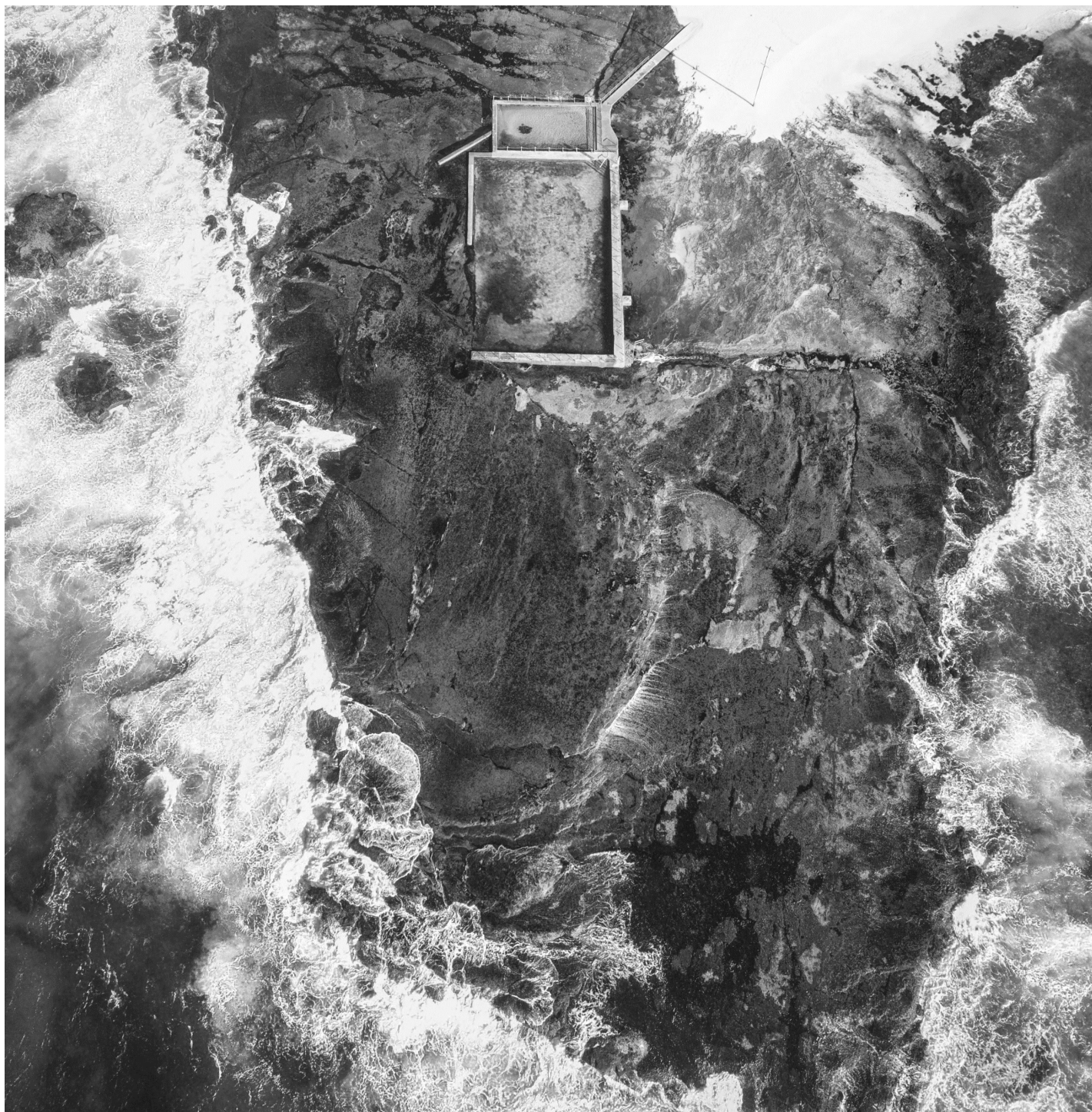


Fund Research

## Metrics Master Income Trust (ASX: MXT)



## Overview

The Metrics Master Income Trust (the “Trust” or “MXT”) is a listed investment trust designed to provide investors with access and exposure to the Australian corporate loan market. Metrics completed a ~\$200 million institutional placement in April 2021, raising the market capitalisation of the Fund to ~\$1.5 billion.

This sub asset-class is a major pillar of the Australian corporate debt market but has historically been restricted to major global banks and institutional investors. For this reason, MXT offers a unique investment opportunity and exposure to a market typically not accessible to retail investors.

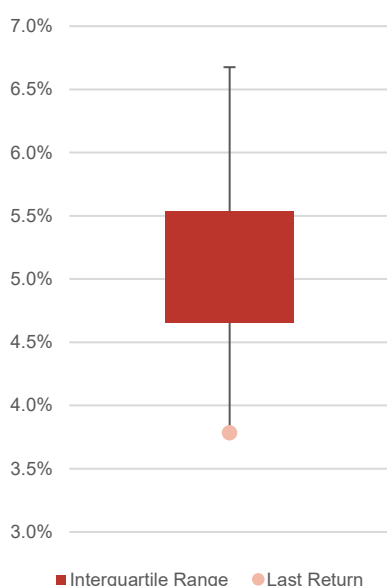
The investment objective of the Trust is to provide stable income with a target return of the **RBA cash rate plus 3.25% p.a.** (currently 3.35%) **after fees**, payable monthly. The Trust has invested in the MCP Wholesale Investments Trust (WIT), which, in turn, invests in Metrics wholesale institutional investor funds that participate across the credit risk spectrum and are managed by Metrics Credit Partners Pty Ltd (Metrics).

**Figure 1. Monthly Net Returns\* (%)**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021	0.33	0.33	0.43	0.31	0.36	0.32	0.31						2.08
2020	0.45	0.41	0.43	0.43	0.39	0.40	0.50	0.44	0.38	0.38	0.40	0.40	5.01
2019	0.48	0.47	0.54	0.54	0.52	0.33	0.43	0.43	0.38	0.42	0.42	0.43	5.39
2018	0.38	0.32	0.43	0.38	0.38	0.45	0.50	0.49	0.45	0.49	0.47	0.52	5.26
2017											0.35	0.41	0.76

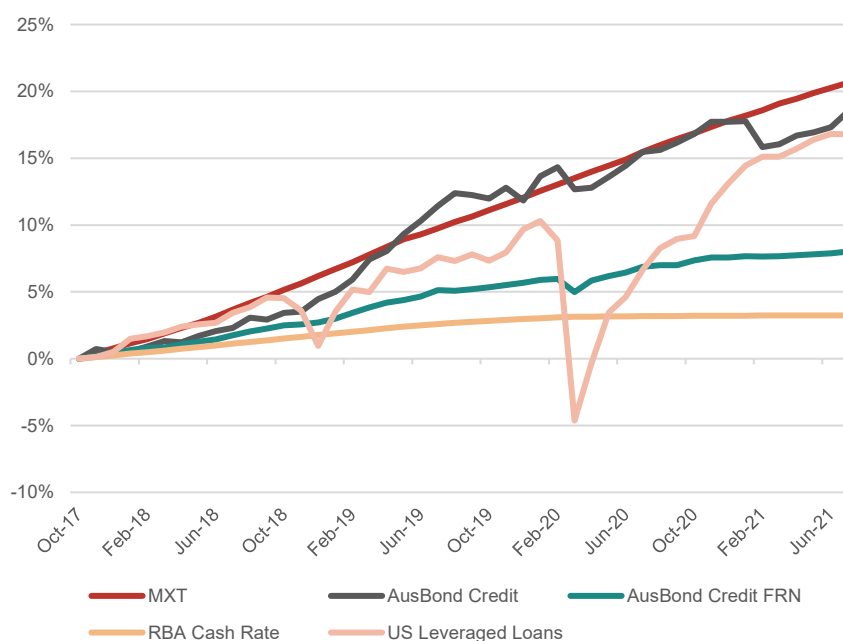
Source: BondAdviser, Metrics. As at 31 July 2021.  
\* Return is monthly net total return based on NTA plus dividends.

**Figure 2. Monthly Net Returns Box Plot**



Source: BondAdviser, Metrics. Annualised monthly returns, after fees since inception.

**Figure 3. Relative Cumulative Performance**



Source: BondAdviser, Metrics, Bloomberg. As at 31 July 2021.  
Calculated from cumulative net monthly returns of the Underlying Fund.  
Returns on NAV, not traded unit price, see Figure 9 for unit price variance.

## Product Assessment

### Highly Recommended

*We remain confident in Metrics' ability to structure credit at origination and to meticulously monitor portfolio performance.*

*A continued reduction in counterparty concentration by number and weight alongside robust underlying structure protections leads to an upgrade in our Risk Score.*

The Metrics Master Income Trust (ASX: MXT) provides investors with exposure to three of Metrics wholesale unlisted funds. All three funds offer diversified exposure to corporate loans where the returns are uncorrelated with equity markets. The majority (60%) of the portfolio is weighted towards Metrics Credit Partners Diversified Australian Senior Loan Fund (DASLF), with approximately 20% allocated to the MCP Secured Private Debt Fund II (SPDF II) and the MCP Real Estate Debt Fund (REDF) respectively.

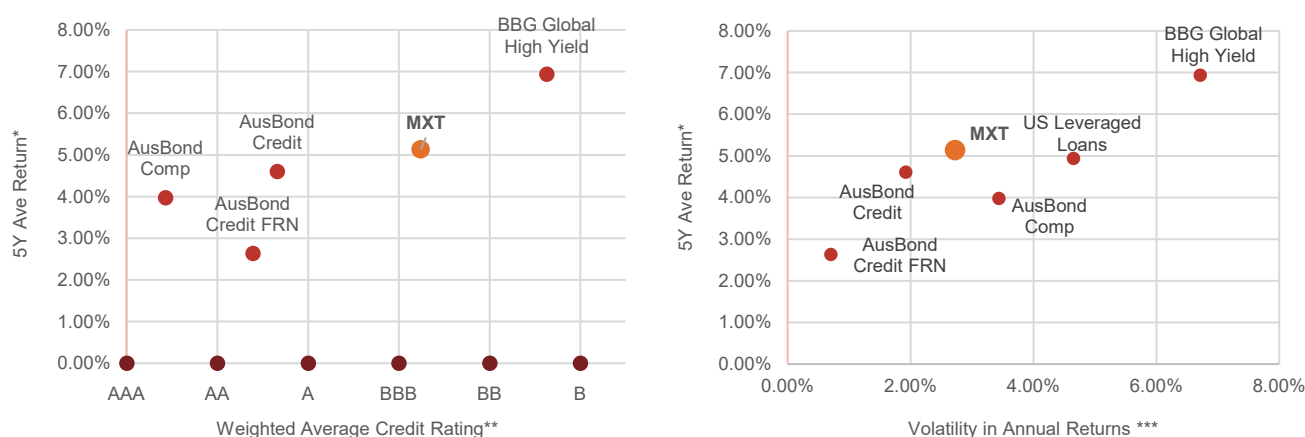
The Fund has consistently exceeded its net return target of the RBA Cash Rate + 3.25% p.a with exposure to both investment and sub-investment grade Australian corporate credit opportunities. We retain our confidence in Metrics' ability to structure credit at origination and to meticulously monitor portfolio performance so that financial risk is appropriately mitigated.

This product is best suited for investors looking to generate an **attractive and steady return** from a **diversified portfolio of private loans**. As this asset class matures, we expect the product will exhibit a low long-term correlation to traditional asset classes, making it a suitable diversifier to investor income portfolios, which are typically biased towards domestically sourced, equity-based and/or hybrid income streams.

We have been satisfied with MXT's performance since inception in October 2017, both in terms of capital and income performance. Net returns have outperformed the target and NAV has been stable. During COVID, NAV held steady while there was a dislocation in the ASX traded unit price, similar to other LITs. Subsequently MXT's price has recovered and consistently traded at a modest premium to NAV since the end of December 2020.

A continued reduction in counterparty risk, with MXT now having 180+ borrowers (compared to ~150 in March 2021), of which none have an investment exposure of above 2.5%, results in our **Risk Score being upgraded** to "**Lower Medium**" from "Upper Medium". BondAdviser has covered MXT for several years and the Fund continues to **exceed our expectations**. Given Metrics demonstrated skills, systems, and processes, combined with a proven investment strategy, we expect MXT will continue to outperform from a risk-reward perspective. We maintain our rare **Highly Recommended** product assessment.

Figure 4. Estimated Risk-Adjusted Return Comparison



\*All returns for indices calculated using annualised monthly returns for the past five years. Average return for MXT calculated since inception in October 2017.  
 \*\* Calculated as at 31 July 2021. \*\*\* Calculated based on annualised monthly returns data for past five years for indices and since inception for MXT.

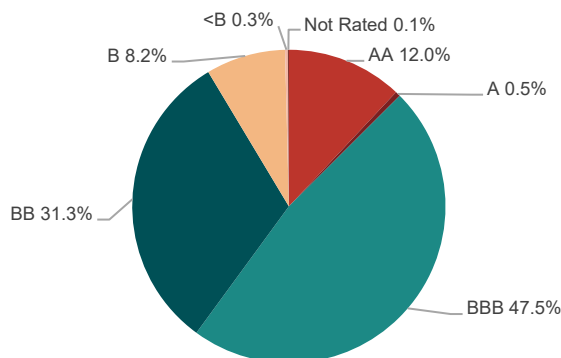
## Construction and Investment Process

There have been **no material changes** to MXT's construction and investment process.

## Portfolio Risk Management

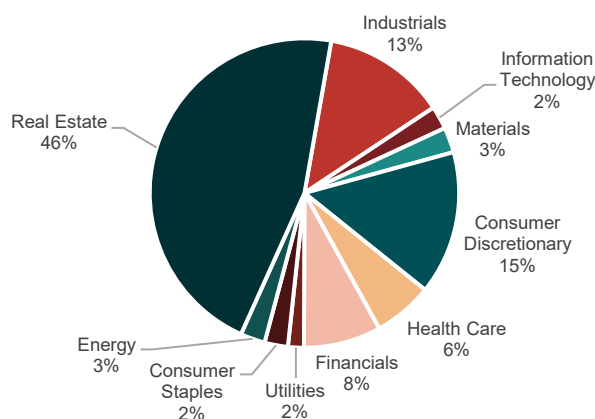
There have been **no material changes** to MXT's portfolio risk management.

**Figure 5. Portfolio Credit Rating Mix\***



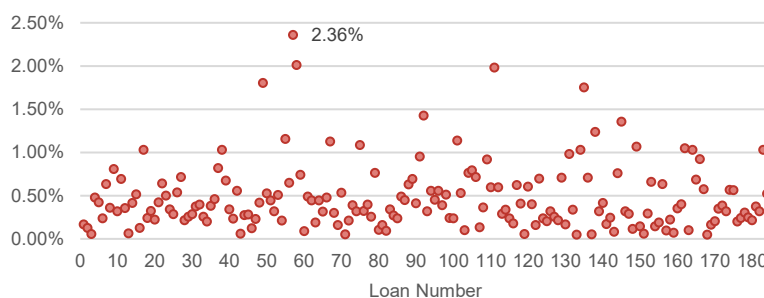
Source: BondAdviser, Metrics. As at 30 June 2021. \* Including cash which is rated AA.

**Figure 6. Portfolio S&P Sector Mix\*\***



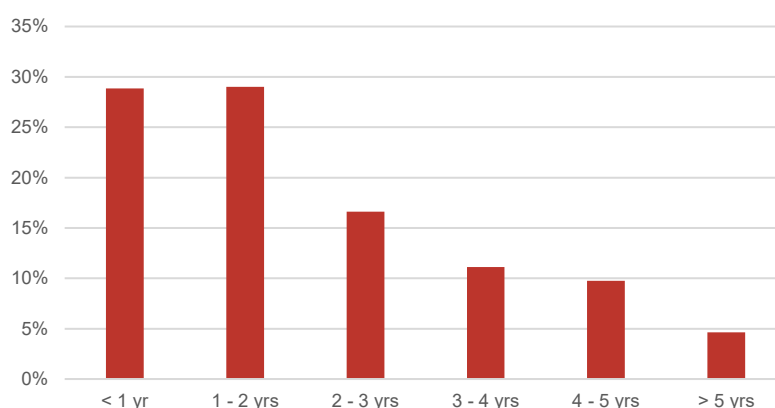
Source: BondAdviser, Metrics. As at 30 June 2021. \*\* Excluding cash.

**Figure 7. Portfolio Individual Loan Exposure\*\*\***



Source: BondAdviser, Metrics. As at 30 June 2021. \*\*\* Including cash for weighting purposes.

**Figure 8. Portfolio Loan Tenor Mix\***

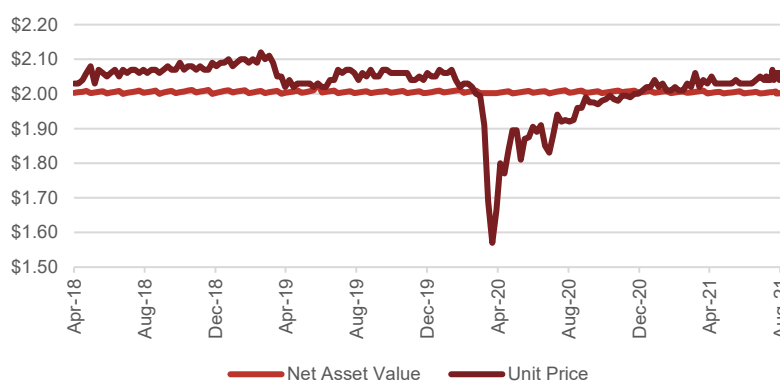


Source: BondAdviser, Metrics. As at 30 June 2021. \* Excluding cash.

## Fund Governance

There have been **no material changes** to MXT's fund governance.

**Figure 9. Net Asset Value Against Unit Price**

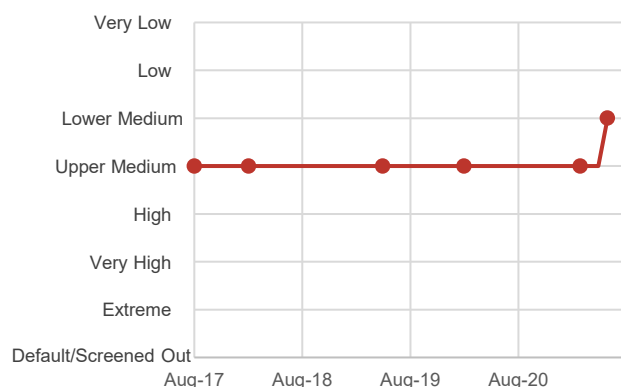


Source: BondAdviser, Metrics, Bloomberg. As at 31 July 2021.

Metrics provide daily updates on the NAV and monthly reports on the portfolio performance with insights into the portfolio composition. The structure of the Trust is detailed has not changed and is detailed in prior reports (see page 4 of [MXT Update Report – 21 April 2021](#)).

## Quantitative Analysis

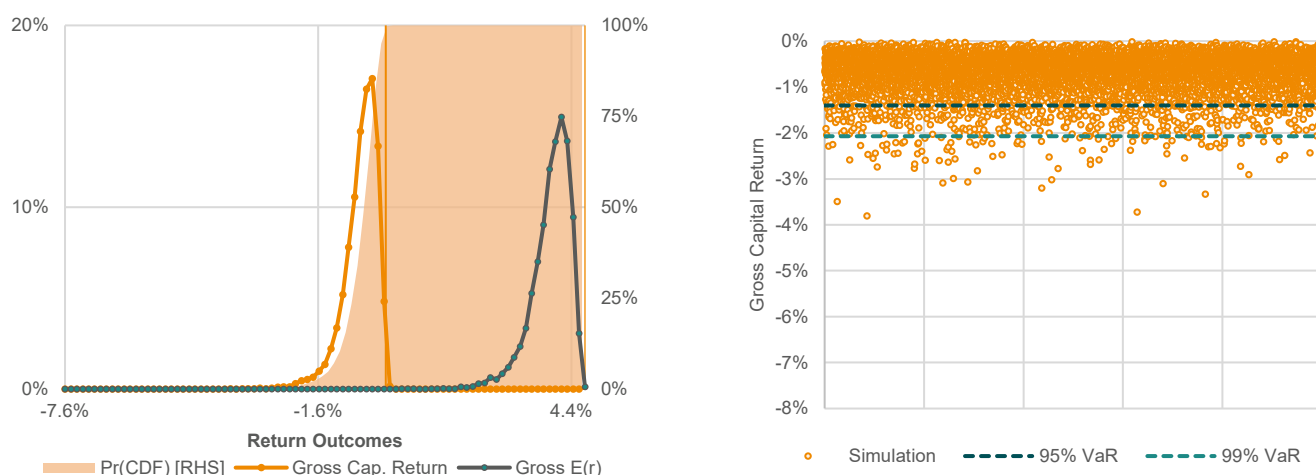
Figure 10. Risk Score



The **portfolio performs exceptionally well in our stress testing**. This is materially influenced by diversification of underlying borrowers, seniority of the assets (driving stronger LGD outcomes) and a short average remaining term of securities (quantum of cashflows revalued on impairment is less).

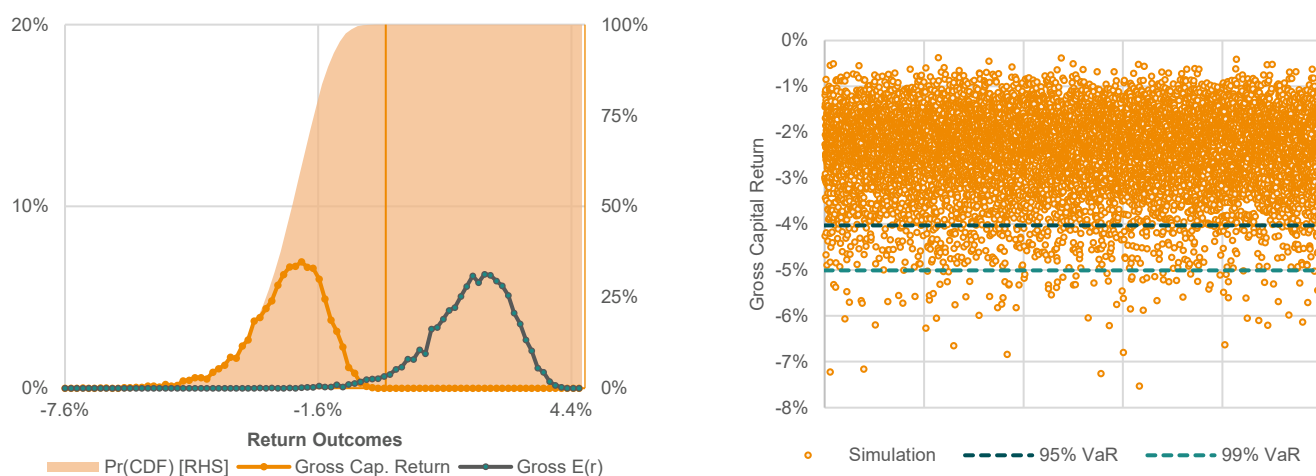
**Our risk score has been upgraded to “Lower Medium”**, which is superior to the weighted average credit profile. This is due to an effective upward notching in relation to diversification of underlying counterparties.

### Scenario 1. Baseline Underlying Asset Assessment



Source: BondAdviser Estimates based on March 2021 portfolio. Excludes impact of management and origination fees. Gross capital returns excludes the value of coupons/income and is only modelling impairment or loss given default, based on historical credit data from Moody's. Impact of traded price is not simulated. For a more detailed explanation of the methodology, please click through to prior reports on the next page.

### Scenario 2. Stressed Underlying Asset Assessment



Source: BondAdviser Estimates based on March 2021 portfolio. Excludes impact of management and origination fees. Gross capital returns excludes the value of coupons/income and is only modelling impairment or loss given default, based on historical credit data from Moody's. Impact of traded price is not simulated.

## Reporting History

[MXT Update Report – 21 April 2021](#)

[MXT Update Report – 27 February 2020](#)

[MXT Update Report - 8 May 2019](#)

[MXT Entitlement Offer Report - 26 February 2018](#)

[MXT IPO Report – 1 August 2017](#)

## Important Information

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**Report created on 24 August 2021.**