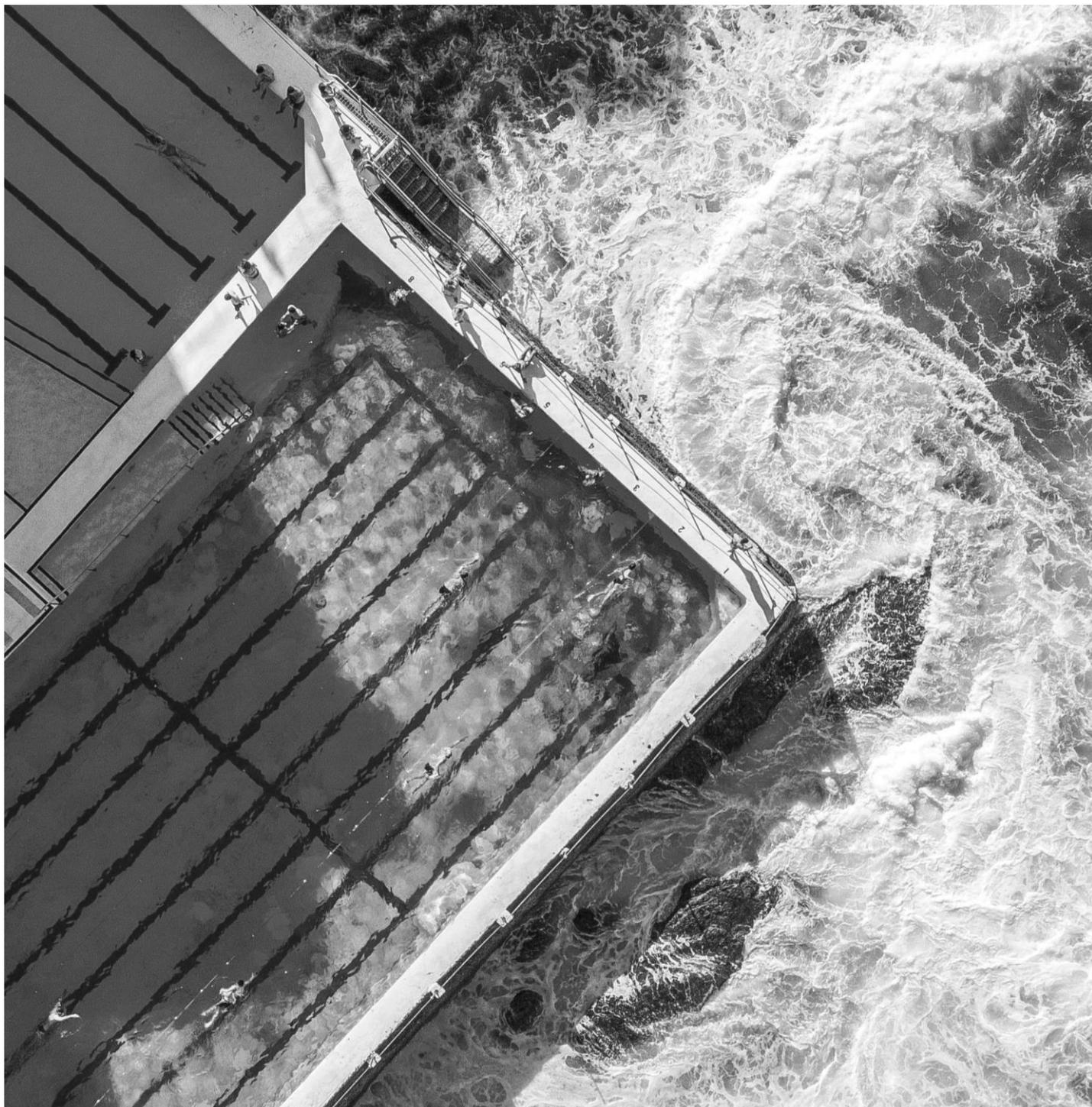


Fund Research

# Metrics Income Opportunities Trust (ASX: MOT)



## Overview

The Metrics Income Opportunities Trust (ASX: MOT) is a listed investment trust (LIT) designed to provide investors with exposure to private credit. Private credit is a broad asset class that includes investments spanning the entire capital structure, from senior secured loans through to equity-like investments.

Private credit 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, MOT offers a unique investment opportunity through exposure to the higher-yielding aspects of corporate credit that are otherwise not accessible for retail investors.

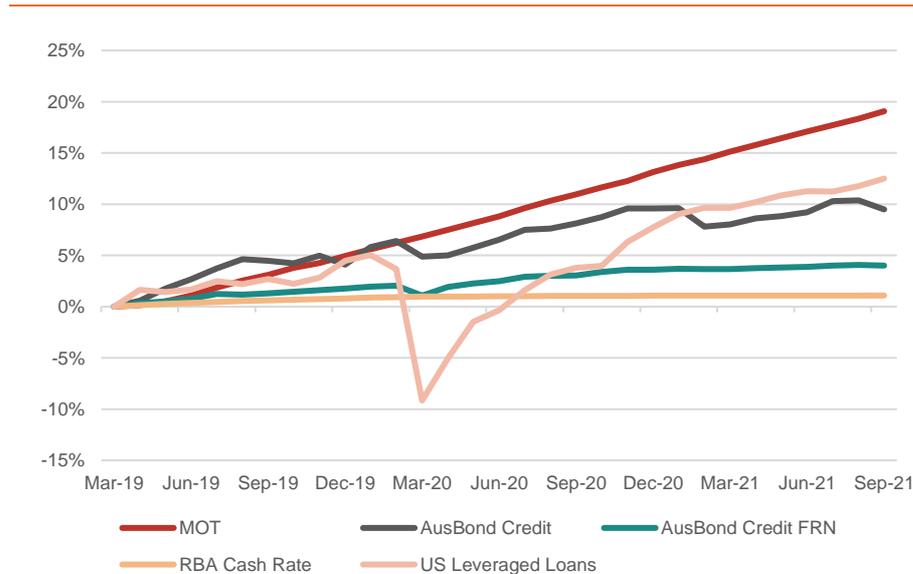
The investment objective of the Trust is to provide attractive risk-adjusted returns with a **target return of 8 – 10% p.a. net of fees**, over a three-year period, with cash distributions payable monthly at a target of 7% p.a. The Trust has invested in the MCP Wholesale Income Opportunities Trust, which, in turn, invests in wholesale funds that participate across the credit risk spectrum and are managed by Metrics Credit Partners Pty Ltd (Metrics). In August 2021, Metrics completed an institutional placement and unit purchase plan for MOT, raising a total of ~\$76m in additional capital. This brings MOT's market capitalisation to \$411m as at 30 September 2021.

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021	0.60	0.48	0.67	0.56	0.57	0.56	0.53	0.53	0.61				5.10
2020	0.61	0.60	0.59	0.60	0.60	0.62	0.73	0.67	0.55	0.63	0.56	0.78	7.54
2019				0.15	0.36	0.58	0.74	0.68	0.56	0.65	0.47	0.66	4.85

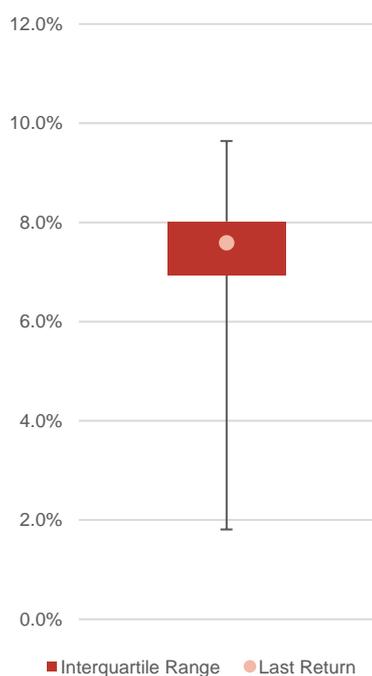
Source: BondAdviser, Metrics. As at 30 September 2021.  
\* Return is monthly net total return based on NTA plus dividends.

**Figure 3. Relative Cumulative Performance**



Source: BondAdviser, Metrics, Bloomberg. As at 30 September 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.

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



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

## Product Assessment

### Approved

*MOT continues to lower its counterparty risk profile whilst maintaining an attractive risk-adjusted return.*

*We continue to expect the benefit of equity-like investments to drive outperformance in the long-term.*

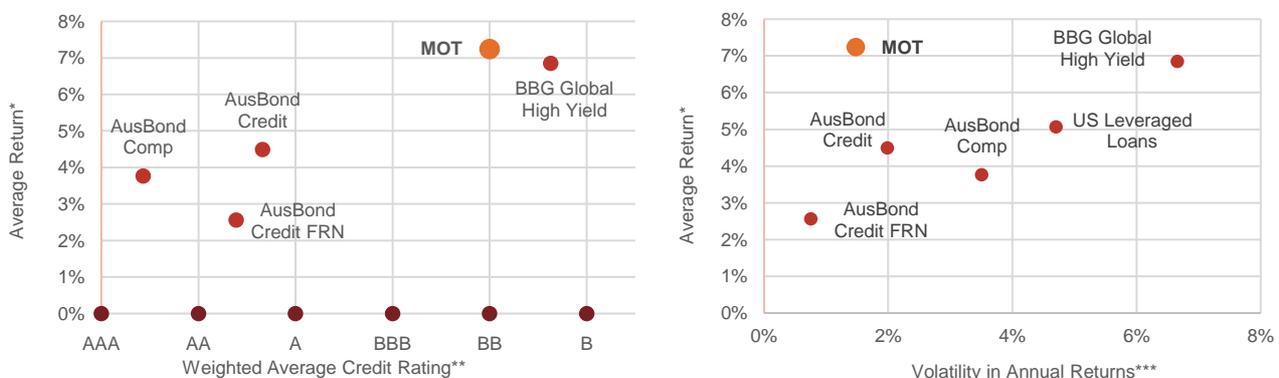
The Metrics Income Opportunities Trust (ASX: MOT) provides investors with exposure to four of Metrics wholesale unlisted funds. All underlying funds offer diversified exposure to corporate loans and credit. The portfolio's investments are in the MCP Secured Private Debt Fund (SPDF), MCP Secured Private Debt Fund II (SPDF II), the MCP Real Estate Debt Fund (REDF) and the MCP Credit Trust (MCP CT). MOT has now been operational for over two years and has built a well-diversified portfolio of both senior and subordinated loans along with equity-like investments. **We retain our utmost 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 risk-adjusted return** from a **diversified portfolio of opportunistic credit**. We expect the product will exhibit beneficial long-term correlation to traditional asset classes. This makes it a suitable diversifier for investor income portfolios.

MOT has failed to meet its target returns since inception. Moreover, it has not met its target on a rolling 12-month basis to 30 September 2021 and at the current run rate is not on track to meet target returns for the calendar 2021. Whilst this is disappointing, we note a number of qualifications. Firstly, MOT has not radically underperformed, rather, net return since inception (7.40% p.a.) is only slightly below the bottom-end of its 8-10% p.a. target range. Importantly, this slight underperformance can, in part, be attributed to equity-like assets (options, warrants, exit fees). As these investments are realised and marked above par, we would expect to see the benefit of these higher returning investments flow through to the Fund's total return. Additionally, we caution investors to view performance within the context of a 140bps fall in the cash rate since inception. Accounting for this decline, on a margin basis, both cash and total returns have exceeded target returns.

Most importantly for a credit perspective, Metrics has not attempted to remedy this slight underperformance by seeking out higher yield at the expense of credit quality. Additionally, we remind that since January 2020, Metrics have waived its performance fee on the difference between the total return and the hurdle – another example of best practice. We retain an **Improving** outlook. Precluding MOT from a Recommended assessment is achieving benchmark outperformance on a rolling 24-month basis. Regardless, MOT offers strong risk-adjusted returns.

Figure 4. Estimated Risk-Adjusted Return Comparison



\*All returns for indices calculated using annualised monthly returns for the past five years. Average return for MOT calculated since inception in April 2019.

\*\* Credit Ratings based on BondAdviser estimates. \*\*\* Calculated based on annualised monthly returns data for past five years for indices and since inception for MOT. Source: BondAdviser, Metrics, Bloomberg. As at 30 September 2021.

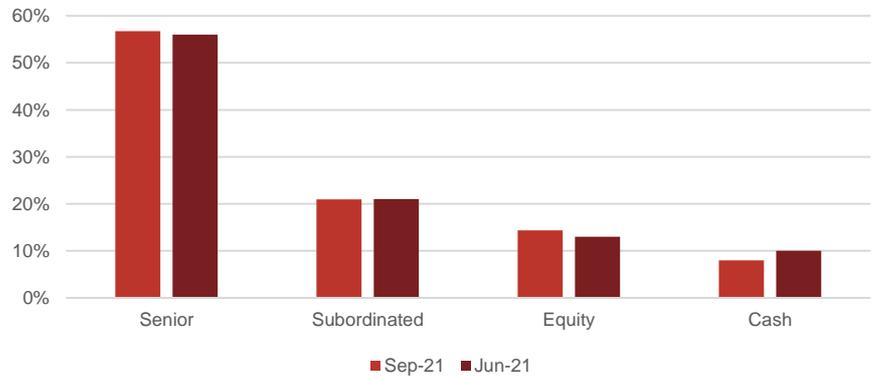
## Construction and Investment Process

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

## Portfolio Risk Management

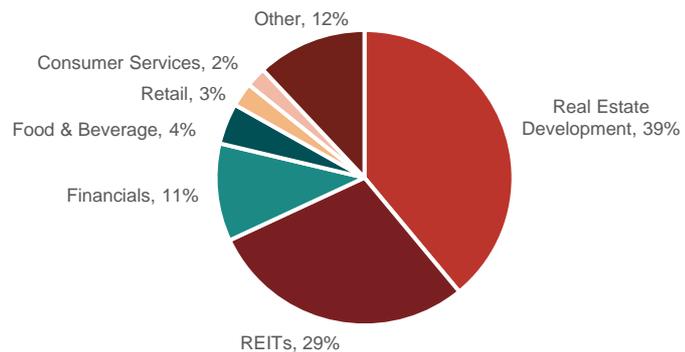
There have been **no material changes** to MOT's portfolio risk management.

**Figure 5. Portfolio Credit Rating Mix**



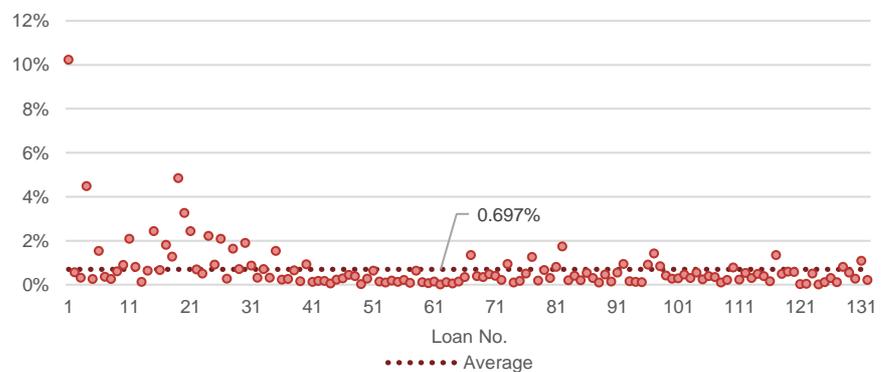
Source: BondAdviser, Metrics. As at 30 September 2021.

**Figure 6. Underlying Portfolio Mix\*\***



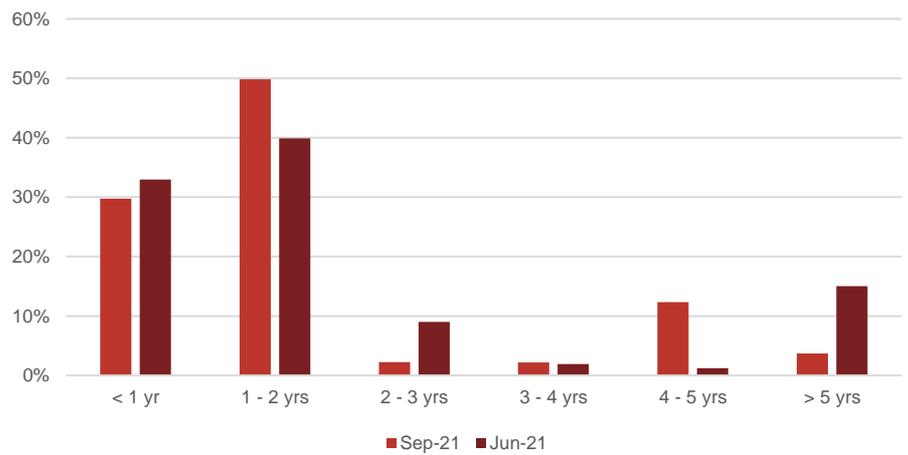
Source: BondAdviser, Metrics. As at 30 September 2021. \*\*Excluding cash.

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



Source: BondAdviser, Metrics. As at 30 September 2021. \*\*\*Based on Metrics' underlying portfolio (WIOT) not MOT and including cash for weighting purposes.

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



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

## Fund Governance

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

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

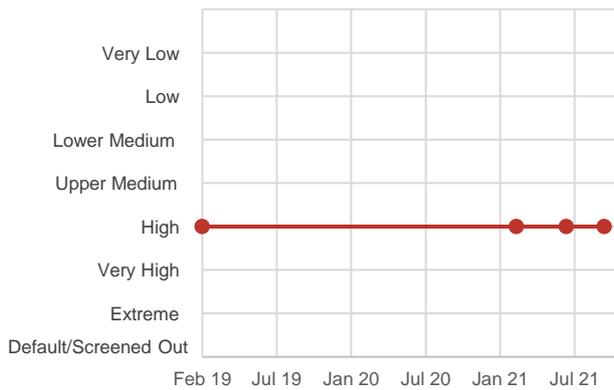


Source: BondAdviser, Metrics, Bloomberg. As at 30 September 2021.

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 outlined in prior reports (see page 4 of [MOT Update Report – 21 April 2021](#)).

# Quantitative Analysis

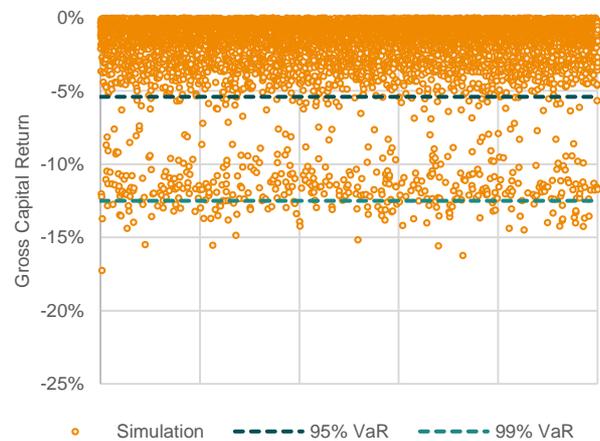
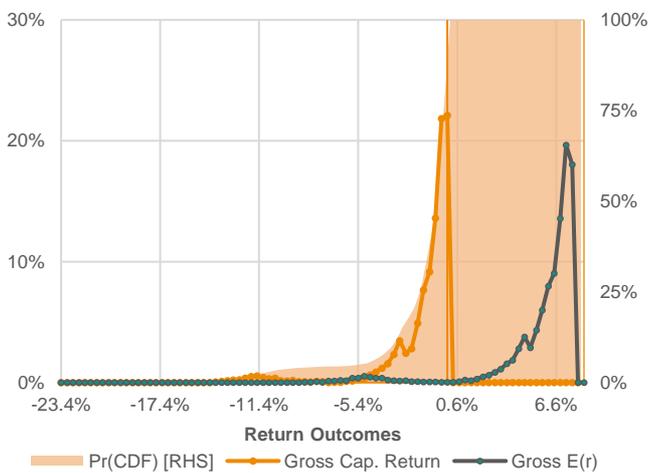
Figure 10. Risk Score



The **portfolio performs well** in our simulations due to counterparty diversification and a short average remaining term of securities. There is an element of bimodality in our distribution, due to a single investment representing ~10% of the portfolio. Whilst well compensated, there is an elevated risk from subordination which is reflected in our Risk Score.

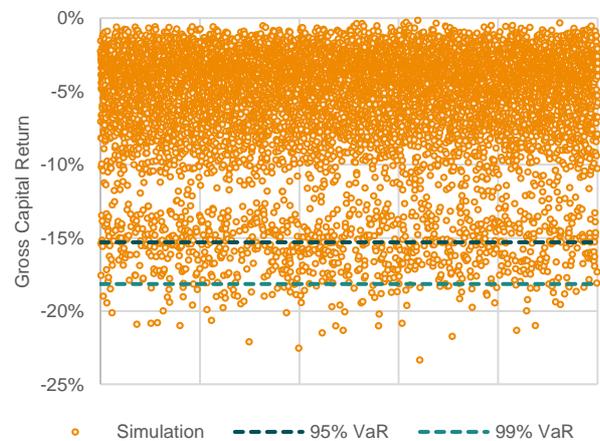
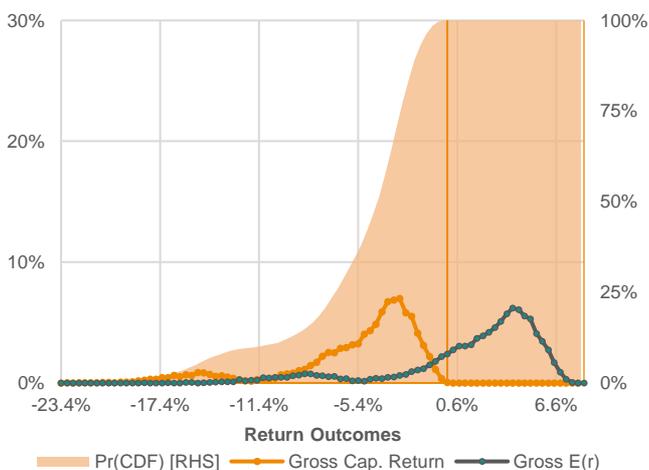
**Our Risk Score has remained steady at “High”.** This is a function of relative stability in credit rating profile. A continuation in the reduction of counterparty risk may see the Fund eligible for an upwards notching on risk rating.

## Scenario 1. Baseline Asset Assessment



Source: BondAdviser Estimates as of 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 [contact](#) BondAdviser.

## Scenario 2. Stressed Asset Assessment



Source: BondAdviser Estimates as of 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

[MOT Update Report – 21 August 2021](#)

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

[MOT IPO Report - 28 February 2019](#)

## Important Information

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