AUSTRALIAN

RESEARCH

INDEPENDENT INVESTMENT RESEARCH

Metrics Income Opportunities Trust (ASX: MOT)

Initiating Coverage

12 August 2022

INDEPENDENT INVESTMENT RESEARCH

WHO IS IIR?

Independent Investment Research, "IIR", is an independent investment research house based in Australia and the United States. IIR specialises in the analysis of high quality commissioned research for Brokers, Family Offices and Fund Managers. IIR distributes its research in Asia, United States and the Americas. IIR does not participate in any corporate or capital raising activity and therefore it does not have any inherent bias that may result from research that is linked to any corporate/ capital raising activity.

IIR was established in 2004 under Aegis Equities Research Group of companies to provide investment research to a select group of retail and wholesale clients. Since March 2010, IIR (the Aegis Equities business was sold to Morningstar) has operated independently from Aegis by former Aegis senior executives/shareholders to provide clients with unparalleled research that covers listed and unlisted managed investments, listed companies, structured products, and IPOs.

IIR takes great pride in the quality and independence of our analysis, underpinned by high caliber staff and a transparent, proven and rigorous research methodology.

INDEPENDENCE OF RESEARCH ANALYSTS

Research analysts are not directly supervised by personnel from other areas of the Firm whose interests or functions may conflict with those of the research analysts. The evaluation and appraisal of research analysts for purposes of career advancement, remuneration and promotion is structured so that non-research personnel do not exert inappropriate influence over analysts.

Supervision and reporting lines: Analysts who publish research reports are supervised by, and report to, Research Management. Research analysts do not report to, and are not supervised by, any sales personnel nor do they have dealings with Sales personnel

Evaluation and remuneration: The remuneration of research analysts is determined on the basis of a number of factors, including quality, accuracy and value of research, productivity, experience, individual reputation, and evaluations by investor clients.

INDEPENDENCE – ACTIVITIES OF ANALYSTS

IIR restricts research analysts from performing roles that could prejudice, or appear to prejudice, the independence of their research.

Pitches: Research analysts are not permitted to participate in sales pitches for corporate mandates on behalf of a Broker and are not permitted to prepare or review materials for those pitches. Pitch materials by investor clients may not contain the promise of research coverage by IIR.

No promotion of issuers' transactions: Research analysts may not be involved in promotional or marketing activities of an issuer of a relevant investment that would reasonably be construed as representing the issuer. For this reason, analysts are not permitted to attend "road show" presentations by issuers that are corporate clients of the Firm relating to offerings of securities or any other investment banking transaction from that our clients may undertake from time to time. Analysts may, however, observe road shows remotely, without asking questions, by video link or telephone in order to help ensure that they have access to the same information as their investor clients.

Widely-attended conferences: Analysts are permitted to attend and speak at widely-attended conferences at which our firm has been invited to present our views. These widely-attended conferences may include investor presentations by corporate clients of the Firm.

Other permitted activities: Analysts may be consulted by Firm sales personnel on matters such as market and industry trends, conditions and developments and the structuring, pricing and expected market reception of securities offerings or other market operations. Analysts may also carry out preliminary due diligence and vetting of issuers that may be prospective research clients of ours.

INDUCEMENTS AND INAPPROPRIATE INFLUENCES

IIR prohibits research analysts from soliciting or receiving any inducement in respect of their publication of research and restricts certain communications between research analysts and personnel from other business areas within the Firm including management, which might be perceived to result in inappropriate influence on analysts' views.

Remuneration and other benefits: IIR procedures prohibit analysts from accepting any remuneration or other benefit from an issuer or any other party in respect of the publication of research and from offering or accepting any inducement (including the selective disclosure by an issuer of material information not generally available) for the publication of favourable research. These restrictions do not preclude the acceptance of reasonable hospitality in accordance with the Firm's general policies on entertainment, gifts and corporate hospitality.

DISCLAIMER

This publication has been prepared by Independent Investment Research (Aust) Pty Limited trading as Independent Investment Research ("IIR") (ABN 11 152 172 079), an corporate authorised representative of Australian Financial Services Licensee (AFSL no. 410381. IIR has been commissioned to prepare this independent research report (the "Report") and will receive fees for its preparation. Each company specified in the Report (the "Participants") has provided IIR with information about its current activities. While the information contained in this publication has been prepared with all reasonable care from sources that IIR believes are reliable, no responsibility or liability is accepted by IIR for any errors, omissions or misstatements however caused. In the event that updated or additional information is issued by the "Participants", subsequent to this publication, IIR is under no obligation to provide further research unless commissioned to do so. Any opinions, forecasts or recommendations reflects the judgment and assumptions of IIR as at the date of publication and may change without notice. IIR and each Participant in the Report, their officers, agents and employees exclude all liability whatsoever, in negligence or otherwise, for any loss or damage relating to this document to the full extent permitted by law. This publication is not and should not be construed as, an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. Any opinion contained in the Report is unsolicited general information only. Neither IIR nor the Participants are aware that any recipient intends to rely on this Report or of the manner in which a recipient intends to use it. In preparing our information, it is not possible to take into consideration the investment objectives, financial situation or particular needs of any individual recipient. Investors should obtain individual financial advice from their investment advisor to determine whether opinions or recommendations (if any) contained in this publication are appropriate to their investment objectives, financial situation or particular needs before acting on such opinions or recommendations. This report is intended for the residents of Australia. It is not intended for any person(s) who is resident of any other country. This document does not constitute an offer of services in jurisdictions where IIR or its affiliates do not have the necessary licenses. IIR and/or the Participant, their officers, employees or its related bodies corporate may, from time to time hold positions in any securities included in this Report and may buy or sell such securities or engage in other transactions involving such securities. IIR and the Participant, their directors and associates declare that from time to time they may hold interests in and/or earn brokerage, fees or other benefits from the securities mentioned in this publication.

IIR, its officers, employees and its related bodies corporate have not and will not receive, whether directly or indirectly, any commission, fee, benefit or advantage, whether pecuniary or otherwise in connection with making any statements and/or recommendation (if any), contained in this Report. IIR discloses that from time to time it or its officers, employees and related bodies corporate may have an interest in the securities, directly or indirectly, which are the subject of these statements and/or recommendations (if any) and may buy or sell securities in the companies mentioned in this publication; may affect transactions which may not be consistent with the statements and/or recommendations (if any) in this publication; may have directorships in the companies mentioned in this publication; and/or may perform paid services for the companies that are the subject of such statements and/or recommendations (if any).

However, under no circumstances has IIR been influenced, either directly or indirectly, in making any statements and/or recommendations (if any) contained in this Report. The information contained in this publication must be read in conjunction with the Legal Notice that can be located at http://www.independentresearch.com.au/Public/Disclaimer.aspx.

THIS IS A COMMISSIONED RESEARCH REPORT.

The research process includes the following protocols to ensure independence is maintained at all times:

1) The research process has complete editorial independence from the company and this is included in the contract with the company;
2) Our analyst has independence from the firm's management, as in, management/ sales team cannot influence the research in any way;
3) Our research does not provide a recommendation, in that, we do not provide a "Buy, Sell or Hold" on any stocks. This is left to the Adviser who knows their client and the individual portfolio of the client.
4) Our research process for valuation is usually more conservative than what is adopted in Broking firms in general sense. Our firm has a conservative bias on assumptions provided by management as compared to Broking firms.
5) All research mandates are settled upfront so as to remove any influence on ultimate report conclusion;
6) All staff are not allowed to trade in any stock or accept stock options before, during and after (for a period of 6 weeks) the research process.

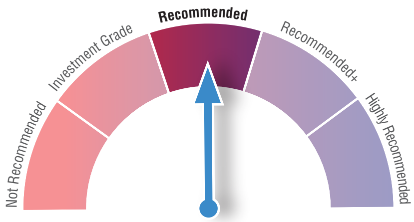
For more information regarding our services please refer to our website www.independentresearch.com.au.

Contents

Metrics Income Opportunities Trust (ASX: MOT) - Initiaiting Coverage

Note: This report is based on information provided by the Metrics Credit Partners Pty Ltd.

Rating



Key Investment Information (as at 30 June 2022)	
ASX Code	MOT
Unit Price ($)	1.86
NAV ($)	2.11
Units on Issue (m)	265.0
Market Cap ($m)	492.9
Distribution Yield	7.23%
Listing Date	April 2019
Responsible Entity	The Trust Company (RE Services) Limited
Investment Manager	Metrics Credit Partners Pty Ltd
Investment Structure	Listed Investment Trust (LIT)
Target Cash Distribution	7%p.a (net of fees and expenses)
Target Total Return	8%-10%p.a (net of fees and expenses)
Distribution Frequency	Monthly
Fees:	
Management Fee (p.a), excluding IEE	1.03%
Performance Fee	15.38%
Performance Fee Hurdle	RBA Cash Rate + 6.00%*

*The Manager has implemented a performance fee waiver whereby performance fees will only be paid in excess of the greater of 7.50% or the RBA Cash Rate + 6.00%.

Key Exposure	
Underlying Exposure	Diversified portfolio of private credit through an investment in and alongside four underlying wholesale funds: (1) SPDF; (2) SPDF II; (3) REDF; and CT.
Foreign Currency Exposure	MOT provides exposure predominantly to Australian corporates and therefore there limited direct foreign currency exposure.

The investment opinion in this report is current as at the date of publication. Investors and advisers should be aware that over time the circumstances of the issuer and/or product may change which may affect our investment opinion.

PRODUCT SUMMARY

Metrics Income Opportunities Trust (ASX:MOT) ("MOT" or the "Trust") listed in April 2019 raising $300m through the issue of 150m units at a price of $2.00 per unit. Since listing the Trust has grown to a market cap of in excess of $490m as at 30 June 2022 and has 265m units on issue. The Trust is managed by Metrics Credit Partners ("MCP" or the 'Manager') and is the second LIT issued and managed by MCP, the first LIT being Metrics Master Income Trust (ASX: MXT). MCP is an Australian debt-specialist asset manager founded in 2011 and with significant expertise in the Australian corporate loan market. MOT provides exposure to a portfolio of private credit investments. It does so through an investment in and alongside four wholesale funds managed by MCP, with the Trust seeking to provide exposure to the full spectrum of private credit investments. The Trust is mostly exposed to loans, however may also provide investors with the potential for upside gains through exposure to private equity and equity-like securities. The portfolio will be exposed to low investment grade and sub-investment grade loans (BBB to Not Rated), with the portfolio historically having a focus on sub-investment grade exposure. The portfolio is positioned to provide exposure to the higher-end of the risk spectrum in private credit. This is reflected in the enhanced target cash distribution of the Trust of 7.0%p.a. The Trust has a target total return of 8%-10%p.a., which reflects the potential for capital gains as well as income with the Trust having the mandate to invest in private equity and equity-like securities in addition to loans and notes. The Trust pays MCP a management fee of 1.03%p.a. on the gross assets of the Trust. The Manager is eligible for a performance fee of 15.38%p.a. of the total return in excess of the greater of 7.50%p.a or the hurdle rate of RBA Cash Rate + 6.0%.

INVESTOR SUITABILITY

The Trust provides retail investors access to an actively managed portfolio of private credit investments, predominantly to Australian corporates. The Trust is predominantly exposed to sub-investment grade borrowers, which have a higher level of default risk associated with them. In addition to this, the portfolio has exposure to subordinated loans and equity securities, which rank behind senior lenders in the capital structure and are inherently more risky. As such, the Trust is considered to be at the higher-end of the risk spectrum in the fixed income asset class. Investors are compensated for the additional risk through a higher return. Unlike bonds traded in the secondary market, the Manager's investment strategy is very hands-on transactional, with the focus on originating transactions, conducting detailed bottom-up due-diligence, structuring the loan and managing the loan life-cycle thereafter. As such, the Manager's ability to successfully structure and manage transactions that meet the investment objectives and avoid credit defaults is critical. In this regard, the Manager has a strong track-record with minimal defaults and recouping all outstanding capital in those loans that have defaulted. Investors should note that distributions are exposed to default risk and there is the potential for capital loss on individual loans and securities. The diversified nature of the portfolio reduces concentration risk to any individual loan.

RECOMMENDATION

Independent Investment Research (IIR) has assigned the Metrics Income Opportunities Trust (ASX: MOT) a **Recommended** rating. MOT is intended to provide a higher risk/return profile to that of the Metrics Master Income Trust (ASX: MXT) to provide those investors with a greater risk appetite access to an enhanced income. The portfolio has historically had a focus on sub-investment grade loans and therefore entails the additional default risk associated with these companies. Investors should be mindful that defaults generally tend to cluster during periods of prolonged economic weakness. During these periods a robust investment loan assessment and loan management process are integral to mitigate default and loan recovery risk. MOT has not met its cash distribution target in recent times with declining interest rates resulting in the Trust not being able to achieve the fixed rate target. We expect the increasing interest rate environment will assist with achieving this objective more regularly moving forward. Given the floating nature of the target distributions of the underlying wholesale funds we view a floating rate distribution target would be more appropriate for the Trust.

SWOT

Strengths

- Specialist skill is required to successfully operate in the direct lending corporate loan market. The four-member IC is highly experienced in all aspects of the loan life-cycle, from originating, structuring, and managing the loan, with each member having in excess of 23 years relevant experience. The four-member IC also mitigates key person risk.
- A thorough and proven investment and portfolio monitoring process that is closely and integrally overseen by the four-member IC. This has seen very few defaults in the underlying wholesale funds.
- The Manager has shown a strong capability to raise and deploy capital without diminishing the return profile for investors.
- The portfolio is diversified with 122 loans/securities in the portfolio at 31 March 2022 and an average individual loan exposure of less than ~1.0%.
- Since being established in 2011, the Manager has grown to in excess of $11b AUM. The Manager has continued to add resources in line with growth with the Manager now having 107 employees and an investment team of more than 50, including the members of the IC.

Weaknesses

- In recent times, the Trust's distribution yield has been underperforming when compared to the target distribution return, with interest rates impacting the ability of the Trust to meet the target distribution return. The Trust has a fixed target distribution return. The underperformance is exacerbated by the fact that the fixed target distribution yield is out of step with the target distribution returns of the underlying wholesale funds, all of which are floating and linked to the 90-day BBSW.
- At the current RBA cash rate levels, there is a mismatch between the hurdle for the performance fee (RBA Cash Rate + 6.0%) and the target total returns of the Trust (8%-10%p.a). We note that at the time of listing, based on the historical cash rates at the time, the Manager could not have anticipated cash rates would decline to the extent that they have. A positive is the Manager has implemented a performance fee waiver in recognition of this mismatch, which is expected to remain in place until the RBA Cash Rate is equal to or exceeds 1.50%. This would mean the Manager will only be eligible for performance fee in excess returns of 7.50%+p.a.

Opportunities

- MOT provides access to a portfolio of private credit investments that is not readily accessible to retail investors.
- MOT provides secondary market liquidity to illiquid investments.

Threats

- MOT will have substantial exposure to sub-investment grade loans. By its very nature, sub-investment grade debt tends to have a higher probability of default and this risk tends to cluster around specific events and/or economic environments. Further to this, the portfolio will have exposure to subordinated debt and equity. Unlike senior secured loans, subordinated loans and equity rank below senior debt and therefore entail a greater level of risk.
- SPDF, SPDF II and REDF can utilise leverage in the portfolio (up to 50% of the gross asset value). The use of leverage has the potential to increase returns, however can also magnify losses.
- Unlike a publicly traded bond, where the value of the asset is determined by its traded price, MOT's portfolio will largely comprise loans/securities where a traded price does not exist. Investors should note that NAV calculations will be based on the Manager's internal loan valuations combined with a rigorous and ongoing external review and oversight. While the valuation processes are thorough and prudent, there is nevertheless a risk the valuations may not accord with what the market may ultimately value these assets.
- The Trust is heavily weighted to the property market through exposure to REITs and commercial real estate (CRE) debt with 79.5% of the portfolio allocated to these two sectors at 31 March 2022. A significant downturn in this market may have an adverse impact on distributions and the capital return of the Trust.

- In the event the unit price dislocates from the NAV, unitholder returns may be more volatile than the underlying portfolio. The Manager will seek manage the discount/ premium where possible but as was evident in 2020, market shocks may result in a dislocation of the unit price from the portfolio value.

PRODUCT OVERVIEW

Metrics Income Opportunities Trust (ASX: MOT) listed on the ASX in April 2019 raising $300m through the issue of 150m units at a price of $2.00 per unit. Since listing the Trust has grown to a market cap of in excess of $490m as at 30 June 2022 and has 265m units on issue. The Trust is managed by Metrics Credit Partners ("MCP" or the 'Manager') and is the second LIT issued and managed by MCP, the first LIT being Metrics Master Income Trust (ASX: MXT). MCP is an Australian debt-specialist asset manager founded in 2011 and with significant expertise in the Australian corporate loan market.

The Trust provides exposure to a portfolio of private credit investments. It does so through an investment in and alongside four wholesale funds managed by MCP, seeking to provide exposure to the full spectrum of private credit investments. The Trust is mostly exposed to loans, however may also provide investors with the potential for upside gains through exposure to private equity and equity-like instruments.

The Trust will be exposed to low investment grade and sub-investment grade loans (BBB to Not rated), with the portfolio historically having a focus on sub-investment grade exposure. The portfolio is positioned to provide exposure to the higher-end of the risk spectrum in private credit. This is reflected in the enhanced target cash distribution of the Trust of 7.0%p.a. The Trust has a target total return of 8%-10%p.a., which reflects the potential for capital gains as well as income with the Trust having the mandate to invest in equity and equity-like securities in addition to loans.

Upon listing the Trust sought to pay cash distributions on a quarterly basis, however, shortly after listing the distribution frequency was increased to monthly.

MOT invests in units of the Metrics Wholesale Income Opportunities Trust (WIOT), which manages the capital of MOT as well as capital from wholesale investors. WIOT in turn invests in and alongside four wholesale funds managed by MCP. The Manager does not have set target allocations or limits for the exposure to the underlying wholesale funds and the Manager has the flexibility to change the composition of the portfolio at any time. The two largest exposures are to the MCP Real Estate Debt Fund (REDF) and MCP Credit Trust (CT), with 93% of the Trust's capital invested in these two funds at 31 March 2022. In summary:

1) MCP Secured Private Debt Fund (SPDF) - SPDF was established in November 2015 and provides exposure to a portfolio of predominantly sub-investment grade corporate loans across mid-market borrowers. The Fund has a target return of 90-day BBSW + 4.0%p.a and invests in loans with a term of 6 months to 10 years. The fund is closed-ended and is closed to new investors.

2) MCP Secured Private Debt Fund II (SPDF II) - SPDF II was established in October 2017 and as the name suggests is the second iteration of the strategy. Unlike SPDF, SPDF II is an open-ended unit trust. The Fund provides exposure to predominantly sub-investment grade corporate loans across mid-market borrowers. The Fund has a target return of 90-day BBSW + 4.0%p.a. At 31 March 2022, the Fund comprised 72 loans, 94% of which were senior ranking. The Fund has consistently generated net returns in excess of the target return to date.

3) MCP Real Estate Debt Fund (REDF) - REDF was established in October 2017 and provides exposure to a portfolio of commercial real estate (CRE) debt. The Fund has a target return of 90-day BBSW + 5.0%p.a, which the Fund has consistently exceeded since inception. The Fund has grown to $1.3b. At 31 March 2022, the Fund had 86 loans. 99% of which were senior ranking. The portfolio is predominantly exposed to residential properties with 68% of the portfolio allocated to residential properties. Loans are concentrated to NSW with 65% of the loans secured against properties in NSW at 31 March 2022. 15% of loans are secured against properties located in VIC. The heightened target returns of the Fund reflects the increased risk associated with CRE debt.

4) MCP Credit Trust (CT) - CT is the newest fund in the portfolio, established in December 2018. CT seeks to provide exposure to an actively managed portfolio of mostly private credit. CT provides financing to corporate borrowers that are typically considered higher risk loans.

The fund targets investments with a term of 3-5 years. CT has a target cash distribution of 90 day BBSW + 5%p.a. and a total return target of 11%-14%p.a.

Wholesale Fund Allocation as at 31 March 2022		
Underlying Wholesale Fund	**Allocation**	**Target Return**
MCP Secured Private Debt Fund (SPDF) & MCP Secured Private Debt Fund II (SPDF II)	6%	90 day BBSW + 4.0%p.a
MCP Real Estate Debt Fund (REDF)	47%	90 day BBSW + 5.0% p.a
MCP Credit Trust (CT)	47%	Cash Distribution: 90 day BBSW + 6.0%p.a. Total Return: 11%-14%p.a
WIOT Direct Holdings	0%	Varying

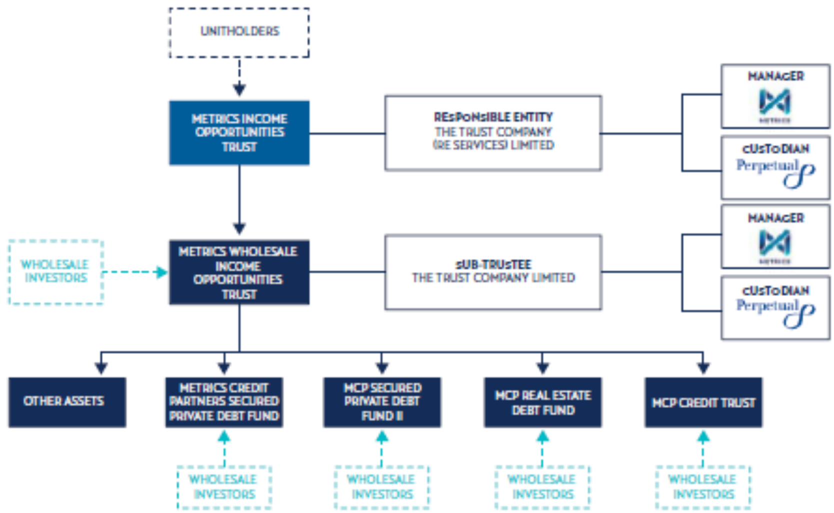
The Trust pays the Manager a management fee of 1.03%p.a. on the gross assets of the Trust. In addition to the management fee, as consideration for the capital advisory and investor relations services to the Trust under the Investment Management Agreement (IMA) the Manager is paid an Investor Equalisation Expense (IEE) of 0.26%p.a. The IEE is charged to the Trust as a monthly expense. The management fee including the IEE is 1.29%p.a.

The Manager is eligible for a performance fee of 15.38%p.a. of the total return in excess of the hurdle rate (RBA Cash Rate + 6.0%). Given the decline in the RBA Cash Rate, there is currently a mismatch between the performance fee hurdle and the target returns of the Trust. In recognition of this, in January 2020 the Manager announced a performance fee waiver, whereby the performance fee will only apply on the Trust's returns in excess of 7.5%p.a. The performance fee waiver is intended to continue until the RBA Cash Rate is equal to or exceeds 1.50%.

The fees are charged at the Trust level. There are no fees charged at the underlying wholesale fund level.

The Investment Management Agreement (IMA) with the Manager has an initial term of 10 years and is subject to an automatic extension of the initial term for a further one year, every year after the fifth year of the initial term, unless terminated earlier.

MOT Structure



Capital Raisings

Since listing in April 2019, the Trust has undertaken four capital raisings through placements and unit purchase plans to grow the Trust. The Trust has also grown through the distribution reinvestment plan (DRP). Units through the DRP at issued at NAV.

MOT Capital Raising Activity				
Date	**Type**	**Issue Price**	**Units Issued (m)**	**Amount Raised ($m)**
Mar-22	Entitlement & Shortfall Offer	$2.12	53.4	113.0
Oct-21	Unit Purchase Plan	$2.03	11.25	23.0
Aug-21	Institutional Placement	$2.03	26.04	52.9
Nov-19	Wholesale & Institutional Placement	$2.00	22.5	45.0
Apr-19	IPO	$2.00	150.0	300.0

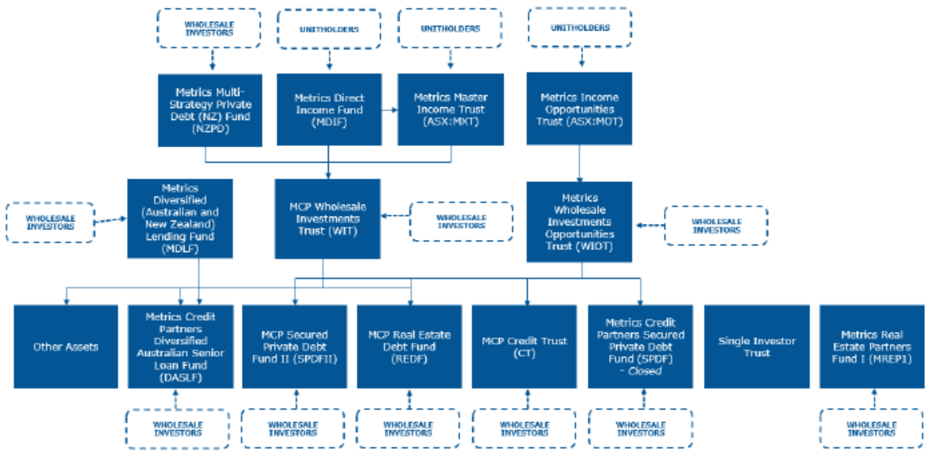
INVESTMENT MANAGER

The Trust is managed by Metrics Credit Partners (MCP), a specialist Australian debt asset manager established in May 2011. MCP is owned 65% by the four Managing Partners and 35% by Pinnacle Investment Management Limited. The 65% ownership by the four Managing Partners is held in equal shares of 16.25% by each of the four Partners.

Since being established in 2011, the Manager has grown to have 107 employees and over $11b in AUM. MCP offers funds to both retail and wholesale investors and currently manages a total of 14 trusts. The retail offerings include two Listed Investment Trusts (LITs) and an unlisted unit trust. All capital is predominantly invested in or alongside four underlying wholesale funds, which when combined provide exposure to the full credit spectrum. An overview of the funds managed by MCP is provided below.

The Manager has expanded its operations to New Zealand with an office established in Auckland in January 2020.

MCP Funds



Investment Team

As mentioned above, MCP has 107 employees in total, over 50 of which are members of the investment team (including the Investment Committee members). This has grown from 16 since 2018.

The key members of the investment team are the Investment Committee (IC) which consists of the four Managing Partners. The Investment Committee has sole responsibility for investment and divestment decisions.

All four members have significant experience in corporate loan origination and running large scale loan portfolios within banks. Further, since establishing MCP in 2011, the team has been an active market participant in the Australian private credit market.

The skill set of the IC covers the full life cycle of the loan, starting with directly originating a transaction via an extensive network of relationships with banks, corporate advisors, and directly with borrowers. Then the ability to undertake detailed bottom-up credit analysis due diligence, the negotiation of legal documentation, facility arrangements, security details, and execution of those transactions, and finally significant experience in the running of large-scale portfolios and managing the attendant risk on a daily basis.

In addition to the IC, the investment team consists of two other key internal groups: (1) New Assets & Origination; and (2) Portfolio Monitoring & Analytics. In originating a new potential transaction, the New Assets & Origination team works closely with the IC around formalising the investment credit papers through to the execution of a transaction. Specific responsibilities include investment submissions, cash flow modelling, credit rating analysis, legal documentation, transaction execution, and ESG compliance. The IC formally reviews the relevant submissions as part of the investment decision making process.

Subsequent to a transaction close, the Portfolio Monitoring & Analytics team is responsible, in collaboration with the IC, for the ongoing credit monitoring, portfolio monitoring, mandate compliance, stress test analysis and investor reporting.

The IC works on the basis that all four members are equally involved in each potential transaction and that investment decisions are based on unanimous approval. Similarly, it is the IC as a collective that has responsibility for each borrower on an ongoing basis, rather than being appointed to a particular team member.

Given the collegiate nature of the four Partners in addition to the inherent stability of this team, IIR considers key person risk to be low. However, if any of the Partners departed, IIR believes a replacement IC member of equal skill would need to be appointed sooner rather than later given the significant number of transactions the Manager is involved in.

IC Members/Managing Partners

Name	Key Experience	Industry Experience (years)	Tenure with Manager (years)
Justin Hynes	Portfolio management, corporate debt origination. Previously specialised in leverage and acquisition finance as well as corporate finance.	23	9
Andrew Lockhart	Portfolio management, corporate debt origination, specialised in leverage and acquisition finance as well as corporate and institutional lending.	33	9
Graham McNamara	Portfolio management, corporate loan origination, syndications, agency management and corporate banking. Specialised in loan syndications.	40	9
Andrew Tremain	Portfolio management, debt origination, syndications. Specialised in leveraged and acquisition finance as well as loan syndications.	33	7

INVESTMENT PROCESS

Investment Objective

The Trust seeks to provide a monthly cash distribution, preserve investor capital and manage investment risk while seeking to provide potential upside gains through investments in private credit and other assets such as warrants, options, preference shares and equity.

The Trust seeks to deliver a target cash distribution of 7.0%p.a, net of fees and expenses, and has a target total return of 8.0%-10.0%p.a., net of fees and expenses, through the economic cycle.

Investment Process

The investment process starts with directly originating and sourcing transactions. This is the responsibility of the four IC members who are active on a daily basis interacting with the broader market (banks, corporate borrowers, advisors). The Manager's strong origination network is a key strength and holds the Manager in good stead in creating and maintaining a solid pipeline of new deal opportunities.

Prospective corporate loan deals then move to the detailed due diligence stage ultimately designed to consider and assess all the risks associated with a business' cashflows (the risk of a deterioration in credit quality) and the likely impact on the Manager's capital. The analysis incorporates an industry analysis (risks, financial trends, etc), where the borrower sits competitively within the industry (SWOT analysis), in addition to company specific aspects such as management, strategy, financial projections, capital structure. It is a process that requires gaining a granular understanding of the products and services that the company offers and delivers to its customer base and how it is generating cashflows from those activities.

The analysis gets written up in a formalised and detailed credit assessment report. While it is the New Asset & Origination team that is responsible for the write-up, the four IC members are invariably integrally involved in the due diligence process, meeting the relevant parties (management, directors, potentially employees, other banks, legal advisors) and reviewing the original due diligence source materials.

The process culminates with a credit rating for both the issuer and the proposed transaction

which is then reviewed by the IC and decision arrived at to proceed, or otherwise.
The knowledge and understanding gained through the due diligence phase is then used to negotiate appropriate terms, conditions, covenants and controls with the borrower. Risk is then priced and, assuming both parties agree, the loan is then legally documented, the security transferred and the money lent.

Once the loan has been executed, the Portfolio Monitoring & Analytics team works with the IC on a daily basis to monitor the reporting and compliance of all borrowers. A process exists whereby any time new financial information is provided, a formal review process of the credit is conducted.

The IC meets on a daily basis to review the output from the Portfolio Monitoring & Analytics team. A more formalised assessment of the portfolio as a whole is held each Monday while on Wednesday and Friday new transactions are reviewed once the due diligence has been completed.

Portfolio Construction

The Manager invests the capital raised by the Trust in the Metrics Wholesale Income Opportunities Trust (WIOT), which invests capital in and alongside four underlying wholesale funds:

- Metrics Credit Partners Secured Private Debt Fund (SPDF);
- MCP Secured Private Debt Fund II (SPDF II);
- MCP Real Estate Debt Fund (REDF); and
- MCP Credit Trust (CT).

There are no set allocation ranges of capital across the underlying wholesale funds by WIOT, with the Manager having the flexibility to allocate capital according to how the Manager believes the investment objective can best be achieved. As detailed in the Portfolio Positioning section below, the capital is allocated predominantly to REDF and CT.

The portfolio is predominantly exposed to a range of low investment grade and sub-investment grade private credit investments, which are both senior ranking and subordinated in the capital structure. The Trust mostly provides exposure to Australian corporates, however may be exposed to borrowers domiciled in New Zealand and Developed Asia through the investment in the MCP Credit Trust. In addition to providing exposure to loans, the Trust may include exposure to securities with equity-like returns including options, warrants, preference shares and equity. These securities are subject to capital appreciation/depreciation.

UNDERLYING WHOLESALE FUNDS

The Trust invests in four underlying wholesale funds. Each of the underlying wholesale funds provides exposure to a different aspect of the private debt market with each fund having a differing risk/return profile and objective. Each of the underlying funds has a combination of wholesale and institutional investors in addition to the capital invested by the Trust. The below provides an overview of each of the underlying wholesale funds.

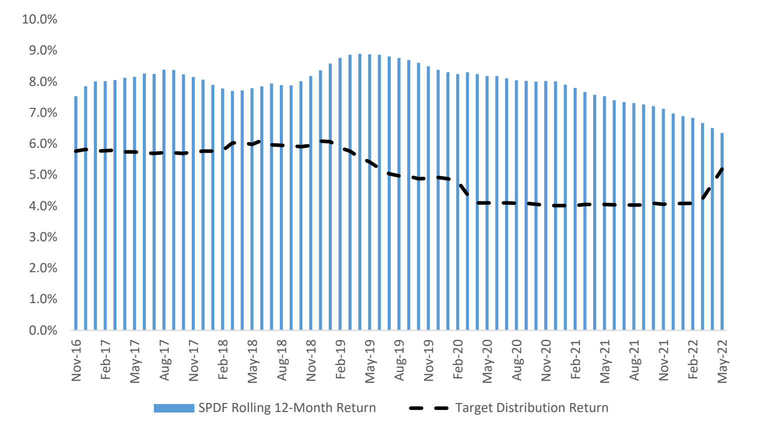
Metrics Credit Partners Secured Private Debt Fund (SPDF)

SPDF was established in November 2015 and is a closed-ended unit trust that provides Australian corporate debt to mid-market borrowers. The fund provides exposure to predominantly sub-investment grade corporate loans across mid-market borrowers. The Fund has a target return of 90-day BBSW + 4.0%p.a. At 31 March 2022, the Fund comprised 30 investments, 93% of which were senior ranking. The fund is closed to new investors.

SPDF Key Terms

Term	Detail
Structure	Closed-ended unit trust
FUM (as at 31 March 2022)	$290.0m
Benchmark	90-day BBSW
Target Return	Benchmark + 4.00%p.a. (net of fees and expenses)
Asset Duration	Loans with a tenor to maturity of 6 months to 10 years
Distribution Frequency	Monthly

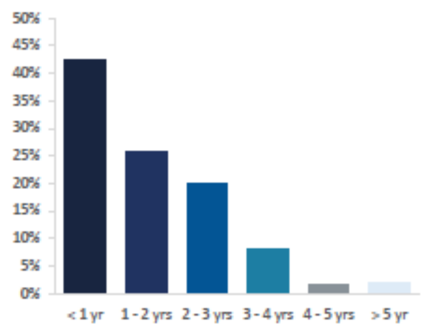
Rolling 12-month Net Returns



Portfolio Characteristics as at 31 March 2022

As at 31 March 2022, the portfolio has a credit duration of 1.6 years, with the over 65% of the loans maturing in 2 years or less. The majority of the portfolio is in senior ranking loans and is largely invested with small levels of cash. As is highlighted below, the portfolio is diversified by sector, however exposure to the real estate sector remains the largest weighting with 38% of the portfolio allocated to Real Estate Investment Trusts and Real Estate Management and Development.

Maturity Profile

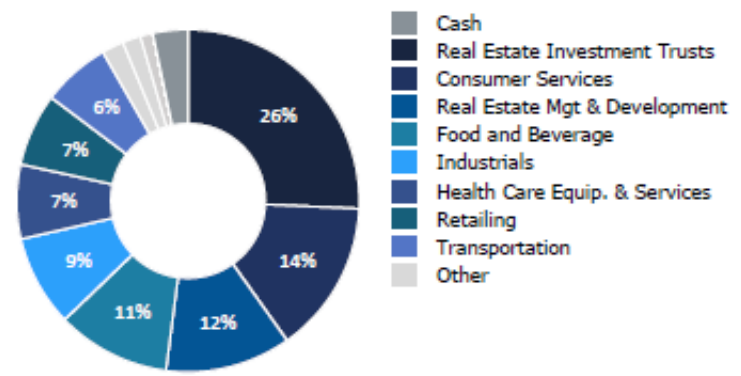


Portfolio Characteristics

Senior Ranking	93%
Interest Duration	18 days
Credit Duration	1.6 years
Number of Investments	30

Source: Metrics Credit Partners Pty Limited

Sector Allocation



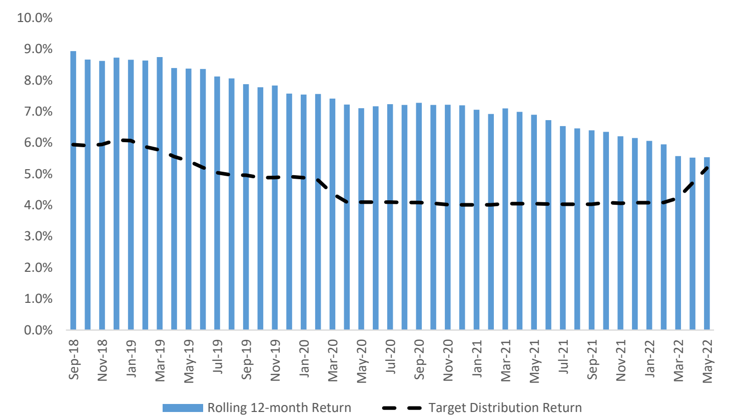
Source: Metrics Credit Partners Pty Limited

MCP Secured Private Debt Fund II (SPDF II)

SPDF II was launched in July 2017 and provides the same exposure as SPDF, however is structured as an open-ended unit trust. The fund has grown significantly over the 12-months to 31 March 2022, with FUM growing 94% to $1,264.9b.

SPDF II Key Terms	
Term	**Detail**
Structure	Open-ended unit trust
FUM (as at 31 March 2022)	$1,264.9m
Benchmark	90-day BBSW
Target Return	Benchmark + 4.00%p.a. (net of fees and expenses)
Asset Duration	Loans with a tenor to maturity of 6 months to 10 years
Distribution Frequency	Monthly

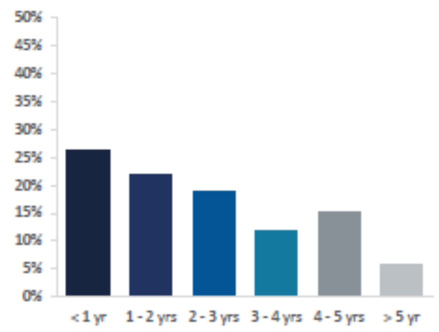
Rolling 12-month Net Returns



Portfolio Characteristics as at 31 March 2022

As at 31 March 2022, the portfolio has a longer credit duration than SPDF with a credit duration of 2.5 years. The majority of the portfolio is in senior ranking loans and is largely invested with small levels of cash. The portfolio is more diversified than SPDF with 72 investments at 31 March 202. The industry allocation is similar to SPDF despite the additional investments.

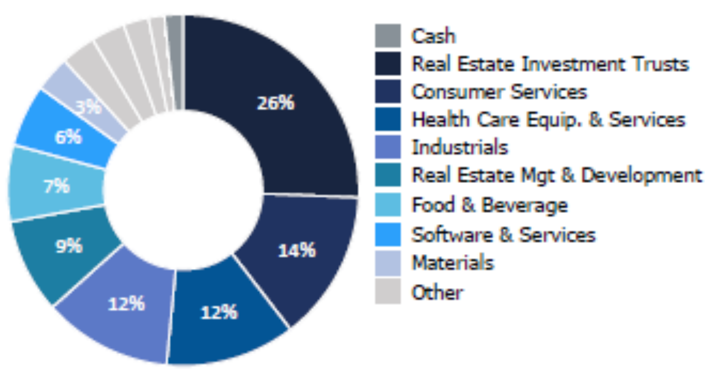
Maturity Profile



Portfolio Characteristics	
Senior Ranking	94%
Interest Duration	18 days
Credit Duration	2.5 years
Number of Investments	72

Source: Metrics Credit Partners Pty Limited

Sector Allocation



Source: Metrics Credit Partners Pty Limited

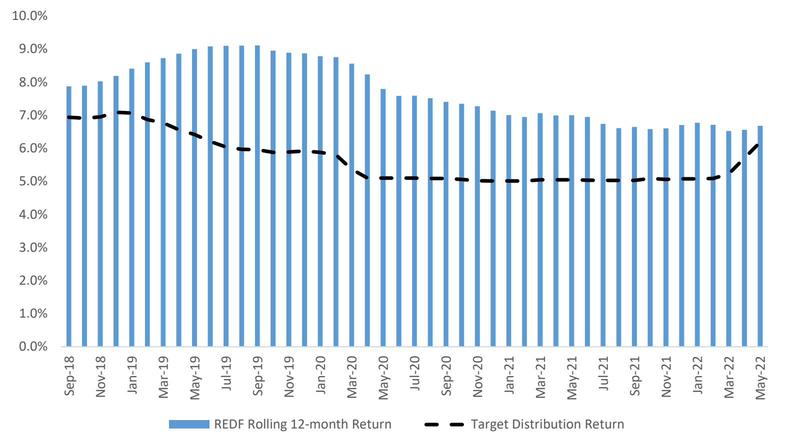
MCP Real Estate Debt Fund (REDF)

REDF was established in July 2017 and provides exposure to a portfolio of Australian commercial real estate (CRE) debt. Banks have restricted capital to the real estate sector resulting in attractive CRE lending opportunities. The fund provides access to this market via direct origination of CRE loans diversified by projects and borrowers.

REDF Key Terms

Term	Detail
Structure	Open-ended unit trust
FUM (as at 31 March 2022)	$1,636.6m
Benchmark	90-day BBSW
Target Return	Benchmark + 5.00%p.a. (net of fees and expenses)
Asset Duration	Loans with a tenor to maturity of 6 months to 10 years
Leverage	Up to 50% of gross asset value. The fund has a $200m debt facility, $100m of which was drawn at 31 March 2022.
Distribution Frequency	Monthly

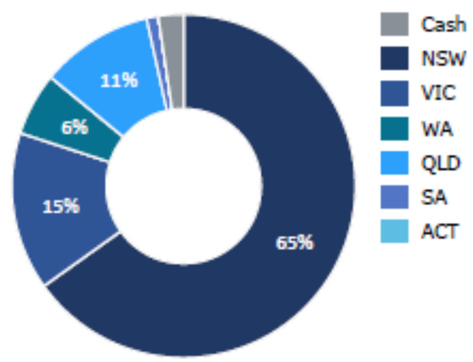
Rolling 12-month Net Returns



Portfolio Characteristics as at 31 March 2022

The portfolio is diversified with 86 loans at 31 March 2022. The portfolio is weighted to properties located in NSW and is heavily weighted to Residential properties. The portfolio has a short credit duration of 0.9 years, reflecting the typically short-term nature of the loans.

Maturity Profile

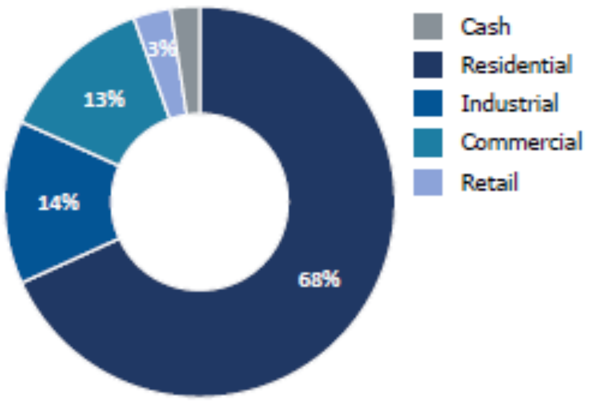


Portfolio Characteristics

Senior Ranking	99%
Interest Duration	18 days
Credit Duration	0.9 years
Number of Investments	86

Source: Metrics Credit Partners Pty Limited

Sector Allocation



Source: Metrics Credit Partners Pty Limited

MCP Credit Trust (CT)

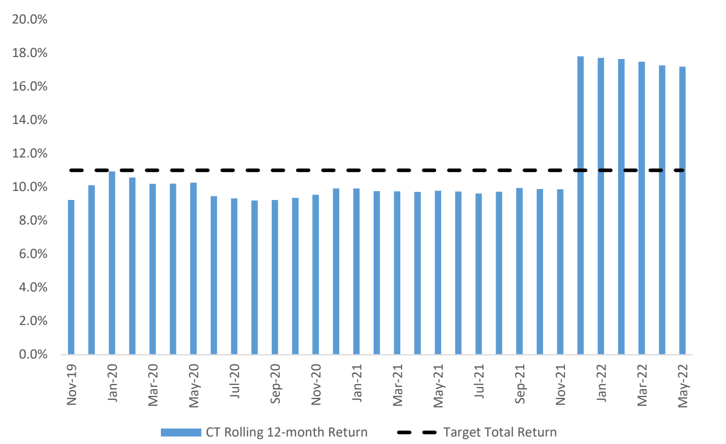
CT was established in December 2018 and provides exposure to a private multi asset credit portfolio, predominantly in Australia yet also potentially has exposure to corporates based in New Zealand and Developed Asia. CT aims to provide attractive risk-adjusted returns including opportunistically delivering equity upside while retaining a focus on capital stability, active risk management and downside capital preservation.

CT has experienced strong FUM growth over the 12-months to 31 March 2022, with FUM increasing 82% over the 12-month period. In December 2021, the portfolio experienced an uptick in value as a result of the revaluation of some of the equity securities in the portfolio. The increased returns are highlighted in the Rolling 12-month Returns chart below.

CT Key Terms

Term	Detail
Structure	Open-ended unit trust
FUM (as at 31 March 2022)	$1,028.5m
Benchmark	90-day BBSW
Target Distribution Return	Benchmark + 6.00%p.a. (net of fees and expenses)
Target Total Return	11%-14%p.a. (net of fees and expenses)
Asset Duration	Targets private credit investments with a tenor to maturity of 3-5 years.
Leverage	Up to 50% of gross asset value.
Distribution Frequency	Monthly

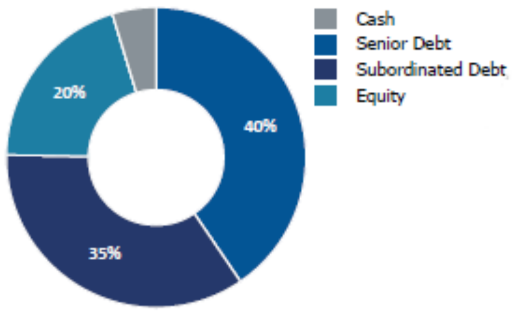
Rolling 12-month Net Returns



Portfolio Characteristics as at 31 March 2022

The CT portfolio had 37 investments at 31 March 2022. The CT entails a greater level of risk than the other funds in terms of the credit ranking, with the majority of the portfolio allocated to subordinated debt or equity like instruments. The portfolio is heavily weighted to the real estate sector with 70% of the portfolio allocated to companies operating in the real estate management and development sector and real estate investment trusts.

Maturity Profile

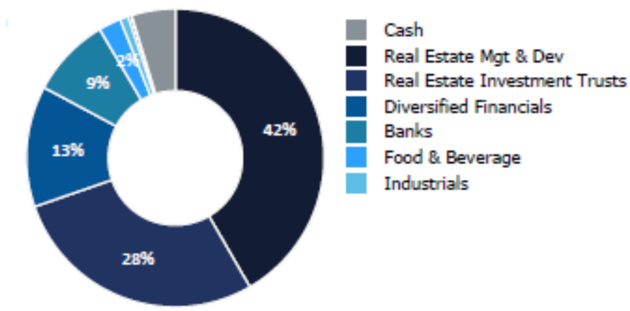


Portfolio Characteristics

Senior Ranking	43%
Interest Duration	18 days
Credit Duration	1.5 years
Number of Investments	37

Source: Metrics Credit Partners Pty Limited

Sector Allocation

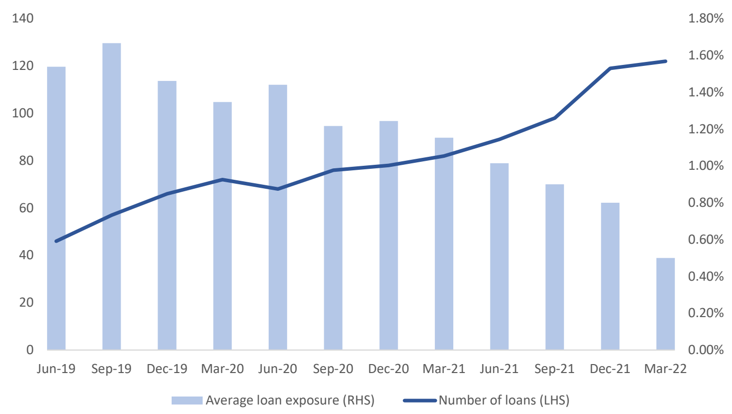


Source: Metrics Credit Partners Pty Limited

PORTFOLIO POSITIONING

The portfolio has increased its level of diversification over time with the portfolio exposed to 122 loans/securities as at 31 March 2022. As the number of investments has increased, the concentration to a single exposure has declined, as shown in the below chart. At 31 March 2022, the average individual loan exposure was 0.5% of the portfolio.

Number of Loans & Average Loan Exposure

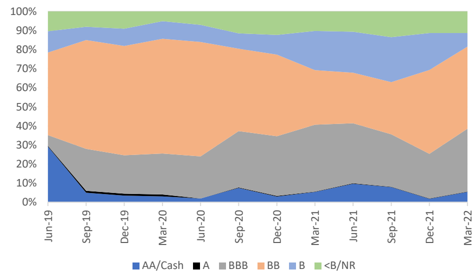


The Trust is exposed predominantly to low investment grade and sub-investment grade loans with a portion of the portfolio allocated to unrated securities (equity-like instruments). The portfolio has predominantly been exposed to sub-investment grade loans (BB and below) with the allocation to sub-investment and unrated securities ranging from 58.6% to 76% over the life of the Trust. The largest allocation since listing has been to loans/securities rated

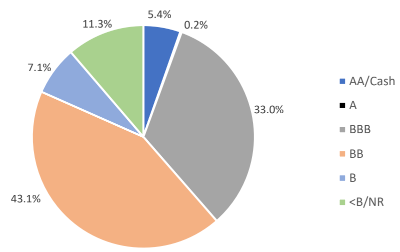
BB (high-end of the sub-investment grade rating). The allocation of the portfolio changes on a regular basis given the short-term nature of many of the loans. Over the last two quarters, the Manager has been rotating out of lower rated securities and into BB and BBB rated securities. The allocation to B rated securities was close to the lowest levels in the history of the Trust as at 31 March 2022.

Credit Rating Exposure

Historical Exposure



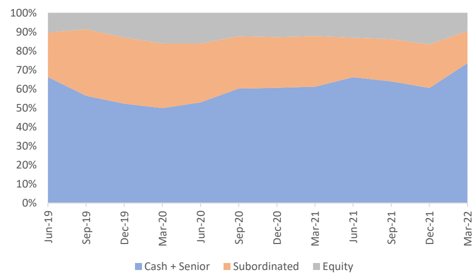
As at 31 March 2022



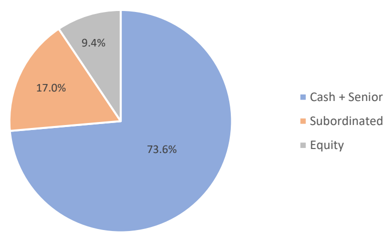
The Trust is exposed to senior secured loans, subordinated loans and equity, with the subordinated and equity exposure primarily through the investment in the CT Trust. At 31 March 2022, the Trust had a 73.6% allocation to cash and senior secured loans, a 17% allocation to subordinated loans and 9.4% allocation to equity. As can be seen in the below chart, the allocation to senior secured loans has been on the increase since December 2020, while exposure to subordinated debt has been declining.

Capital Structure Exposure

Historical Exposure

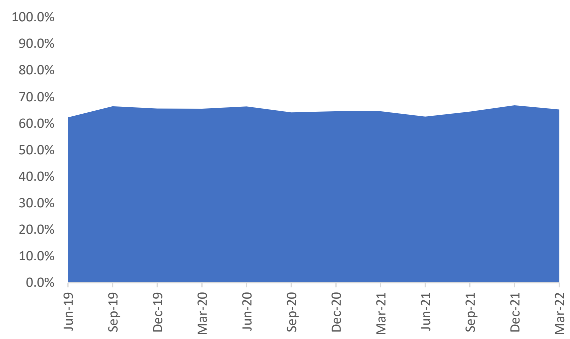


As at 31 March 2022



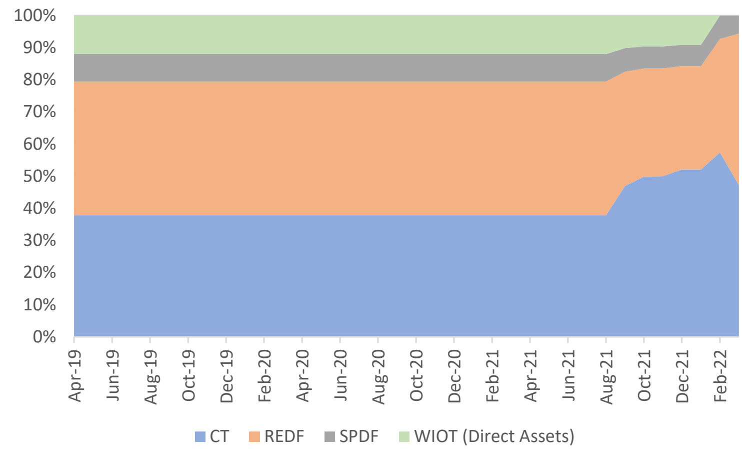
The weighted average LVR of the portfolio has remained at relatively conservative levels with the weighted average LVR ranging from 62.3% to 66.9%.

Weighted Average LVR



The investment strategy provides the Manager the mandate to determine the allocation of capital into the underlying wholesale funds to provide investment flexibility to achieve the investment objective of the Trust. The allocation to the underlying wholesale funds had remained stable until late 2021, at which point the allocation SPDF & SPDF II declined and the allocation to the CT fund increased with capital raised allocated to these two funds. The Trust no longer has exposure to Direct Assets held by the Wholesale Income Opportunities Trust. The Trust is predominantly allocated to the MCP Real Estate Debt Fund (REDF) and the MCP Credit Trust (CT).

Historical Wholesale Fund Allocation



The portfolio provides exposure to a range of sectors, although has typically been weighted to real estate management and development and REITs. The average portfolio exposure to these two sectors has been 66% since listing with a high of 79.5% of the portfolio allocated to the two sectors as at 31 March 2022. With 47% of the capital allocated to the MCP Real Estate Debt Fund (REDF), the portfolio will always have a substantial allocation to property trusts and commercial real estate (CRE) debt.

Sector Allocation as at 31 March 2022

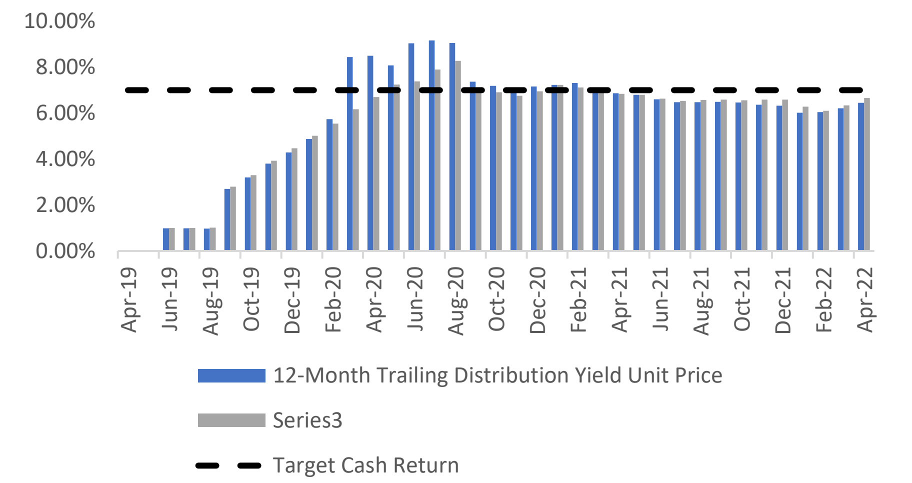
Sector	Portfolio Weighting
Real Estate Management & Development	40.1%
Real Estate Investment Trusts (REITs)	39.4%
Health Care Equipment & Services	0.3%
Diversified Financials	6.2%
Banks	4.1%
Food & Beverage	1.6%
Consumer Services	0.9%
Retailing	0.3%
Transportation	0.3%
Industrials	0.8%
Capital Goods	0.3%
Software & Services	0.3%
Cash	5.4%

PERFORMANCE ANALYTICS

The Trust provides exposure to a diversified portfolio of private credit investments. The portfolio predominantly provides exposure to loans, however also provides exposure to private equity and securities with equity-like returns including warrants, options and preference shares. While the return will predominantly reflect the interest payments received from the loans on a monthly basis, there may also be an element of capital returns from the equity-like securities. The Trust has a target cash distribution of 7.0%p.a. and a total target net return of 8.0%-10%p.a through the economic cycle.

The below provides the historical distribution and running yield of the Trust. The distribution yield represents the yield received by unitholders while the running yield represents the yield based on the NAV. The dislocation of the unit price and NAV in 2020 can be seen by the uptick in the distribution yield based on the unit price. The Trust achieved the target cash return of 7%p.a. in the initial period, however has fallen short of the target distribution since 30 April 2021. Declining interest rates have played a part in the underperformance.

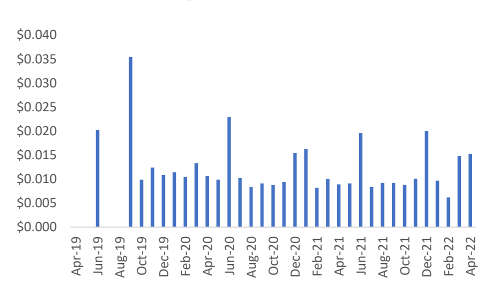
Historical Trailing 12-month Distribution & Running Yield

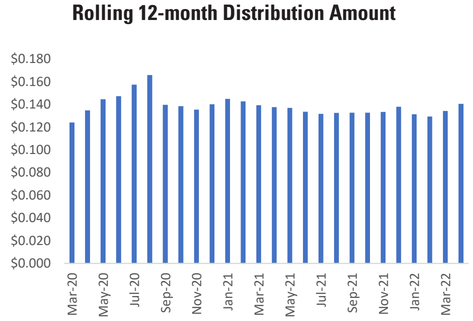


Source: Iress/IIR

The Trust initially targeted a quarterly distribution, however shortly after listing the Trust increased the distribution frequency to monthly. When looking at the volatility of the monthly distribution amounts there is quite a bit of volatility on a month-by-month basis. There is a lot less volatility on a rolling 12-month basis. There was a substantial decline for the 12-months to 30 September 2021 from the previous 12-month period. This was largely due to the quarterly distribution made in the month of September 2019. Since then, the 12-month rolling distribution has experienced less volatility.

Historical Distribution Amount





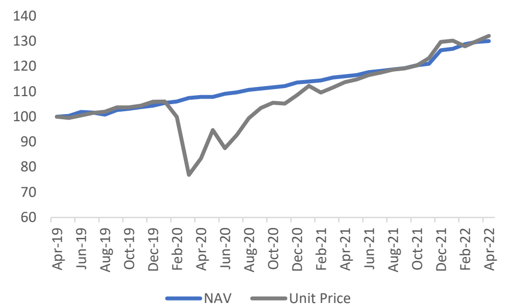
Source: Iress/IIR

Since listing, the Trust has delivered a total cumulative unit price return of 9.7%p.a. to 30 April 2022. As is highlighted in the below table, the volatility of the unit price has been significantly greater than the volatility of the NAV. This reflects the significant dislocation event that occurred in response to the COVID-19 pandemic in 2020.

As mentioned above, the Trust is seeking to deliver a total net return of 8%-10%p.a. over a full economic cycle, which is considered to be a period of 5-7 years. Given the Trust was only listed in April 2019, there is not a sufficient track record to know whether the Manager will achieve this objective, however the Trust has achieved this objective to date.

The portfolio performed strongly over the 12-months to 30 April 2022, with a revaluation of some of the equity securities in the CT Trust providing an uplift in the NAV in December 2021.

Cumulative Total Return (to 30 April 2022)

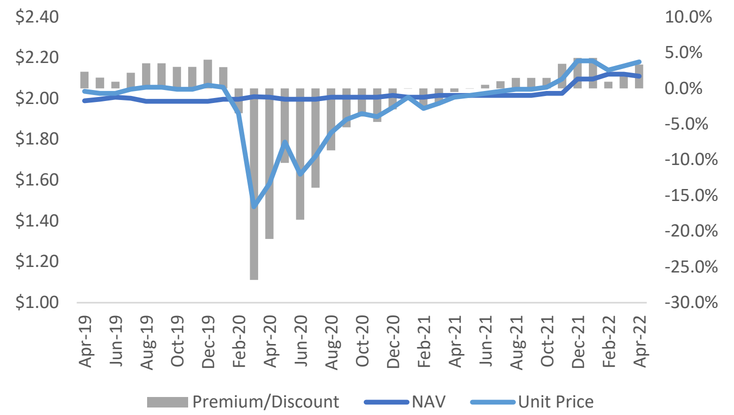


	NAV	Unit Price
1 Month	0.2%	1.6%
6 month	8.0%	9.8%
1 year	12.0%	16.2%
Since listing (p.a.)	9.2%	9.7%
Standard Deviation since listing (p.a)	2.8%	18.9%
Maximum Monthly Drawdown	-0.8%	-23.0%

While returns from the portfolio will primarily be income with the potential for some capital returns, in the event the unit price dislocates from the NAV, there may be a capital element to returns for investors. The NAV has remained relatively stable since listing, as shown in the below chart, however the unit price has experienced significant volatility, primarily driven by the dislocation event in March 2020 that was a direct result of the COVID-19 pandemic. The dislocation was experienced across all LICs and LITs and the market more broadly.

MOT's unit price rebounded relatively promptly from the discount providing additional returns to those investors who purchased units at the lows. Outside of this event, the Trust has typically traded at a slight premium to NAV.

Premium/Discount to NAV (month-end data)



Source: MOT/Iress/IIR

PEER COMPARISON

There are currently 8 fixed income LITs on the ASX. MOT provides exposure to a portfolio of private credit, predominantly providing exposure to corporate loans and notes but also providing exposure to private equity and equity-like securities. While these securities have the potential to generate a greater return, this is accompanied by increased levels of risk. The portfolio is considered to be exposed to the higher-end of the risk spectrum within the asset class and this is reflected by the enhanced yield offered.

MOT was designed as an alternative to MXT for investors seeking an opportunity to gain exposure to greater risk with the prospect of greater returns. Outside of MXT, given the high level of exposure to the REDF, QRI can be considered a relevant peer within the Fixed Income LITs, although we note that QRI is solely focused on providing CRE debt, whereas MOT provides CRE debt investments in combination with direct loans and equity-like investments in corporates outside of the real estate sector.

ASX Fixed Income LITs							
LIT Name	**ASX Ticker**	**Market Cap, $m (as at 30 April 2022)**	**Underlying Investments**	**Credit Quality**	**Distribution Yield (as at 30 April 2022)**	**Distribution Frequency**	**Target Distribution (p.a)**
Domestic Focused							
Metrics Master Income Trust	MXT	1,602.1	Private Credit	Investment Grade & Sub-Investment Grade	4.09%	Monthly	RBA Cash Rate + 3.25%
Qualitas Real Estate Income Fund	QRI	585.2	CRE debt	Senior & Mezz debt	5.54%	Monthly	RBA Cash Rate + 5.0%-6.5%
Metrics Income Opportunities Trust	**MOT**	**577.3**	**Private Credit**	**Sub-Investment Grade**	**6.45%**	**Monthly**	**7.00%**
Gryphon Capital Income Trust	GCI	498.5	RMBS & ABS	Investment Grade & Sub-Investment Grade	4.59%	Monthly	RBA Cash Rate + 3.5%
Perpetual Credit Income Trust	PCI	412.8	Diversified	Investment Grade & Sub-Investment Grade	3.96%	Monthly	RBA Cash Rate + 3.25%
Global							
KKR Credit Income Fund	KKC	799.2	Corporate High Yield Bonds, traded loans and Private Credit	Sub-Investment Grade	4.86%	Monthly	4%-6%
NB Global Corporate Income Trust	NBI	719.7	Corporate High Yield Bonds	Sub-Investment Grade	6.58%	Monthly	4.75%
Partners Group Global Income Fund	PGG	517.3	Private Credit	Sub-Investment Grade	4.73%	Monthly	RBA Cash Rate + 4%

MOT's fees are at the higher end of the spectrum with management fees of 1.03%p.a (excluding the IEE) and a performance fee of 15.38% for returns above the hurdle rate (RBA Cash Rate + 6.0%).

ASX Fixed Income LIT Fee Comparison				
LIT Name	**ASX Ticker**	**Management Fee**	**Performance Fee**	**Performance Fee Hurdle**
Domestic Focused				
Metrics Master Income Trust	MXT	0.60%	na**	na**
Qualitas Real Estate Income Fund	QRI	1.54%	20.50%	8.0% p.a
Metrics Income Opportunities Trust	**MOT**	**1.03%**	**15.38%**	**RBA Cash Rate +6% p.a**
Gryphon Capital Income Trust	GCI	0.72%	na	na
Perpetual Credit Income Trust	PCI	0.72%	na	na
Global				
KKR Credit Income Fund	KKC	0.90%	5.13%	RBA Cash Rate +4% p.a subject to High Water Mark
NB Global Corporate Income Trust	NBI	0.85%	na	na
Partners Group Global Income Fund	PGG	1.00%	na*	na

*The Manager is entitled to a performance fee of 10% of returns over the hurdle rate of RBA Cash Rate + 6% on the Special Situations Strategy. The Special Situations Strategy has a target portfolio allocation of 0%-25%.
**SPDF II and REDF are eligible for performance fees of 15% of the outperformance of the target returns for the respective funds.

Outside of the dislocation event in 2020, MOT has typically traded at a slight premium to NAV. The LITs that have exhibited a stable yield have traded in a closer band to the NAV than those LITs that have exhibited NAV volatility.

ASX Fixed Income LIT Premium/Discounts as at 30 April 2022		
LIT Name	**ASX Ticker**	**Premium/Discount**
Domestic Focused		
Metrics Master Income Trust	MXT	2.0%
Qualitas Real Estate Income Fund	QRI	-2.5%

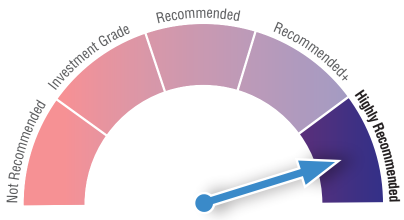
ASX Fixed Income LIT Premium/Discounts as at 30 April 2022		
LIT Name	**ASX Ticker**	**Premium/Discount**
Metrics Income Opportunities Trust	**MOT**	**3.3%**
Gryphon Capital Income Trust	GCI	2.0%
Perpetual Credit Income Trust	PCI	-6.0%
Global		
NB Global Corporate Income Trust	NBI	-9.8%
KKR Credit Income Fund	KKC	-9.5%
Partners Group Global Income Fund	PGG	-1.6%

APPENDIX A – RATINGS PROCESS

Independent Investment Research Pty Ltd "IIR" rating system

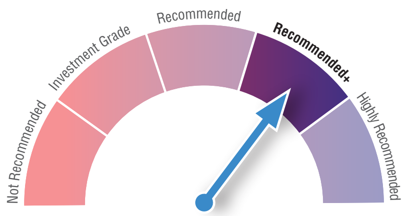
IIR has developed a framework for rating investment product offerings in Australia. Our review process gives consideration to a broad number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: management and underlying portfolio construction; investment management, product structure, risk management, experience and performance; fees, risks and likely outcomes.

LMI Ratings	SCORE
Highly Recommended	**83 and above**



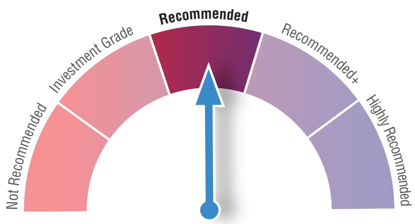
This is the highest rating provided by IIR, indicating this is a best of breed product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved exceptionally high scores in a number of categories. The product provides a highly attractive risk/return trade-off. The Fund is likely effectively to apply industry best practice to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors.

Recommended +	**79–83**



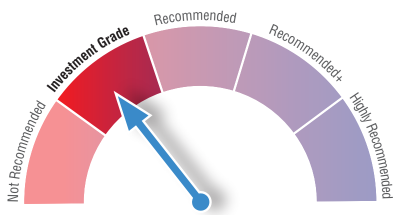
This rating indicates that IIR believes this is a superior grade product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved high scores in a number of categories. In addition, the product rates highly on one or two attributes in our key criteria. It has an above-average risk/return trade-off and should be able consistently to generate above average risk-adjusted returns in line with stated investment objectives. The Fund should be in a position effectively to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors. This should result in returns that reflect the expected level of risk.

Recommended	**70–79**



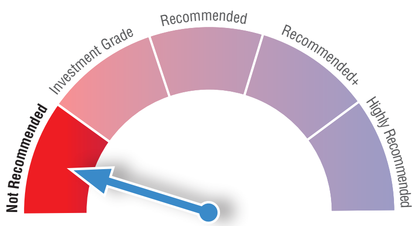
This rating indicates that IIR believes this is an above-average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an above-average risk/return trade-off and should be able to consistently generate above-average risk adjusted returns in line with stated investment objectives.

Investment Grade	**60-70**



This rating indicates that IIR believes this is an average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an average risk/return trade-off and should be able to consistently generate average risk adjusted returns in line with stated investment objectives.

Not Recommended	**<60**

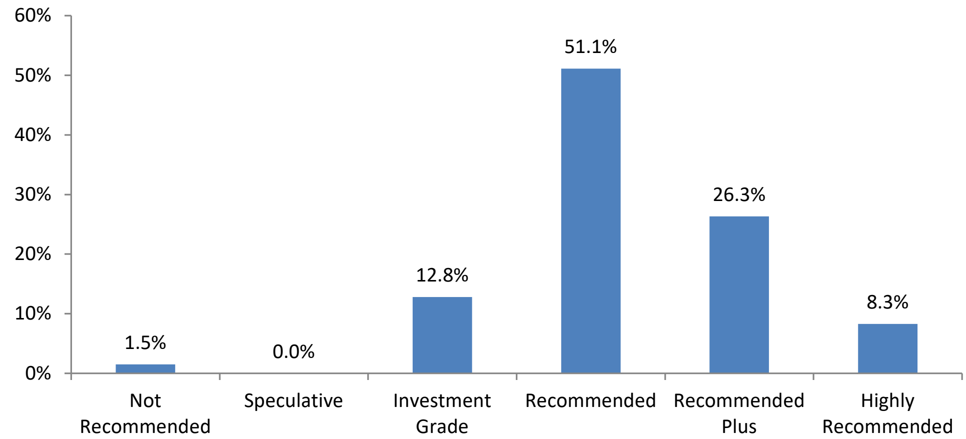


This rating indicates that IIR believes that despite the product's merits and attributes, it has failed to meet the minimum aggregate requirements of our review process across a number of key evaluation parameters. While this is a product below the minimum rating to be considered Investment Grade, this does not mean the product is without merit. Funds in this category are considered to be susceptible to high risks that are not reflected by the projected return. Performance volatility, particularly on the down-side, is likely.

APPENDIX B – MANAGED INVESTMENTS COVERAGE

The below graphic details the spread of ratings for managed investments rated by Independent Investment Research (IIR). The managed investments represented below include listed and unlisted managed funds, fund of funds, exchange traded funds and model portfolios.

SPREAD OF MANAGED INVESTMENT RATINGS



DISCLAIMER

(a) Disclaimer

The information, reports, financial models, forecasts, strategies, audio broadcasts and other media (referred to as "Content" throughout this Legal Notice), provided on this web site has been prepared and issued by Altavista Research Pty Ltd trading as Independent Investment Research "IIR", Independent Investment Research Holdings Pty Ltd (ACN 155 226 074), as authorised to publish research under an Australian Financial Securities Licence (AFSL No 420170) which allows Independent Investment Research to offer financial service advice to retail and wholesale clients. Users of this web site should not act on any Content without first seeking professional advice. Whilst the Content contained on this web site has been prepared with all reasonable care from sources which we believe are reliable, no responsibility or liability is accepted by Independent Investment Research, for any errors or omissions or misstatements however caused. Any opinions, forecasts or recommendations reflect our judgement and assumptions at the date of publication or broadcast and may change without notice. Content on this web site is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. We are not aware that any user intends to rely on the Content provided or of the manner in which a user intends to use it. In preparing our Content it is not possible to take into consideration the investment objectives, financial situation or particular needs of any individual user.

Access by any user to this website does not create a client relationship between Independent Investment Research and the user. Users seeking to invest must obtain individual financial advice to determine whether recommendations are appropriate to their investment objectives, personal financial situation or particular needs, before acting on any recommendations. Any Content is not for public circulation or reproduction, whether in whole or in part and is not to be disclosed to any person other than the intended user, without the prior written consent of Independent Investment Research.

(b) Disclosure of Interest

General

Independent Investment Research, its officers, employees, consultants and its related bodies corporate have not and will not receive, whether directly or indirectly: any commission; fee; benefit; or advantage, whether pecuniary or otherwise, in connection with making any recommendation contained on this web site. Independent Investment Research, discloses that from time to time, it or its officers, employees and its related bodies corporate: may have an interest in the securities, directly or indirectly, which are the subject of these recommendations; may buy or sell securities in the companies mentioned in the Content; may effect transactions which may not be consistent with the recommendations in the Content; may have directorships in the companies mentioned in the Content; and/or perform paid services for the companies that are the subject of such recommendations.

However, under no circumstances, has Independent Investment Research been influenced, either directly or indirectly, in making any recommendations contained on this web site.

Corporate Research

Independent Investment Research has or may have, received a fee either directly by a company itself or by a third party, to provide coverage and/or corporate research (the "Fee"). Where a Fee has been received, Independent Investment Research does not publish:

Buy / Hold / Sell recommendations for the security or managed investment schemes.

(c) Copyright Protection

All Content at this web site is protected by copyright. Apart from any use permitted under the Copyright Act (Cth) 1968, you must not copy, frame, modify, transmit or distribute the material at this web site, without seeking the prior written consent of the copyright owner. Content on this web site is owned by the business Independent Investment Research. Users are prohibited from copying, distributing, transmitting, displaying, publishing, selling, licensing, creating derivative works or using any content on the web site for commercial or public purposes

(d) Trade Marks

The trade marks and logos displayed on this web site belong to Independent Investment Research or other parties. Such trade marks include registered trade marks and trade marks pending registration. Users are prohibited from using any of these trade marks, without seeking the prior written consent of IIR or such third party, which may own the trade mark content on this web site.

(e) Limitation of Liability

To the fullest extent permitted by the law, Independent Investment Research and any of its officers, employees, agents, consultants or related bodies corporate disclaim any liability, whether based in contract, tort, strict liability or otherwise, for any direct, indirect, incidental, consequential or special damages arising out of or in any way connected with the use of any Content made available on this web site by any person or entity.

(f) No Warranties

Independent Investment Research does not make any claims, promises, guarantees, representations or warranties regarding the accuracy, completeness or fitness for purpose of the Content made available on this web site. All information on this web site is provided to you on an as is basis, without warranty of any kind either express or implied. To the extent that research can be provided by third parties, Independent Investment Research makes no warranty or representation as to the accuracy or completeness of such information displayed on this site, and accepts no liability for errors or omissions arising from such third party information. To the fullest extent permitted by law, under no circumstances will Independent Investment Research be liable for any loss or damage caused by users reliance upon information obtained through this web site. It is the responsibility of the user to evaluate the accuracy, completeness or usefulness of any information, opinion, general advice or other content made available through this web site. Furthermore, Independent Investment Research does not warrant or represent that this web site is error free or free from viruses or defects. A user must do all that is necessary (including using virus checking software) to satisfy itself that accessing this website will not adversely affect its system.

For further information, please contact IIR at: client.services@independentresearch.com.au

Independent Investment Research (Aust.) Pty Limited

SYDNEY OFFICE
Level 1, 350 George Street
Sydney NSW 2000
Phone: +61 2 8001 6693
Main Fax: +61 2 8072 2170
ABN 11 152 172 079

MELBOURNE OFFICE
Level 7, 20–22 Albert Road
South Melbourne VIC 3205
Phone: +61 3 8678 1766
Main Fax: +61 3 8678 1826

HONG KONG OFFICE
1303 COFCO Tower
262 Gloucester Road
Causeway Bay, Hong Kong

DENVER OFFICE
200 Quebec Street
300-111, Denver Colorado USA
Phone: +1 161 412 444 724

MAILING ADDRESS
PO Box H297 Australia Square
NSW 1215