

Dear Members and Investors,

As we approach the end of what has been a very challenging year, I thought it timely to reflect on some of the events that have impacted us since this time last year,

- In October/ November 2019 we were forced to close our Port Macquarie Office for a few days as the localised bushfires and associated smoke made it too dangerous for staff to attend the office. One of our senior staff members was involved in a 5 day battle to save their own property and thankfully managed to do so with only a small amount of damage, but no loss of life.
- In December, one of our Borrowers lost a substantial proportion of their property and business to a fire at Bilpin in the Blue Mountains. Again thankfully there was no loss of life and they have recovered and are trading again.
- February saw extensive East Coast flooding and damage created by intense rainstorms as fire ravaged areas tried to re-establish themselves.
- March saw the onset of Covid-19 and the declaration by the World Health Organisation of a Global Pandemic which triggered Government sanctioned lockdowns for all but essential services. As a consequence some industries (hospitality, health, beauty, sport and dining) were unable to trade for periods of 3-5 months and the stoppage was without warning.

Despite all of the above I am pleased to advise that our staff have remained well and safe.

During Covid, our disaster recovery plans were tested and we were able to continue to operate and manage your investments remotely without too much disruption.

We now have an appreciation of “working from home” and the closeness of being with family on a nonstop basis. We were also able to refine our “zoom uniforms” to be presentable for meetings but were probably more casual than our traditional business attire.

In the early days of lockdown and before the real impact of Covid could be assessed, we took a conservative view on loan applications, building in additional interest buffers and time allowances, to minimise risk and protect against the unknown. Thanks to the support of our investors we were able to continue lending as many other competitors did not, and our loan pipeline remained strong although it did take longer to settle transactions as a result of lockdowns and all involved parties working remotely.

Despite initial predictions that house prices and valuations would plummet, the real estate market continues to hold up well, thanks in part to the various Government incentive and subsidy programs. There continues to be strength in the pre sale market with settlements being finalised without delay. Refinance activity remains active and auction results have been strong. As the various incentives roll off in the early part of 2021, we remain cautious but optimistic as to the resilience of the market. Official interest rates look to remain low for some time and, while that has an impact on loan pricing, it means that confidence levels in the market should remain strong.

Investor yield on loans is dropping as cash rates fall to the lowest levels seen. We continue to price proposed transactions at a level that is acceptable to both Borrowers and Investors and while that may produce lower returns than received in the past, it is a function of market forces as well as pricing for risk.

We have developed some new loan products which will be rolled out to our loan introducers early in the new year that we hope will satisfy investor appetite. Of particular interest is a loan product secured by residential real estate in strong locations at up to 65% LVR with the loan size capped at \$2.0M. Traditionally this is an area that has been well supported by investors.

We advised earlier in the year that we had appointed Mr Shane Craig to originate loans in the Queensland market and are delighted with the opportunity that this appointment has created. To further diversify our sources, we have agreed terms with a very experienced operator to represent us in the Victorian market

from February 2021. We will be able to make an announcement shortly but are confident his appointment will produce suitable loan opportunities for our members.

In closing, can I take the opportunity to thank you for your ongoing support during 2020. Despite a number of challenges and recognising the additional time taken to finalise loans, without your loyalty and support the business would not have been able to perform as well as it has during the past year.

On behalf of the Board of Directors, the RF Eclipse Management Team, Investor Relations Team and our Loan Management Team, please have a happy and safe holiday season and find the time to recharge the batteries. We look forward to continuing to work with you in 2021 where we will continue to develop a strong loan pipeline in order to satisfy your investment objectives.

Yours Sincerely,

Michael Vella

CEO RF Eclipse