basis. Loans are spread across five main loan categories consisting of investment loans, construction loans, development site loans, residual stock loans and sponsor supported investment loans.

Process / Philosophy / Style

The Fund aims to provide members with stable and recurring income with capital stability and low volatility from mortgage investments secured by a registered first mortgage over legal interests in real property. The Fund

does not operate as a pooled fund, debenture trust or unit trust and the member has the absolute discretion whether to invest in any mortgage investment offered to the member. The Fund enables members to select mortgage investments that meet their individual risk profiles and objectives. The Fund has systems and management frameworks in place to manage loans throughout their lifecycle, including a rigorous borrower selection process. The Fund maintains a diversified portfolio of mortgages over real estate assets across the residential, commercial, industrial and rural sectors.

Given the operational complexities and restrictions imposed by the contributory mortgage fund structure, management has imposed a restriction on lending to fully drawn loans thereby limiting the inherent liquidity risk from future capital calls that would otherwise occur from progressively drawn loan products on the existing syndicate. This means that the fund predominantly invests in investment loans, development loans, loans supporting site acquisitions, residual stock loans and rarely participates in construction loans unless fully drawn in advance.

Historically lending has been dominated by residential assets notwithstanding the Fund is restricted from providing regulated home loans.

Risk Management

Borrower quality is assessed at the start of the loan. For the ongoing credit quality of assets, the fund manager employs varying methods depending on the type of loan. For investment loans, there is no further review as long as the loan is performing, whereas, for construction loans, the fund manager works with quantity surveyors and other parties to manage risk, with on-site visits every 60/90 days and progress reports submitted every 1-2 months to support a payment claim for works completed on site.

The Fund is not internally leveraged and there is no interest rate risk as investors are paid the borrower's monthly payments. Operational risk is managed through thorough backup data centres.

3. Portfolio Characteristics

Portfolio Turnover

Not Applicable

Liquidity

Due to the duration of the Mortgage Investments, the Fund operates as a non-liquid managed investment scheme. A syndicate member has no right to withdraw from a Syndicate until the mortgage investment has been repaid or the security property realised. If the

borrower requests an extension or variation of the Mortgage Investment, the Member may decline the extension or variation and request the repayment of their interest in the Syndicate.

Leverage

This Fund does **not** employ direct leverage (through borrowing by the Fund) **or** economic leverage (through the use of derivatives).

4. Performance & Risk

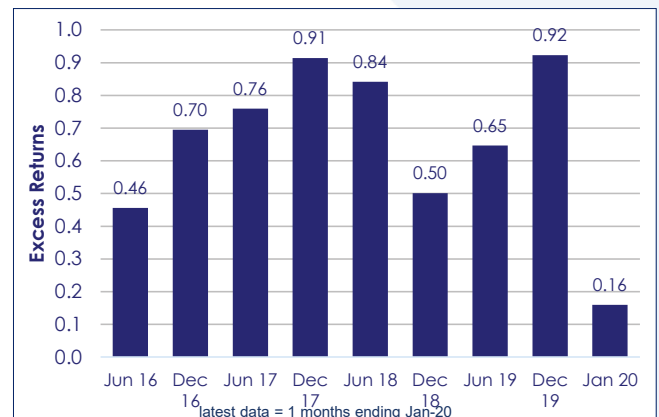
Return Objective & Performance

The return objective stated in the PDS is: "The Fund aims to provide investors with regular income and capital stability, by offering the opportunity to invest in loans secured by a registered mortgage."

The Fund does not have an official benchmark. SQM Research uses the RBA Cash Rate +5.00% Index as a benchmark for comparison purpose in this report.

Over the twelve months to Jan-2020, the Fund returned 7.83% (after fees) compared to 6.14% for the benchmark. This is an outperformance of 1.69%.

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



Length of Track Record

The Fund has a history of 20 years.

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

Risk Objective

The Fund's PDS states that the indicative risk level of the Fund is "low to medium".

The Fund's **volatility** (standard deviation of monthly returns) over the **year to Jan-2020** was 0.00% compared to a peer average of 0.11% and 0.09% for the benchmark.

The true overall risk level in Mortgage Funds is determined by a range of risks, including (but not limited to): default/capital loss, liquidity, concentration, and interest rates risk. Advisers/Investors should read the 'Risks' section of the PDS to understand those risks.

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

SQM Research holds the view that the low volatility of returns often displayed by Mortgage Funds should not be interpreted as implying that these Funds have a low level of risk. The low volatility of returns (in this sector) is an artificial construct caused by an absence of frequent mark-to-market valuation of a Mortgage Fund's assets and the accrual nature of these products.

Therefore, Fund metrics such as Volatility, Tracking Error, Information Ratio, and Sharpe Ratio; add little statistical value within the Mortgage Funds sector.

Correlation to Australian Equities

Over the life of the Fund, the 3-year rolling correlation has ranged from a low of -8.09% to a high of 33.73% and averaged 13.83%. These patterns and levels are higher to the peer group average.

Over the same time frame, the peer group's 3-year rolling correlation has ranged from a low of -28.09% to a high of 17.34% and averaged -5.24%.

The correlation statistics show the Fund's usefulness as a diversifier, for an investor in Australian Equities.

FUM (Funds under Management) / Capacity

The Fund is approximately \$191.3 million in size at Nov-2019.

The overall **Strategy** FUM is currently \$618.6 million (as at Nov-2019). This includes the Select Credit Fund and all mandates current at the date of this report.

5. Other Features

Fees

Fees are paid by borrowers. The investor receives the full rate of interest from the borrower.

RF Eclipse charges an upfront establishment fee which is payable by the borrower.

Investors would only pay a fee for a transfer within a syndicate if approved.

Governance

The Board of Directors of the Responsible Entity (RF Eclipse Limited) consists of **3** directors, **2** of whom are independent. SQM Research views 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 **36.7** years of industry experience.

The Responsible Entity's Risk and **Compliance Sub Committee** is composed of **3** members, **2** of whom are independent. The Chair **is** independent. SQM Research views independence in a RE oversight body such as the Risk and Compliance Sub Committee as a strong and favourable factor in Fund governance. Risk and Compliance Sub Committee members have an average of **31.3** years of industry experience.

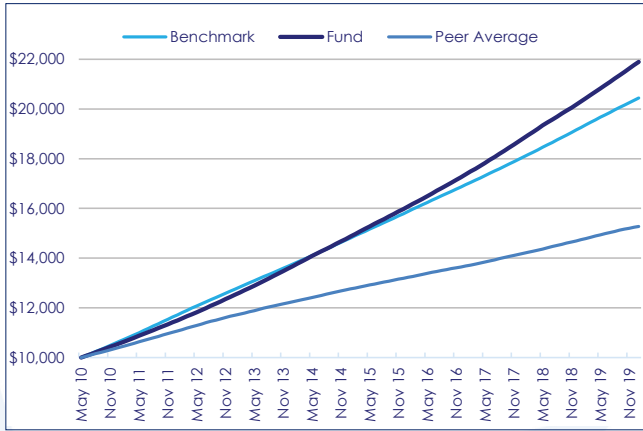
Fund Performance to 31 January 2020 (% p.a.)							
Total Return	1-Month	3-Month	6-Month	1-Year	3-Year	5-Year	Inception
Fund ¹	0.63	1.90	3.84	7.83	8.03	8.05	8.45
Benchmark ²	0.47	1.42	2.90	6.14	6.43	6.66	7.68
Peer Average	0.25	0.78	1.62	3.51	4.61	3.54	4.49
Alpha	0.16	0.49	0.94	1.69	1.60	1.40	0.77

1. Assumes dividend reinvestment. Returns one year and longer are annualised. Return history starts Jun-2010

2. Benchmark: RBA Cash Rate plus 5.00%

SUMMARY

Growth of \$10,000



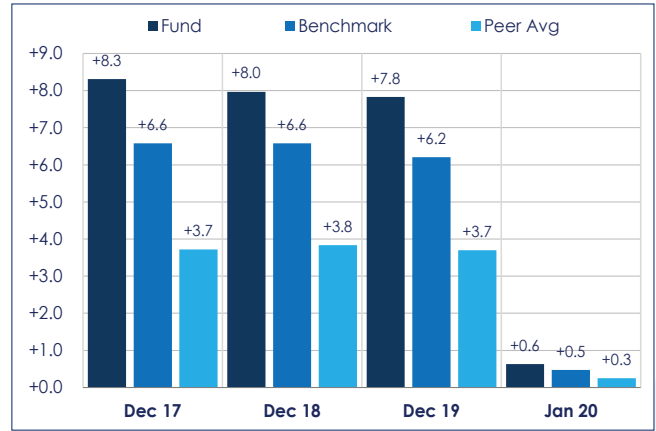
Strengths of the Fund

- The Fund has outperformed SQM Research's selected benchmark and the peer groups in all periods
- The FUM of the Fund has recovered modestly since March 2019 after having a drawdown in 2017 and 2018.
- The Fund implements a rigorous process on borrower analysis.
- Investment personnel are highly experienced and knowledgeable in the lending space.
- The Fund has in place strong systems and management process to manage loans throughout its lifecycle and outcomes.

Weaknesses of the Fund

- The Fund does originate credit for the development sector, making it a relatively higher risk but it does focus on smaller projects. This factor is mitigated to some extent with knowledgeable investment personnel with previous experience in this sector.
- The Fund has had some staff turnover, albeit minimal in the last 12 months. However, the Fund has adequately restructured roles and bolstered the team with numerous additions. SQM Research notes continued tenure and track record under this team would be a positive development.
- The Fund is highly concentrated in NSW. SQM Research prefers more geographical diversification.

Annual Returns



Other Considerations

- The Fund has reduced originating credit for the construction sector and moved towards pre-development, making the risk level relatively lower.
- The Fund is a non-liquid investment scheme.
- The Fund has been in operation since 1998, but under the current RF Capital ownership for the last four years.

Key Changes since the Last Review

- Documentation Custodian was changed to Perpetual Trustees in August 2019.
- Mr Chris Rees has taken over as the Chairman of the Credit Committee from Mr Ray Fazzolari in Oct 2019.
- The Credit Committee is expanded to four members committee by the appointment of independent members – Mr John Moore and Mr Malcolm Graham.
- Over the last 12 months, RF Eclipse Limited has been able to secure additional mandates from the following parties,
 - Victorian Funds Management Corporation (VFMC) - Up to \$100m in a "small loans program"
 - Schroder Investment Management ("Schroders") - Up to \$300m in Schroders Private Loan Fund
 - Gateway Bank (former Credit union) - Currently \$30m, increased from a starting amount of \$10m

Investment Process Diagram



Process Description

Universe

Investable Universe The Fund offers a mortgage investment secured by a registered mortgage over legal interests in real property. Mortgages with a maximum of 65% LVR are provided on an interest-only basis. Loans are spread across five main loan categories consisting of investment loans, construction loans, development site loans, residual stock loans and sponsor supported investment loans.

The Fund specialises in financing for residential, commercial, retail, vacant land or industrial properties and/or construction projects located primarily in Australian metropolitan areas.

Investment Process

Investment Philosophy and Overview

RF Eclipse aims to provide investors with stable and reliable income returns by investing in loans secured by first registered mortgages over acceptable real estate. The Fund's philosophy is to identify and confine risk by evaluating the fundamentals of the transaction, the property, the borrower, and the particular asset and/or market conditions.

The Fund operates as a contributory mortgage scheme and offers investment in a mortgage investment secured by a registered mortgage over legal interests in real property.

After being accepted as a Member, the Member may then participate in one or more Syndicates after approving the terms of the Mortgage Investment and signing the Syndicate Acceptance Form in the Syndicate PDS that applies to the mortgage investment.

The Syndicate and the mortgage investment is an asset of the Syndicate Members, not an asset of the Fund. The syndicate members hold the mortgage investment as tenants in common.

The mortgage is registered in the name of Eclipse as nominee for the Syndicate Members. The Fund does not operate as a pooled fund, debenture trust or unit trust and the member has the absolute discretion whether to invest in any mortgage investment offered to the member.

The Fund enables Members to select mortgage investments that meet their individual risk profiles and objectives. The details of the mortgage investment are set out in the Syndicate PDS.

Operational Responsibilities and Procedures

Origination

Origination's key responsibilities and activities are focused on the origination of new loan transactions for the various Investment Mandates, while Credit and Loan Management are responsible for approval and management of all borrower loan transactions and the borrower loan portfolio.

The CEO is responsible for exercising a Delegated Lending Authority (DLA). Where loan transactions are beyond the DLA, credit submissions are made to Eclipse Credit Committee for approval. The CEO and Credit additionally provide oversight and guidance as necessary to the Loan Management Team in fulfilling their responsibilities for loan management and administration for the borrower loan portfolio.

Operational Responsibilities and Procedures

Investor Relations Investor Relations key responsibilities and activities are to manage Investment funds (new/existing) and ensure investment allocations secured from new or existing Investments, or Investment funds held in trust, are sufficient to fully fund Eclipse's loan borrowing /origination activities.

Investor Relations also:

- Prepare Investment Advices for clients confirming their Investment and interest paid on Investments
- Attend to general queries from Investment clients
- Provide oversight for Loan Management Team (LMT) for their specific Investment administration activities (SPDS, Confirmation of Investments).
- Own the Investment Allocation Process
- Conduct KYC on new and additional investment applications

Loan Management Team Loan Management Teams' (LMT) key responsibilities are focused on providing management and administration procedural requirements for the Origination and Investment Relations teams in fulfilling their key responsibilities as outlined in The Manual.

The LMT will provide support to both the Legal and Finance Areas for specific administration and procedural requirements as they relate to both origination and investor activities.

LMT also perform analysis and review of construction loan progress drawdowns for approval by Credit Committee or CEO as required.

Legal and Finance Legal services provide the key functional areas of Eclipse business with appropriate legal advice and documentation. Legal Services are additionally responsible for engaging external solicitors as required, and ensure that Eclipse's legal documentation maintains contractual obligations which correctly secure avenues of recourse for Eclipse in the event of customer default.

Legal has responsibility for regulatory matters for ASIC compliance, Board Governance and Company Secretarial duties.

The Finance function provides financial reporting and accounting capabilities for the Eclipse business and its' key functional areas. The main activities cover the financial reporting and accounting responsibilities activities across the Eclipse Fund (Fund), Corporation {Eclipse Responsible Entity (RE)} and Compliance business.

Finance also attends to the processing of drawdowns and settlements and all monetary movements for Eclipse's loans and investment fund drawdown across the functional areas. This provides for appropriate governance and segregation of responsibilities.

Credit and Borrower Analysis

Credit Process All credit decisions are produced through the Credit Committee (or via its delegated authority), which is comprised of four members and decisions are to be unanimous. The committee operates as per the Credit Committee Charter. All loans will be required to be approved via this committee or its delegated authority. The Credit Committee has provided a delegated lending authority (DLA) to Michael Vella CEO, any decisions over \$1.5m are submitted to the Credit Committee for noting. The DLA does not apply for the approval of new Construction Loans. The four members are Mr George Kostas (RF Capital Group CEO), Mr Chris Rees (Chairman), Mr John Moore (Independent) and Mr Malcolm Graham (Independent).

Borrower Analysis	<p>RF Eclipse screens and analyses each borrower's identity and ability to enter a legally binding contract, and the ability to meet loan repayments. The Fund does not lend to persons or entities that fall into the following categories:</p> <ul style="list-style-type: none"> • Schools, churches, charities and other non-profit associations • Minors • Political parties • Diplomats or politically exposed persons • Persons who are subject to an enduring power of attorney or guardianship orders <p>Borrowers that fall into the categories of an individual natural person, business (sole proprietorship or partnership), trust or company are subject to specific conditions. RF Eclipse complies with the National Verification of Identity Standard in its lending process.</p> <p>In assessing a borrower's ability to repay the loan, RF Eclipse requires the supporting documentation:</p> <ul style="list-style-type: none"> • Letter of Employment • Contract • Notice of Assessment • Two years of tax returns • Group certificates • Payslips • Asset/Liability statement <p>The following sources of income are excluded for serviceability purposes:</p> <ul style="list-style-type: none"> • Child support maintenance • Unemployment benefits • Workers compensation or similar • Income from boarders, tenants or dependents residing in the same property as the tenant unless it is declared on the borrower's tax returns and assessment notice.
Initial Borrower Application	<p>RF Eclipse must obtain an original application form completed and signed by the borrower/s as a Condition Precedent, before settlement. The application forms at least the following information on all parties to the loan.</p> <ul style="list-style-type: none"> • Employment and income details • Signed and dated current financial statement (asset and liability statement) • Privacy Act consent form – no loan submission will be considered without the inclusion of a signed privacy act consent form.
Credit Check and Acceptable Security	<p>RF Eclipse must obtain a "current" (less than 21 days old at the time of application) and legible credit report from an acceptable Credit Bureau (Equifax) for all loan applications. Both Borrowers and Investors are verified by Thompson Reuters "world check" program.</p> <p>A "commercial and consumer report" must be obtained by RF Eclipse for all individuals, both borrowers and guarantors. For all corporate borrowers and guarantors, a "corporate report and an "ASIC online report" must be obtained.</p> <p>Loans are to be secured by residential, commercial and industrial real estate. For securities deemed to be specialised or where there is a "business component" attached to the premises, LVR will be adjusted via the adoption of a vacant possession valuation.</p>

**Credit Check
and Acceptable
Security**
...continued

Borrower Fees

RF Eclipse as the Responsible Entity of the RF Eclipse Select Credit Fund charges borrowers an establishment fee for the lending services that it provides. The categories of fees are application, establishment, valuation and other.

An application fee must be received after the loan has been accepted, which occurs when an offer letter is sent. The application fee is non-refundable, regardless of whether or not the loan proceeds to settlement.

Panel valuers may only conduct a valuation after the receipt of the valuation fee.

Arrears & Collection Management

The Fund's policies for arrears and collections management fall into the categories of:

- Overdue accounts: maximum of 1 missed account (<30 days overdue) - managed by Loan Management team
- Default & collections: two or more missed repayments (30 days or greater overdue) - Direction by CEO and Credit Committee
- Loans overdue for repayment (maturity defaults): Direction by CEO and Credit Committee.

The Fund has strict policies in place, covering notice of default, legal recovery actions, security possession and sale of a security.

Valuations Policy

The Credit Committee of Eclipse is responsible for the appointment of a valuer to the manager's panel. Any valuer appointed to the panel must be identified under the Anti-Money Laundering and Counter-Terrorism Act 2005 guidelines and policy. Each valuer must be independent of the borrower and the manager and properly qualified, licensed, be a member of an appropriate professional body in the jurisdiction in which the relevant property is located and have not less than five years' experience in valuing properties similar to the secured property. For construction loans, only a specialist valuer and if applicable a quantity surveyor may be instructed.

No one valuer may conduct more than one-third of the total valuation work for the Fund based on the number or by the value of funds. The policy aims to achieve rotation and diversity and at times may not achieve the one-third position in light of overriding requirements such as competency, independence, experience, the number of properties being valued by the fund and merger/acquisition activity in the valuation sector.

The valuation report must provide the following statements, but not limited to:

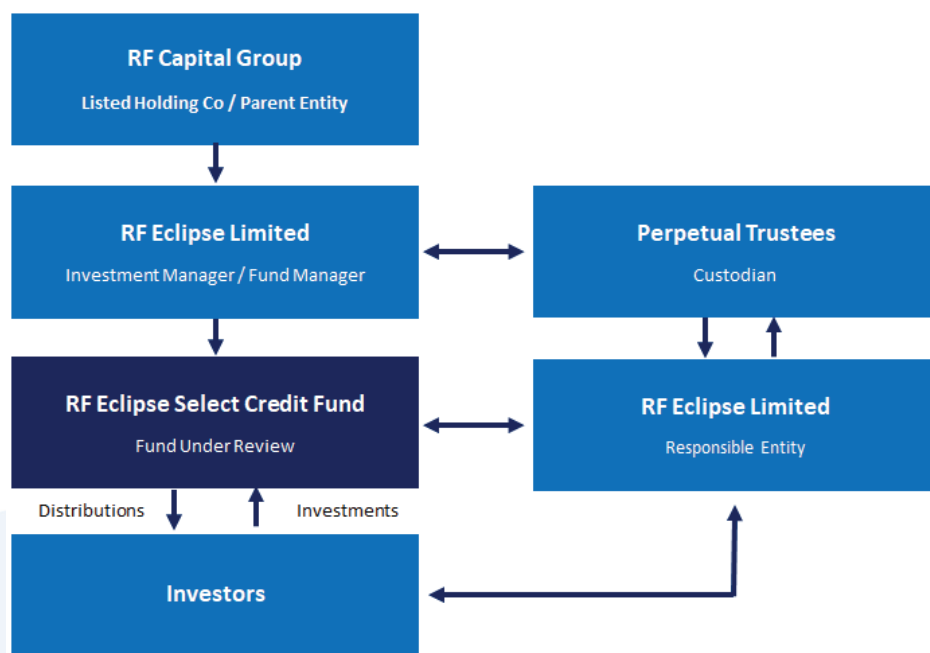
- Whether the valuation complied with relevant standards and codes.
- The description on the primary methodology and if applicable a secondary methodology.
- The report must comment if the property satisfies adequate security for mortgage purpose.

At the discretion of the manager, valuations may also be obtained when the following occurs:

- Partial discharge of security
- A material change in the terms of the loan on renewal
- Possible variation in the security value

Valuations Policy ...continued	<ul style="list-style-type: none"> • A material change like the building/property or its tenancy/use • General Material Adverse Change (MAC) in the opinion of Eclipse and as allowed in loan documentation.
Liquidity	<p>The Fund requires investors to deposit funds for their investment two days before the settlement of the underlying loan. In many cases, investors' funds are held in a cash management account and are then transferred before loan settlement.</p> <p>Due to the duration of the Mortgage Investments, the Fund operates as a non-liquid managed investment scheme. A Syndicate Member has no right to withdraw from a Syndicate until the Mortgage Investment has been repaid or the Security Property realised. The proceeds are available for distribution and the Syndicate is terminated.</p> <p>RF Capital will fund any shortfalls of investor funding for any loan that the RF Eclipse credit committee has approved. This is an implicit agreement by RF Capital as owners of RF Eclipse.</p>
Turnover	Not Applicable
Risk Management	<p>The Fund follows the below assessments under its risk management process:</p> <ul style="list-style-type: none"> • Borrower Quality – This is assessed at the start of the loan. The detail of the assessment is covered in the Credit Charter document. • Ongoing Credit Quality of Assets - Loans are reviewed as required or immediately if an issue develops. The fund manager employs varying methods depending on the type of loan. For investment loans, there is no further review as long as the loan is performing, whereas, for construction loans, the fund manager works with quantity surveyors and other parties to manage risk, with on-site visits every 60/90 days and progress reports submitted every 1-2 months to support a payment claim for works completed on site. • Cash Flows - Manager cash flows are reviewed each month at the Executive Committee meeting, quarterly at audit subcommittee and Board level. • Interest Rate Risk - No external hedging required or in place, pricing of the product reviewed monthly • Leverage - The Fund does not operate with any leverage • Operational Risk including compliance and settlement - Both the settlement of new loans and any ongoing drawdowns under existing facilities require: <ol style="list-style-type: none"> a) Completion of all loan due diligence including legal, financial, borrower and project b) Internal or external (as the matter warrants) legal sign off that all conditions precedent, loan due diligence has been completed and is satisfactory to the lender c) Issue of all third party expert reports have been received and are satisfactory such as valuation and QS reports d) All legal documentation is in place and remains effective e) No event or potential event has occurred or will occur at the time of settlement or drawdown of future proceeds • Regulatory Risk - Managed by the company secretary and compliance manager and overseen by a Board Compliance Sub-committees. • Early Repayment Risk - The Fund allows for early repayment by Borrowers, however, minimum interest payment periods and or early repayment fees typically apply.

Key Counterparties



Parent Company

RF Eclipse Limited is 100% owned by RF Capital which originates from, and is owned by the Andrew Roberts family office and provides the family office with its investment capability. RF Capital was established in 2008, following the sale of the Roberts Family interest in Multiplex Group to Brookfield Asset Management, and acquired RF Eclipse in June 2016. RF Capital is an alternative asset manager with global capabilities in real estate, credit, hedge fund management and hedge fund advisory across Australia, UK/Europe and the Middle East.

Investment Manager / Fund Manager

The Fund is managed by RF Eclipse Limited, a leading alternative lender to the real estate market, specialising in financing for residential, commercial, retail, vacant land or industrial properties and/ or construction projects located primarily in Australian metropolitan areas. Current FUM for Eclipse stands at approximately \$191 million as at Nov 2019. RF Eclipse Limited has been established since 1999 and was acquired by RF Capital in June 2016.

The document custodian was changed to Perpetual Trustees in August 2019.

Responsible Entity

RF Eclipse Limited is the Responsible Entity for the Fund and has operated in the area of unlisted registered mortgage schemes since the establishment of the Fund in 1999. The Responsible Entity is a wholly-owned subsidiary of RF Capital.

The Responsible Entity is bound by the Constitution and the Corporations Act and holds AFSL number 238546 issued by ASIC. This authorises it to operate the Fund. The Responsible Entity has lodged a compliance plan with ASIC, which sets out the key measures which the Responsible Entity will apply to comply with the Constitution and the Corporations Act. The Responsible Entity has established a risk and compliance sub-committee with a majority of external members. The compliance plan is overseen by the risk and compliance sub-committee and is audited annually with the audit report being lodged with ASIC.

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 RF Eclipse Limited and associated key counterparties are highly qualified to carry out their assigned responsibilities. Management risk is rated as low.

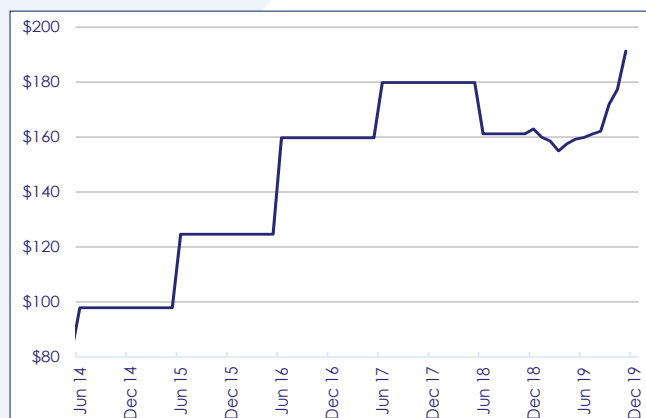
Funds under Management (FUM)

The Fund is approximately \$191.34 million in size at Nov 2019.

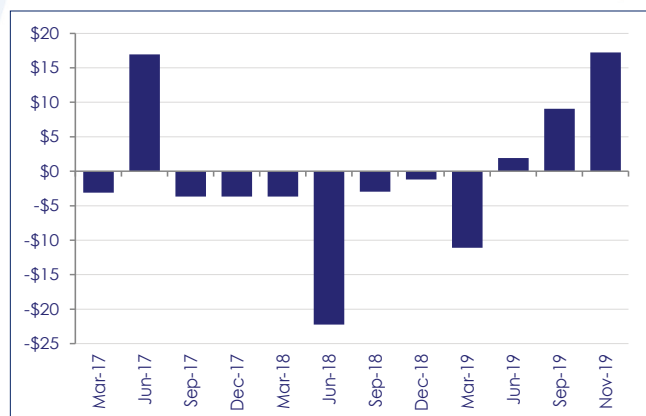
Date	FUM	Net Flows \$m *
Mar-18	\$179.9	-\$3.67
Jun-18	\$161.2	-\$22.24
Sep-18	\$161.2	-\$2.95
Dec-18	\$163.0	-\$1.18
Mar-19	\$154.9	-\$11.11
Jun-19	\$159.8	\$1.92
Sep-19	\$171.9	\$9.05
Nov-19	\$191.3	\$17.23

* estimated

FUM for Fund Under Review (\$mil)



Quarterly Net Flows (\$million)



Distributions

Distributions occur monthly, 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.

Distributions are an essential part of the Fund's offering. The Fund's constitution states that distribution must be undertaken within 30 days after the collection of income period.

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 sufficient distributable income. The official total distributable income available to pay to investors is determined at the end of 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 Funds taxable income for that year.

If the total distributions a Fund pays out exceeds 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 a Fund will make a distribution in any distribution period.

Name	Responsibility/Position	Location	Years at Firm	Years in Industry
Michael Vella	CEO	Sydney	3.2	35.0
Allen Tulich	GM Credit and Lending	Sydney	1.0	20.0
Malcolm Vaughan	Originations	Sydney	1.0	20.0
Sonia Earp	Manager - Investor Relations	Sydney	1.0	15.0
Sheri Foreman	Credit and Loan Manager	Port Macquarie	17	
Tristan Murray	Lawyer	Port Macquarie	17	16

Investment Team

The investment team is made up of members who have considerable knowledge and experience in the investment industry, headed by CEO Mr Michael Vella. Mr Vella has over 30 years' experience in property, funds management, debt financing, commercial lending, insolvency and debt recovery at ANZ Bank, AMAL Asset Management, Mirvac Group and PPB Advisory.

A highly experienced Credit and Investment Committee chaired by Mr Chris Rees reviews and approves all loans before they are funded by borrowers. The Credit and Investment Committee has four members - Mr Chris Rees, Mr John Moore, Mr Malcolm Graham and Mr

George Kostas. Mr Rees has taken over as the Chairman of the Credit Committee from Mr Ray Fazzolari in Sept 2019. Mr Graham and Mr Moore have joined the Credit Committee in Oct 2019 as independent members. The committee boasts an average of approximately 38.3 years of industry experience across four individuals. **Key-person risk** of the Fund is deemed to be medium.

There are regular meetings scheduled throughout the year for the Credit Committee, the Board, the Risk and Compliance sub Committee and Audit sub-Committee for reviewing purposes.

Meeting Schedule

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

Meeting	Purpose	Frequency	Participants
Credit Committee	Review and approve proposals, consider adjustments to Credit Policy, consider additions/ deletions from consultants (valuers, QS) panels	Weekly (or more frequently as required)	CC Members, GM Credit and Lending and CEO
Pricing and Policy Committee	Pricing of Loans, Recommend Changes in Policy to Credit Committee	Monthly	Group CEO/ CEO/ GM Credit and Lending
Board Meeting	Review business operations, financials, investor and borrower and governance matters	Bi-Monthly	Board Members, Company Secretary, CFO, CEO, Compliance Manager
Audit Sub Committee	Review internal audits, review draft financials for Fund	Quarterly	Chairman, Eclipse CEO, CFO, Internal Auditor
Risk and Compliance Sub Committee	Review and monitor compliance plan, review breaches and incidents register	Quarterly	Contract Compliance Manager, Independent Director (Chair) and Eclipse CEO

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.

Departures			
Date	Name	Responsibility	Reason for Departure
01-Dec-17	Andrew McCasker	CEO	CBRE Position
01-Jun-18	Jamie Gilchrist	GM Credit	ING Bank Position
10-Dec-18	Fiona Harris	Investor Relations	CBRE Customer Service Role
03-Dec-18	Richard Lorezo	GM Investor Relations	Return to capital Markets- Grant Samuel

Additions / Hires			
Date	Name	New Responsibility	Previous Position / Employer
01-Dec-18	Sonia Earp	Manager Investor Relations	Russell Investments
01-Feb-19	Allen Tulich	GM Credit and Lending	Uniting Church Trust Association
01-Feb-19	Malcolm Vaughan	Manager New Business & Origination	Uniting Church Trust Association

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.

Key Investment Staff

Credit Committee

Chris Rees: Chairman, Credit Committee

Mr Rees joined RF Eclipse in October 2016 in an Advisory role. He has over 30 years' experience in Banking/Finance in Australia specialising in Real Estate finance. Highlights of a 28 years career with ANZ Bank included a variety of roles in sales, origination, credit and risk assessment and impaired asset management.

Various leadership roles are undertaken by Mr Rees including Head of Property and Construction Finance which entailed responsibility for ANZ's property and construction finance assets (over \$12Bn) and leadership of over 120 staff. Key transactions undertaken include underwriting the largest CMBS issue in Australia (\$1.6Bn) and leading the largest residential pre-sale securitisation undertaken in Australia.

Mr Rees is a Director of TrustCa Advisors, a Singapore based Fund Manager specialising in commercial property acquisition and investment with over \$1.5Bn assets.

George Kostas: Executive Director, RF Group CEO, Credit Committee Member

Mr Kostas was appointed as a Director of RF Eclipse in June 2016 and is a member of the Credit Committee. In that role, he is responsible for all investments undertaken by the Roberts Family and the operational performance of the various businesses it owns. That includes alternative asset management company RF Capital, Roberts Constructions, Australian construction company Roberts Pizzarotti and specialist real estate fund manager

and investor Corval. Before this, Mr Kostas was chief executive of the largest privately held real estate group in the Middle East North Africa (MENA) region, the US\$10 billion Majid Al Futtaim Properties.

Mr Kostas held executive roles with Brookfield Multiplex over 14 years in finance, treasury, strategy, mergers and acquisitions, residential property, construction and development. He has completed his tenure with Brookfield Multiplex in 2013 as a member of the global executive team, and Managing Director of the construction and development arm in the Australasian region.

John Moore: Member, Credit Committee

Mr Moore joined RF Eclipse in July 2019 and has over 45 years' of banking and finance experience with both Australian and international banks. Mr Moore previously held the position of Head of Commercial Property Finance at Advance Bank. He was with ING Bank Australia for 19 years where he was Executive Director for Commercial Property Finance, Real Estate Finance and Utilities, Infrastructure and Project Finance.

Malcolm Graham: Member, Credit Committee

Mr Graham joined RF Eclipse in September 2019 and has over 45 years' of banking and finance experience. He previously held senior executive lending roles within the Commonwealth Bank's Corporate and Business Banking structures and senior executive credit roles with non-bank commercial property financiers including ING Funds Management and Uniting Financial Services. Mr Graham was previously a non-executive director of Gateway Bank where he held roles including Chairman and Deputy Chair during his 27 years of board tenure.

Michael Vella: Chief Executive Officer

Mr Vella was appointed as Chief Executive Officer on 21 March 2018. He had joined RF Eclipse as General Manager, Lending and Credit in August 2017. Mr Vella has over 35 years' experience in property, funds management, debt financing, commercial lending, insolvency and debt recovery at ANZ Bank, AMAL Asset Management, Mirvac Group and PPB Advisory. He is a former director at PPB Advisory, a restructuring advisory and consulting firm.

Allan Tulich: General Manager, Credit and Lending

Mr Tulich joins the firm following 7 years at Uniting Financial Services (the Funds Management arm of the Uniting Church) as the Credit Manager, overseeing a loan book of approximately \$500M. He has extensive lending experience within the Westpac / St George Group and also commercial lending experience across several loan programs with the Balmain Group from 2004 throughout the GFC.

His role is to assess credit applications generated by the loan origination team and to present the assessed applications to the Credit Committee.

Malcolm Vaughan: Manager Originations and Business Development

Mr Vaughan had a 7 years career with Uniting Financial Services as a Relationship Manager. Before, he had an 11 years commercial lending career with NAB. His role is to manage and retain relationships within the existing loan referral networks and to develop new business opportunities to ensure the continued supply of quality loan transactions.

Both Mr Tulich and Mr Vaughan have worked together for the past 7 years and their appointments will strengthen Eclipse's credit origination capability and ensure Eclipse continues to deliver the measured and considered growth that is envisaged for the business.

Sheri Foreman: Manager, Credit and Lending

Ms Foreman has a thorough working knowledge of the RF Eclipse business, its compliance requirements and loan processing systems (both borrower and investor-related). She is a key relationship point of contact among RF Eclipse's many client groups. Before working with RF Eclipse, Ms Foreman was a legal assistant for two local legal firms for over ten years which encompassed conveyancing, contracts for sale, registration of plans and easements and the general settlement process.

Sonia Earp: Investor Relations Manager

Ms Earp has been appointed as Investor Relations Manager. In past roles she has been employed in credit acceptance roles with funders, performed loan administration functions at Amal Asset Management on behalf of large institutional loan funders. Most recently she was employed at Russell Investments supporting the Financial Planners that invested via several platforms that were managed by Russell Investments. Ms Earp's role at Eclipse is to provide a high level of customer service to the investors in the Fund, present new opportunities to them and attend to any enquiries that relate to those investments.

Remuneration and Incentives

Base salaries are determined by recent recruitment experience and subscription to Mercer Salaries survey in 2017. Reviews are performed annually on a graded system and job descriptions are in place with key performance measures outlined. REM reviews are conducted annually in September each year and outcomes backdated to 1 July.

Key staff have defined bonus thresholds in Contracts (while the payment is still discretionary), all other staff participate in the discretionary bonus scheme. The minimum qualification period of 6 months in the role is required to be able to qualify for the bonus; pro-rata does apply during the first year of employment. A 1-5 performance grading system is adopted, a staff member must score at least 3 to qualify for their bonus and the level of bonus is linked to outcomes against their KPI's established within their performance agreement.

While staff have key objectives such as cost control, loan origination and settlements, and increasing FUM, no REM target is driven by fund performance or several loans were written. All staff and related parties are encouraged to invest in the vehicle, however, the investment is noted as a related party and allocation of investments is strictly in line with published allocations process. As a privately family-owned business, no equity is offered to staff members. Alignment to investor interest is driven through each staff members performance agreement with KPI's linked to key investor outcomes.

A Long Term Incentive program has also been put in place to retain staff.

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.

Ongoing Fees

The management fees include GST and is net of any applicable Reduced Input Tax Credits (RITC)

Holding Monies Management Fee

This fee is payable from the Fund Account at the end of each month and is deducted from the interest earned on the Holding Monies. This fee will be charged only for the period while Holding Monies are held in the Fund Account.

The Holding Monies management fee is subject to variation and takes into account the current prevailing interest rates in the market. RF Eclipse charges a Holding Monies management fee of 0.15% per annum as at Dec-2019.

Mortgage Investment Management Fee

A fee of 0.55% per annum may be charged on monies while invested in a Mortgage Investment.

This fee is deducted from the interest received by the Member, monthly and in the manner as provided in the Syndicate PDS. The fee will be disclosed in the Syndicate PDS. This fee may be waived in whole or in part, detailed in SPDS.

Performance Fees

The Fund does not charge a performance fee.

Transfer fee

The fee for a Member transferring their interest in a Mortgage Investment to another Member in the Syndicate Mortgage Investment equates to 1.10%, inclusive of GST and less applicable RITC.

This fee is payable by the transferor Member before the transfer is registered by RF Eclipse.

Borrower Fees

Establishment Fee

A maximum of 2.00% of the amount of the loan for negotiating and establishing loans. The amount of the fee and the basis of the calculation are stated in the Syndicate PDS.

Line fee (construction Loans only)

A fee of 0.1% to 1.75% of the amount of the loan is payable by the borrower in the manner as provided in the facility agreement and the Syndicate PDS and may be paid to RF Eclipse on the settlement of the loan advance or by equal monthly or quarterly instalments for the duration of the Mortgage Investment.

Renewal Establishment Fee

A maximum of 2.00% of the amount of the loan is payable by the borrower where RF Eclipse agrees to the borrower's application to renew the loan

Early Repayment Fee paid to the Member

Fee payable by the Borrower to the Member for early repayment of the Mortgage Investment. The fee is generally equivalent to at least one month's and up to three months' interest at the prompt payment (lower) interest rate. The amount of the fee and the basis of the calculation are stated in the Syndicate PDS.

Default or Late Payment Fee

Fee payable by the borrower to the Member for nonpayment of the interest on the due date or nonpayment of the Mortgage Investment on the maturity date. The amount is typically calculated at the (higher) rate of 4.00% above the prompt payment interest rate.

Late Interest Administration Fee

There is a \$220 (inclusive of GST) fee for every non-payment of interest on the due date, payable by the borrower to RF Eclipse.

Monthly Default Management Fee

The fee of \$1,650 (inclusive of GST) is payable by the borrower to RF Eclipse to manage a default-loan for non-payment of the interest on the due date or nonpayment of the Mortgage Investment on the maturity date. For Mortgage Investments where there are substantial additional works involved, an hourly charge of \$265 (including GST) may apply.

SQM Research observes that the Fund management fee is 0.55% p.a., which is 80.0 basis points lower than the peer group average of 1.35% p.a. The Fund has chosen not to apply this fee to investors.

Risk/Return Data to 31 January 2020							
Total Return	1-Month	3-Month	6-Month	1-Year	3-Year	5-Year	Inception
Fund ¹	0.63	1.90	3.84	7.83	8.03	8.05	8.45
Benchmark ²	0.47	1.42	2.90	6.14	6.43	6.66	7.68
Peer Average	0.25	0.78	1.62	3.51	4.61	3.54	4.49
Alpha	0.16	0.49	0.94	1.69	1.60	1.40	0.77

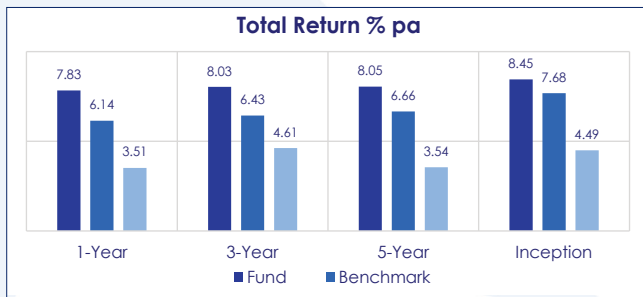
Metrics	1-Year	3-Year	5-Year	Inception
Tracking Error (% p.a.) - Fund	0.09	0.10	0.11	0.29
Tracking Error (% p.a.) - Peer Average	0.08	0.13	0.11	0.15
Information Ratio - Fund	NM	NM	NM	NM
Information Ratio - Peer Average	NM	NM	NM	NM
Sharpe Ratio - Fund	NM	NM	NM	NM
Sharpe Ratio - Peer Average	NM	NM	NM	NM
Volatility - Fund (% p.a.)	0.00	0.09	0.08	0.13
Volatility - Peer Average (% p.a.)	0.11	0.15	0.13	0.36
Volatility - Benchmark (% p.a.)	0.09	0.08	0.11	0.35
Beta based on stated Benchmark	0.00	0.39	0.20	0.23

1. Assumes dividend reinvestment. Returns one year and longer are annualised. Return history starts Jun-2010
 2. Benchmark: RBA Cash Rate plus 5.00%
Note: NM refers to "Not Meaningful"

Quantitative Insight¹

Note: Unless otherwise stated, all return and risk data reported in this section are **after-fees** and for periods **ending Jan-2020**.

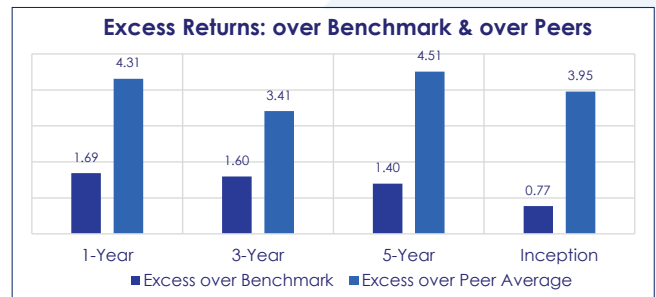
Returns



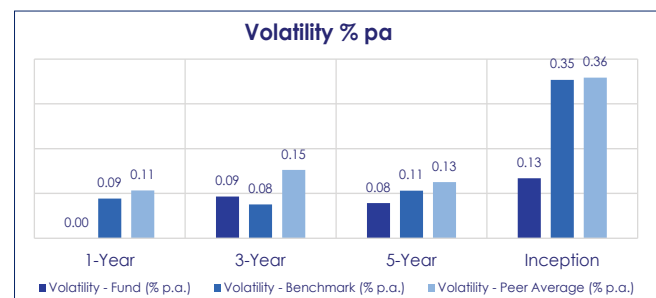
The Fund has displayed strong performance across all periods when compared with benchmark and peers.

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.

Excess Returns (Alpha)



Risk



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

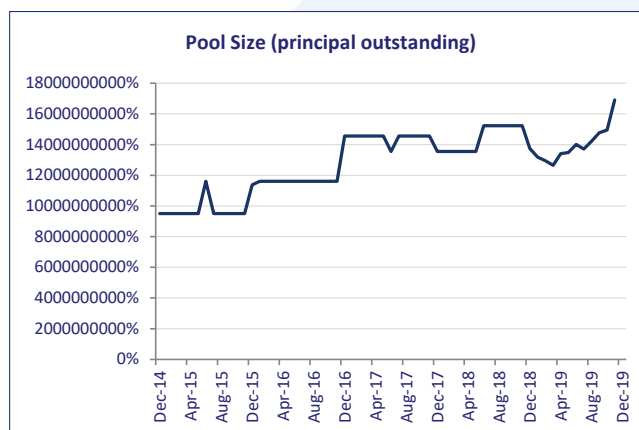
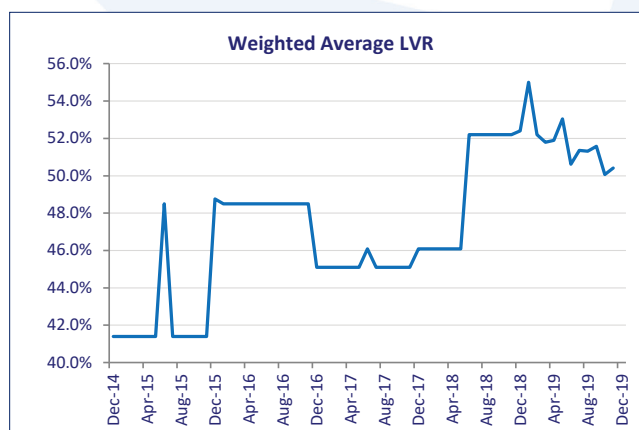
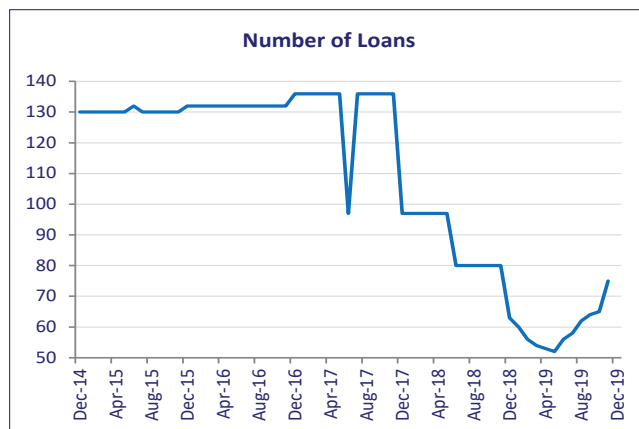
The Fund's **volatility** (standard deviation of monthly returns) has tended to be lower than the benchmark (except 3-year period) and the peers in all periods.

The true overall risk level in Mortgage Funds is determined by a range of risks, including (but not limited to): default/capital loss, liquidity, concentration, and interest rates risk. Advisers/Investors should read the 'Risks' section of the PDS to understand those risks.

SQM Research holds the view that the low volatility of returns often displayed by Mortgage Funds should not be interpreted as implying that these Funds have a low level of risk. The low volatility of returns (in this sector) is an artificial construct caused by an absence of frequent mark-to-market valuation of a Mortgage Fund's assets and the accrual nature of these products.

Therefore, Fund metrics such as Volatility, Tracking Error, Information Ratio, and Sharpe Ratio; add little statistical value within the Mortgage Funds sector.

Historical Trends



Fund Allocations

Jan-2019 to Nov-2019

Mortgage Sector	Average Weight	Max Weight	Min Weight	as at Nov-19
Lending for Residential Development - Investment	37.2%	43.1%	26.5%	26.5%
Lending for Residential Development - Owner Occupied	14.0%	17.5%	11.0%	17.5%
Vacant Land	9.8%	22.8%	5.0%	22.8%
Industrial	13.1%	15.3%	11.1%	12.3%
Commercial	6.1%	8.0%	4.2%	5.7%
Retail	1.8%	2.9%	1.0%	2.6%
Rural	2.9%	4.6%	1.1%	1.1%
Construction	0.0%	0.0%	0.0%	0.0%
Office	0.0%	0.0%	0.0%	0.0%
Cash	15.0%	18.3%	11.7%	11.7%

Geographic	Average Weight	Max Weight	Min Weight	as at Nov-19
NSW	82.8%	87.3%	79.1%	83.6%
QLD	2.9%	4.3%	0.7%	3.9%
VIC	0.7%	0.7%	0.6%	0.6%
ACT	0.4%	0.4%	0.3%	0.3%
Cash	15.0%	18.3%	11.7%	11.7%

Credit Quality	Average Weight	Max Weight	Min Weight	as at Nov-19
Strong	94.3%	98.9%	87.6%	91.2%
Acceptable	5.7%	12.4%	1.1%	8.8%

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