AUSTRALIAN
RESEARCH
INDEPENDENT INVESTMENT RESEARCH

Metrics Direct Income Fund

Review

31 January 2024

INDEPENDENT
INVESTMENT RESEARCH

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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.

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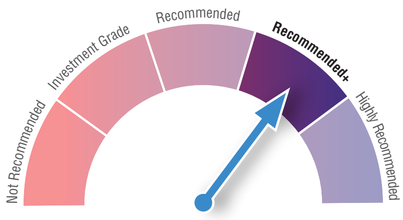
Note: This report is based on information provided by Metrics Credit Partners Pty Ltd as at 31 August 2023.

Rating



Key Investment Information (as at 31 August 2023)

NAV per unit ($)	$1.03
Units on Issue (m)	1,182.1m
AUM ($m)	$1,220.5m
Trailing 12-month Distribution Yield	8.51%
Launch Date	July 2020
Minimum Investment	$1,000*
Responsible Entity	Equity Trustees Limited
Investment Manager	Metrics Credit Partners Pty Ltd
Structure	Unlisted Unit Trust
Term	Open-ended
Target Distribution	RBA Cash Rate + 3.25% (net of fees and expenses)
Distribution Frequency	Monthly
Redemptions	Monthly
Fees:	
Management Fee (p.a.)	0.60%**
Performance Fee	na***

*The minimum investment amount is at the discretion of the Manager.

**The Trust pays the Manager a fee of 0.21%p.a. and the Manager receives fees from the underlying wholesale funds. The total management fee is estimated to be 0.60%p.a.

***SPDF and REDF charge performance fees for the outperformance of the relevant hurdle rates.

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 Direct Income Fund ("MDIF" or the "Trust") is an unlisted unit trust that was established in July 2020. The Trust is managed by Metrics Credit Partners Pty Ltd ("Metrics" or the "Manager") an Australian debt-specialist asset manager founded in 2011 and with significant expertise in the Australian corporate loan market. MDIF provides exposure to a portfolio of loans to Australian companies diversified by borrower, industry and credit quality. It does so through an investment in MCP Wholesale Investment Trust (MCP WIT), which in turn invests in three wholesale funds managed by Metrics, all of which provide exposure to the Australian corporate loan market but with differing risk-return investment profiles and target loan investments. In addition to the underlying wholesale funds, the Trust can hold units in the Metrics Master Income Trust (ASX: MXT). MXT provides the same exposure as MDIF, both investing in the same trust, MCP WIT, however MXT is listed on the ASX. From a credit quality perspective, the Manager targets investment grade through to sub-investment grade segments (A through to B rated), reflecting the Manager's view that this segment presents a particularly attractive opportunity set in terms of market pricing relative to default risk. Through the underlying investments, the Manager is targeting a return equal to the RBA Cash Rate + 3.25% per annum, net of fees and expenses. The Trust pays distributions on a monthly basis. Where the Trust is liquid, the Responsible Entity (RE) will accept redemption requests on a monthly basis, at the end of each month, where an investor has provided 10 business days written notice. In certain circumstances redemptions may be restricted and in the event the Trust receives redemptions requests of more than 10% of the NAV of the Trust in any given month, the RE may stagger the redemptions over successive five month periods.

INVESTOR SUITABILITY

The Trust provides retail investors access to an actively managed portfolio of direct corporate loans, with the potential to provide an enhanced yield to traditional fixed income securities such as government and corporate bonds and term deposits. 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. The portfolio has exposure to sub-investment grade loans which have a higher level of default risk associated with them. Investors should be mindful that defaults generally tend to cluster during periods of prolonged economic distress. In terms of income, as a unit trust the income that is generated on the loan asset will flow through to the investor and be paid on a monthly basis. Investors should note that distributions are exposed to default risk and there is the potential for capital loss on individual loans.

RECOMMENDATION

Independent Investment Research (IIR) has upgraded the rating for the Metrics Direct Income Fund (MDIF) from Recommended to **Recommended Plus**. The rating upgrade brings the rating for MDIF in line IIR's rating for the listed version of the fund, Metrics Master Income Trust (ASX: MXT). MDIF has achieved its target objectives since being established in July 2020 with the Trust delivering a monthly distribution that has consistently exceeded the target distribution rate. The predominantly floating rate exposure of the portfolio has seen investors benefit from the increasing interest rate environment with the Trust providing an attractive risk-adjusted return compared to domestic equities and Australian Investment Grade and High Yield Corporate Bonds. The unlisted unit trust structure provides the benefit of entering and exiting the Trust at NAV, however redemptions are limited to monthly gates with redemptions having the potential to be restricted depending on the liquidity of the Trust. The Trust has the ability to invest in MXT units which provide the Trust with potential liquidity to meet redemption requests, however movements in the market price of MXT units has resulted in increased NAV volatility over the Trust's history. The Manager has grown significantly in recent years with investors benefiting from the scale achieved by the Manager. The Manager has seen very few default events and no loss of capital in any of the funds issued by the Manager to date, however we note that the credit risks in the current environment are elevated with corporate loan defaults likely to rise as the impact of the increase in interest rates continues to filter through the economy and a slowing growth backdrop, which may result in an increase in the number of workouts required within the portfolio. While credit risks are elevated we note the vast majority of loans the Trust is exposed to are senior ranking and secured.

SWOT

Strengths

- Unitholders have benefited from the increasing interest rate environment with the distributions for the FY23 period increasing 73.7% on the prior year to 8.13 cents per unit.
- 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 20 years relevant experience. The four-member IC also mitigates key person risk.
- The Trust has competitive fees, with retail investors benefiting from wholesale rates. We note that the Manager may receive fees, brokerage and commissions from the investments made by the underlying wholesale funds.
- 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 and no default events that have adversely impacted investor returns.
- The portfolio is highly diversified with the over 300 investments in the portfolio as at 31 August 2023 reducing the risk associated with an individual loan exposure.
- Loans in the portfolio are largely senior in the capital structure and secured with 98% of the portfolio invested in senior loans at 31 August 2023 and 92.8% of loans secured.

Weaknesses

- Liquidity is limited with redemption requests accepted on a monthly basis, reflecting the limited liquidity of the underlying investments. The approval and payment of redemptions will be dependent on the liquidity of the Trust at any given time. In the event the Trust receives redemption requests of more than 10% of the Trust in any given month, the RE may stagger the redemption requests over successive five month periods. To date all redemption requests have been met within 8 business days of the month end.
- The Manager's business has grown considerably in recent years with the Manager continuing to expand with the introduction of new funds. The increased AUM has resulted in a significant increase in the number of loans made. While the Manager has invested in additional resources as AUM has grown the capacity of the four members of the IC signing off on all loans will likely to begin to be stretched with further growth and may require a change to the investment committee process.

Opportunities

- With uncertainty in equity markets as a result of a softening growth outlook and geopolitical tensions, MDIF provides an opportunity to realise a regular income that will increase with further interest rate increases and offers low capital volatility, subject to the portfolio not experiencing any default events in which the Trust cannot recoup the full loan amount.
- The portfolio provides an opportunity to access a portfolio of investments that is not readily accessible to retail investors. There are very few unlisted private credit trusts available to retail investors.

Threats

- Two of the three wholesale trusts in which MXT invests have a borrowing facility. The borrowing facility provides the ability for the Manager to manage any mismatches with regards to the timing of investments, negate foreign exchange risk through match funding arrangements for non-Australian loans and cash flow requirements of the fund. The facility for DASLF is at the upper end of the limit with the facility being 30% of GAV as at 31 August 2023, with drawn debt representing 15.7% of GAV. The borrowing facilities provides the ability to increase returns for investors however the use of debt can also magnify losses.

- Unlike a publicly traded bond, where the value of the asset is determined by its traded price, MDIF's portfolio will largely comprise loans 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 monthly independent 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.
- A prolonged economic downturn could result in increased borrower stress which could result in an inability of borrowers to meet their contractual obligations. This may have an adverse impact on the cash flows and value of the portfolio. The Manager has a number of protections and mechanisms in place to reduce the risk of loss, however in the event the Manager cannot recoup the full amount borrowed the value of investor's capital will be impaired. The high level of diversification in the portfolio reduces the risk associated to an individual loan exposure.
- The Trust can invest in MXT units which are publicly traded units. As such, the Trust may experience capital volatility in line with the movement of the market price of MXT during periods when MXT units are held by the Trust.

MDIF OVERVIEW & UPDATE

Metrics Direct Income Trust (MDIF) provides exposure to an actively managed portfolio of Australian corporate loans with the portfolio generally reflecting activity in the corporate loan market resulting in diversification by borrower, industry and credit quality. The Trust is an open-ended unlisted unit trust. The Trust seeks to deliver a target return of RBA Cash Rate + 3.25% p.a, net of fees and expenses, and pay monthly cash distributions. The Trust is managed by Metrics Credit Partners Pty Ltd ("Metrics" or the "Manager") an Australian debt-specialist asset manager founded in 2011 and with significant expertise in the Australian corporate loan market.

From a credit quality perspective, the Manager targets the investment through to sub-investment grade segment (A through to B rated), reflecting the Manager's view that this segment presents a particularly attractive opportunity set in terms of market pricing relative to default risk. The portfolio is focused on senior secured loans with the Trust having a small exposure to subordinated debt.

MDIF invests in MCP Wholesale Investment Trust (MCP WIT), which in turn invests in three wholesale trusts managed by the Manager in accordance with the target allocation ranges, detailed in the below table. The largest exposure is to the Metrics Credit Partners Diversified Australian Senior Loan Fund (DASLF), which was the first fund launched by the Manager in June 2013 and has grown to $6.1b AUM (includes debt facility). A summary of the underlying wholesale funds is provided below. In addition to MCP WIT, MDIF may invest in units of Metrics Master Income Trust (ASX: MXT). The Manager has the ability to buy units in MXT when they are trading at a discount to NAV but will also use the investment in MXT as a source of liquidity. As at 31 August 2023, 6.2% of the Trust was invested in units of MXT, the remainder was invested in units of MCP WIT.

MDIF had a 31.8% interest in MCP WIT at 31 August 2023. MDIF combined with MXT had a combined interest of 80.1% of MCP WIT as at 31 August 2023.

The portfolio is predominantly exposed to loans made to Australian corporates with MCP WIT required to have greater than 80% of capital invested in Australian domiciled corporates. The portfolio is highly diversified with exposure to over 300 investments at 31 August 2023 with a maximum exposure limit to a single borrower of 5%. The average issuer exposure at 31 August 2023 was less than 0.5%. There is little duration risk associated with the loans in the portfolio with 98.5% of the portfolio exposed to floating rate loans.

The Manager will receive a management fee out of the assets of the Trust of 0.21%p.a of the Trust's gross asset value. In addition, the Manager will receive management and performance fees from MCP WIT, where MCP WIT makes direct investments, and the underlying wholesale funds. Total management fees are currently 0.60%p.a.

DASLF does not have a performance fee but SPDF II and REDF do. The Manager is entitled to 15% of the outperformance of the hurdle rates of SPDF II and REDF (up to a maximum of 0.55%), which is represented by the target returns of the two funds. Performance fees are calculated and accrued daily and are payable in arrears at the last business day of the financial year.

Units in the Trust are issued monthly following payment of the prior month's distribution. The issue price for units will be calculated at the NAV plus transaction costs (if any). Where liquid, the RE will accept redemption requests on a monthly basis, at the end of each month, subject to investors providing 10 business days prior written notice. In certain circumstances redemptions will be restricted, with redemptions dependent on the liquidity of MCP WIT, new investor flows, cash and MXT units held by the Trust. The redemption price for units will be calculated as the NAV minus transaction costs (if any). The Trust may hold units in MXT, which may be used to satisfy redemption requests. In the event MXT units are sold for less than they were acquired may result in the Trust realising a loss. Where the Trust receives redemption requests of more than 10% in any given month, the RE may stagger redemption requests over successive five month periods.

Wholesale Fund Allocation

Underlying Wholesale Fund	Target Allocation	Actual Allocation*	Target Return
Metrics Credit Partners Diversified Australian Senior Loan Fund (DASLF)	60%-70%	60%	90 day BBSW + 2.75%-3.25% p.a
MCP Secured Private Debt Fund II (SPDF II)	20%-30%	20%	90 day BBSW + 4.0% p.a
MCP Real Estate Debt Fund (REDF)	10%-20%	20%	90 day BBSW + 5.0% p.a

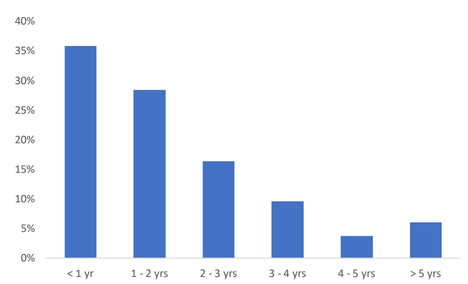
*The actual wholesale fund allocation has remained at the stated levels for the life of the Trust.

Underlying Wholesale Funds

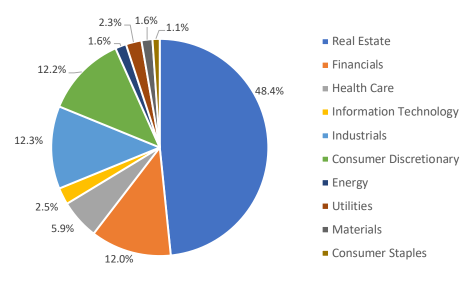
1) Metrics Credit Partners Diversified Australian Senior Loan Fund (DASLF) - provides exposure to a diversified portfolio of corporate loans. As at 31 August 2023, DASLF had 204 investments. At least 90% of loans must be senior ranking. It is designed to have exposure predominantly across the BBB to BB credit rating category with a lower risk and lower return profile. The fund has a target return of 90-day BBSW + 2.75%-3.25% p.a. (net of fees and expenses). The Manager has typically generated returns within or exceeding the target return range since inception. The Fund continues to have an issuer rating of A- from Standard and Poors.

DASLF Portfolio Exposure (as at 31 August 2023)

Maturity Profile



Sector Allocation



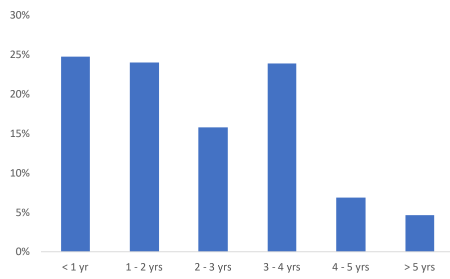
Portfolio Characteristics	
Number of Investments	204
Senior Ranking	99.2%
Subordinated & Other	0.8%
Secured	89.1%
Floating Rate	99.3%
Fixed Rate	0.7%

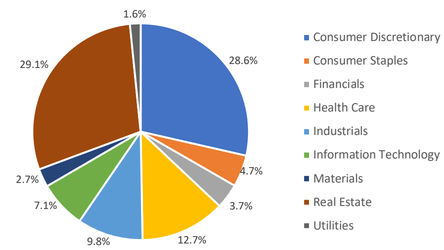
Credit Rating Exposure	
AA	0.0%
A	0.4%
BBB	51.6%
BB	38.3%
B	9.2%
< B	0.0%
NR	0.4%

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, which commenced in 2015. 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. (net of fees and expenses). At 31 August 2023, the Fund comprised 86 loans, 95.4% of which were senior ranking with all loans secured. The Fund has consistently generated net returns in excess of the target return to date with the monthly annualised returns exceeding the target return in all but one month since inception to 31 August 2023.

SPDF II Portfolio Exposure (as at 31 August 2023)

Maturity Profile	Sector Allocation



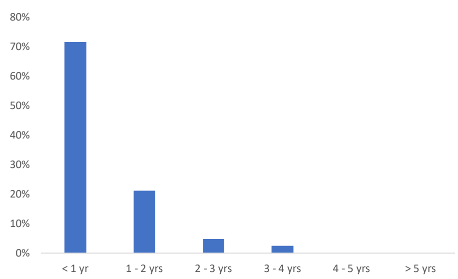


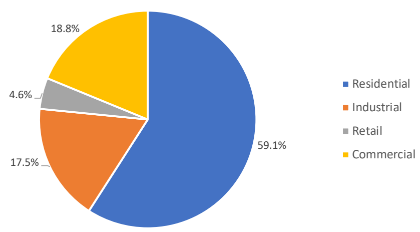
Portfolio Characteristics		Credit Rating Exposure	
Number of Investments	86	AA	0.00%
Senior Ranking	95.4%	A	0.00%
Subordinated	4.6%	BBB	21.50%
Secured	100%	BB	46.90%
Floating Rate	97.2%	B	31.60%
Fixed Rate	2.8%	<B	0.00%

3) MCP Real Estate Debt Fund (REDF) - REDF was also 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. (net of fees and expenses), which the Fund has consistently exceeded since inception. The Fund has grown from $140 million at inception to $2.7 billion (including borrowing facility) as at 31 August 2023. At 31 August 2023, the Fund had 103 loans, all secured, 96% of which were senior ranking. The portfolio is predominantly exposed to residential property with 59.1% of the portfolio allocated to residential property at 31 August 2023 with the portfolio concentrated to properties in NSW and VIC. 38.7% of the portfolio was exposed to construction loans as at 31 August 2023. The additional target returns of the Fund reflects the increased risk associated with CRE debt. REDF has an issuer rating of A- from Standard & Poors.

REDF Portfolio Exposure (as at 31 August 2023)

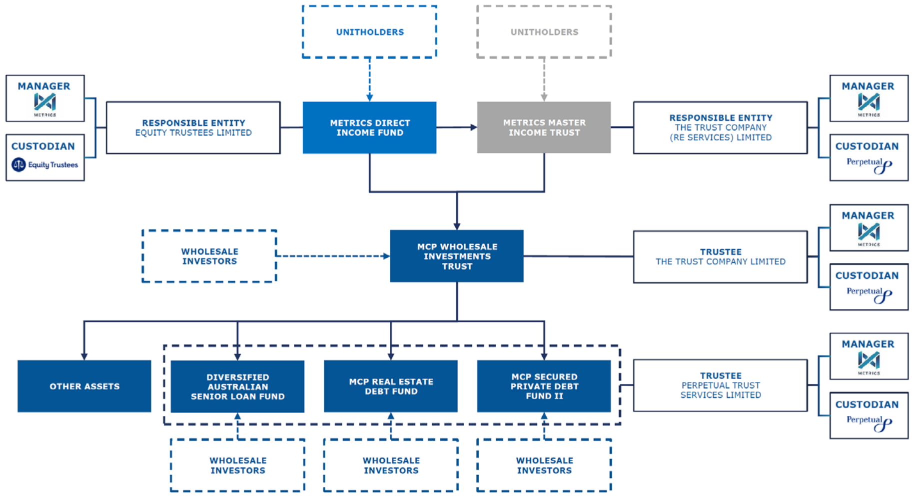
Maturity Profile	Sector Allocation





Portfolio Characteristics		Geographic Allocation	
Number of Issuers	103	NSW	56.1%
Senior Ranking	96.2%	VIC	27.0%
Subordinated	3.8%	S.A	2.5%
Secured	100%	W.A	11.7%
Floating Rate	97.4%	QLD	2.8%
Fixed Rate	2.6%	ACT	0.0%

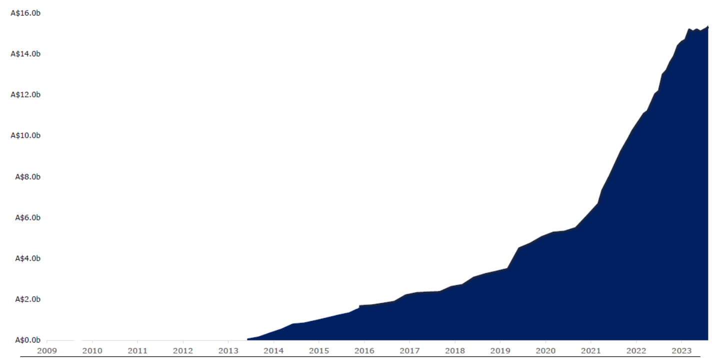
MDIF Structure



Investment Manager Update

Since being founded in 2011, the assets under management (AUM) of the Manager has grown significantly with AUM of ~$15.4 billion as at 31 August 2023. As shown in the below chart, AUM accelerated significantly from mid 2020 to 31 August 2023. The flagship fund, DASLF, is the largest fund for the Manager with 38% of AUM invested in DASLF. The percentage of DASLF as a percentage of AUM has been declining since the introduction of new funds which commenced in 2015.

Metrics Credit Partners Assets Under Management (AUM)

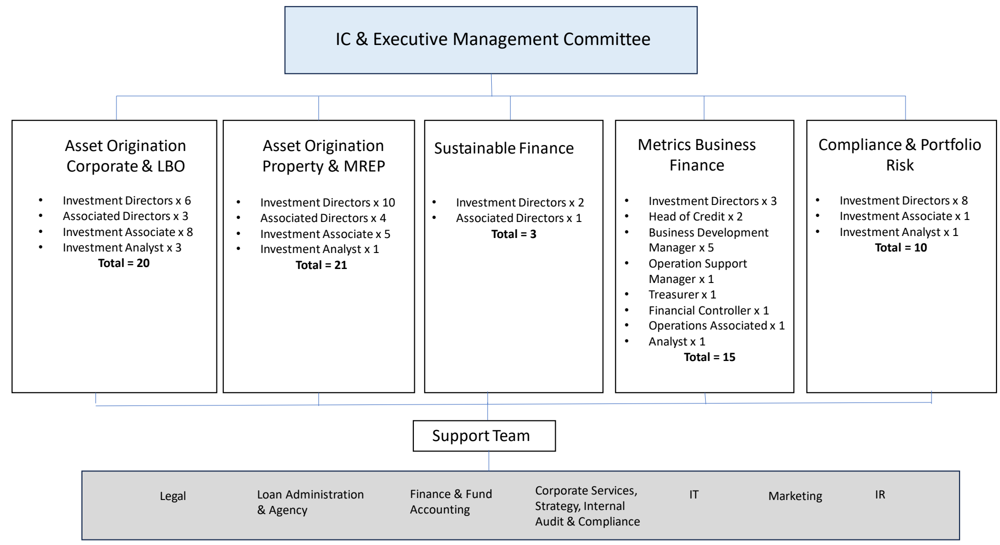


The Manager has increased it's resources as the business has grown. At 31 August 2023, the Manager had 125 employees, 73 of which are part of the investment team and 44 of which are support staff including loan administration, finance and accounting, corporate services and compliance, IT, marketing and investor relations.

The investment team makes up the bulk of the team with 73 employees making up the investment team. There has been some turnover in the investment team over the two years to 31 August 2023, however the Manager has been a net hirer with 40 new additions to the team and 15 departures. The majority of departures have been junior ranking team members with just three Investment Directors departing in the last two years.

The four Managing Partners remain the members of the Investment Committee and are involved in the decision making for all transactions. The investment process has not changed in that regard with the four Managing Directors required to reach a consensus view on loans made. The Managing Partners are supported by the investment team which can be broken down into five groups: (1) New Asset Origination & LBO; (2) New Asset Origination Property/MREP; (3) Sustainable Finance; (4) Metrics Business Finance; and (5) Compliance & Portfolio Risk. An overview of the investment team structure is provided below. The senior investment team members, including the Managing Partners, are highly experienced with an average experience of 22.3 years for senior team members. The expansion of the team and the departure of some senior team members has resulted in an average tenure with the Manager of just over 3 years, excluding the Managing Partners.

Investment Team Structure



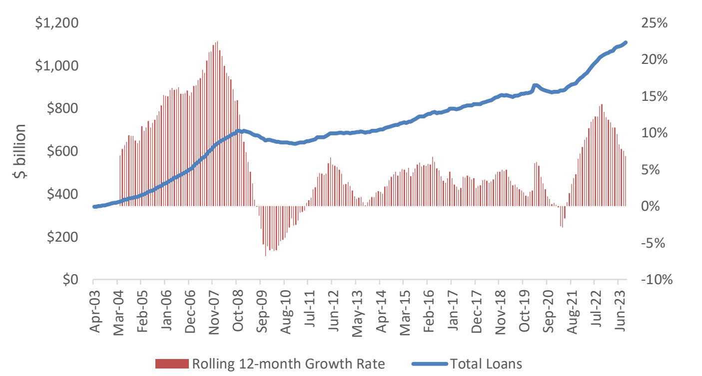
Note: Metrics Business Finance was launched in late 2021 after the Manager acquired Bigstone Finance. Metrics Business Finance is focused on providing commercial property loans and equipment finance to SMEs.

CORPORATE LOAN MARKET UPDATE

Corporate loans in Australia continue to be predominantly serviced by the major banks in Australia. However, a reduction of the risk appetite by the banks in certain sectors, in particular small and medium enterprises (SMEs) has seen the loans provided by non-bank lenders begin to increase again, albeit still remaining less than 10% of the total loan market.

Business loans, excluding loans to financial businesses, continues to grow with over $1.1 trillion in total business loans as at 30 September 2023.

Business Loans (excluding loans to financial businesses)

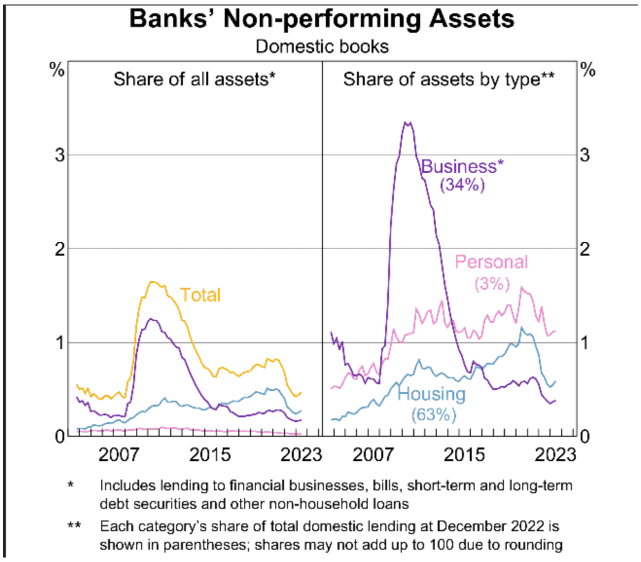


Source: RBA

The below chart shows the non-performing assets of the banks. The chart highlights that non-performing loans across residential housing and business remain low with business non-performing loans coming off lows. This is a result of many businesses being able to pass on increased costs to consumers. Non-performing business loans increased during 2008 and 2009 on the back of the GFC. This highlights the fact that increases to non-performing loans tend to cluster around times of significant economic weakness.

We note the below chart represents the assets of the banks and not the portfolio of loans of MDIF. The Manager has advised that they have no loans with arrears in their loan book and no impaired loans. Given the current economic environment, the risks associated with loans are elevated, however investors are getting an increased return which compensates for the additional risk.

Banks Non-Performing Loans

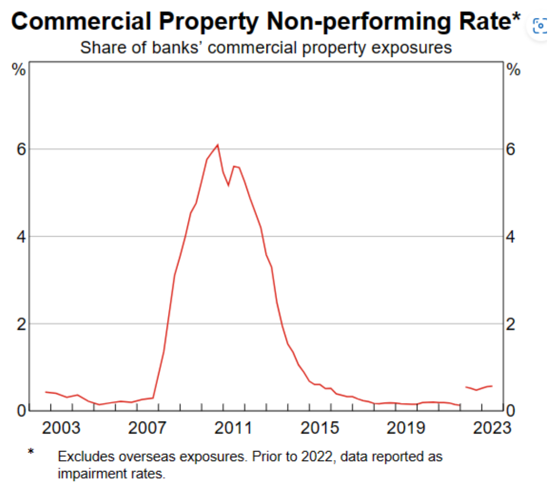


Source: RBA Chart Pack, 8 November 2023.

The MDIF portfolio is exposed to CRE debt with REDF focused on providing CRE loans and the other wholesale funds also participating in commercial property loans. With regards to the broader CRE loan market, non-performing loans remain low. Similar to the business loans shown in the above chart, non-performing loans peaks in 2008 and 2009 in the GFC. Either side of this period, non-performing loans have been low. Banks exposure to commercial property loans has declined since the GFC, representing around 6% of total assets, which has presented an opportunity for non-bank lenders to service this market.

We note the below only represents the banks exposure to commercial property loans and not the non-bank lenders exposure. Bank loans in this sector of the market tend to be skewed towards investment loans. This compares to non-bank lenders whose loan books tend to be skewed to pre-development and construction loans. With regards to construction loans, banks tend to have a high pre-sales threshold which developers are required to meet in order to finance a project, while non-bank lenders will provide financing with a materially lower pre-sales threshold than banks.

CRE Non-Performing Loans



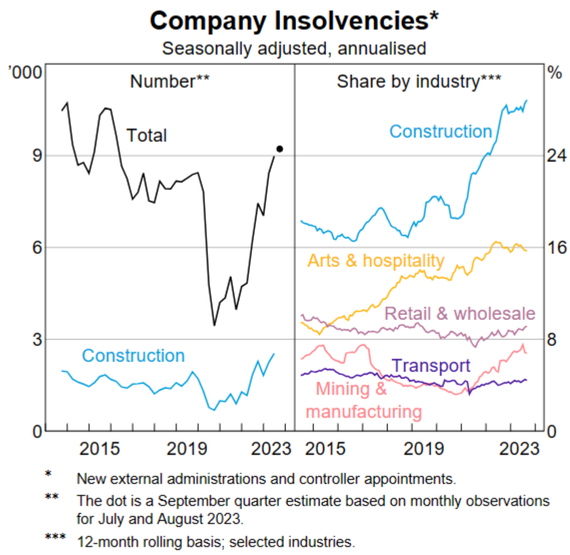
Source: RBA Financial Stability Review, October 2023.

There has been an uptick in the number of insolvencies with insolvencies now around pre-pandemic levels. The construction industry in particular has experienced rising insolvencies with the construction industry accounting for one-third of the increase in insolvencies according to the RBA. The RBA noted that this increase was coming off very low levels recorded during the pandemic as is highlighted in the below chart. Rising costs, supply chain issues and workforce supply has all contributed to the increased number of insolvencies in the construction industry. The risks of the transmission of financial stress from builders to contractors is elevated, however many sub contractors have been able to pass on cost increases. According to the RBA, profit margins among construction services companies have improved but remain below pre-pandemic levels. While most sub-contractors appear to be managing these challenges, some have been impacted by builders defaulting on outstanding invoices.

According tot he RBA, signs of severe financial stress among households owning and operating small construction businesses also remain low, with personal insolvencies related to business failures near historical lows. However, new residential construction activity is slowing, which will put further pressure on builders and construction services firms, particularly those relying on cash flows from new projects to offset losses on others. Increased levels of insolvencies may make it difficult to attract labour which may result in project delays.

The Manager actively manages the risks associated with CRE loans, with the Manager focused on providing loans to developers that have a strong track record of delivering projects. While the risks are elevated, the under supply of housing in Australia and population growth will continue to be a tailwind for the residential construction sector.

Company Insolvencies



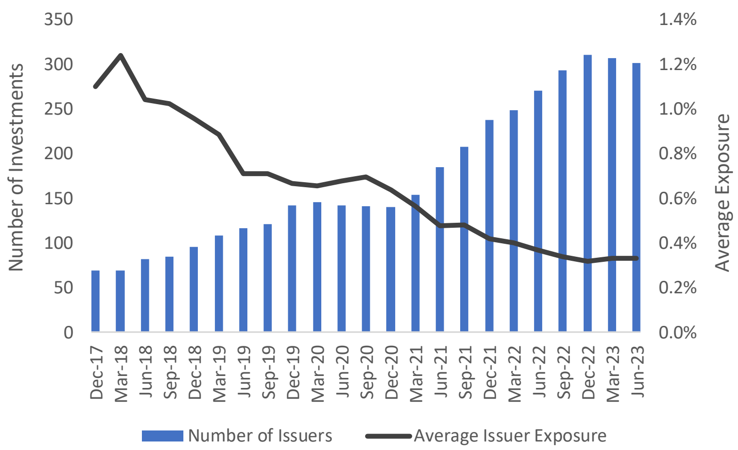
Source: RBA Financial Stability Review, October 2023.

PORTFOLIO POSITIONING

MDIF invests in MCP WIT, which then invests capital in the underlying wholesale funds. The below portfolio positioning data is provided for MCP WIT given MCP WIT has a longer track record than MDIF, with MDIF being established in July 2020.

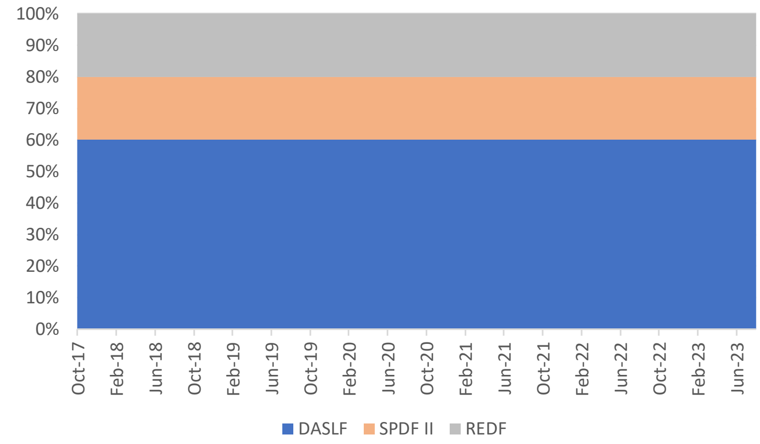
The portfolio is highly diversified with the portfolio exposed to over 300 investments. The portfolio has increased the level of diversification as the Trust has grown with the Trust benefiting from the growth in the underlying wholesale funds.

MCP WIT Number of Issuers & Average Issuer Exposure



The allocation to the three wholesale funds has remained steady since listing, as shown by the below chart, with 60% of capital allocated to the Metrics Partners Diversified Australian Senior Loan Fund (DASLF), 20% to the MCP Secured Private Debt Fund II (SPDF II) and 20% to the MCP Real Estate Debt Fund (REDF). This allocation is within the target ranges with the allocation to DASLF and SPDF II at the lower end of the target allocation ranges and REDF at the upper-end of the target range.

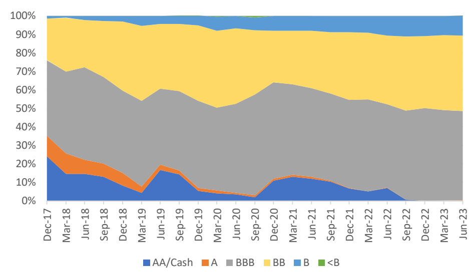
Wholesale Fund Allocation

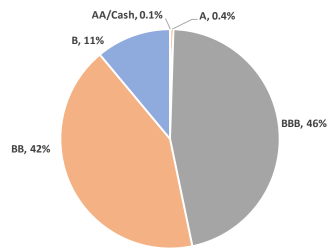


The portfolio is exposed to investment grade and sub-investment grade loans, with the majority of loans spanning the BBB and BB categories. As at 31 August 2023, 88% of the portfolio was exposed to loans rated BBB and BB. Exposure to B rated loans has typically been a relatively small exposure of the portfolio, however has been slowly increasing in recent years. The portfolio is fully invested with very small levels of cash at 31 August 2023.

Credit Rating Exposure

Historic Exposure	As at 31 August 2023

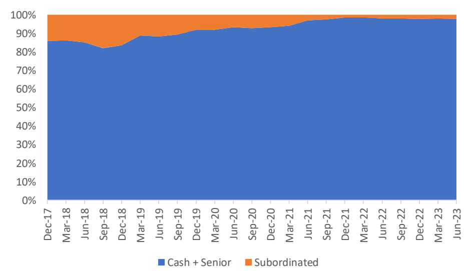


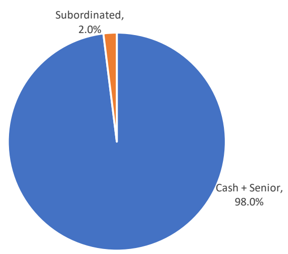


The portfolio is predominantly exposed to senior ranking loans with MCP WIT required to have more than 90% exposure to senior loans. In the early years the portfolio had a greater than 10% exposure to subordinated loans, however as the portfolio has grown the exposure to subordinated loans has declined to be just 2.0% as at 31 August 2023. Loans will typically be secured with less than 10% of the portfolio exposed to unsecured loans as at 31 August 2023.

Capital Structure Exposure

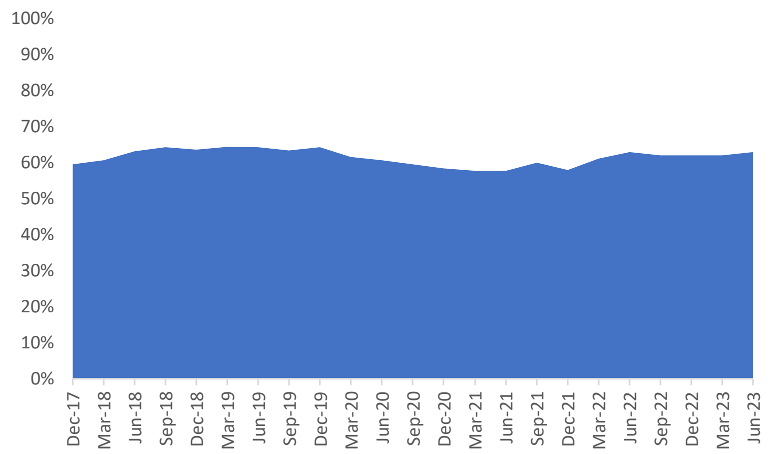
Historic Exposure	As at 31 August 2023





The portfolio has historically had a conservative weighted average LVR with regards to CRE loans with a weighted average LVR of less than 65% throughout its history. This means that in the event of a default, asset values would have to fall by 35%+ for the capital of the Trust to be impaired.

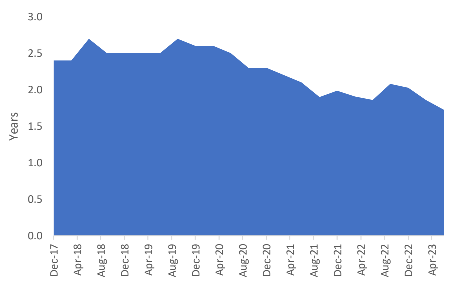
Weighted Average LVR for CRE Loans



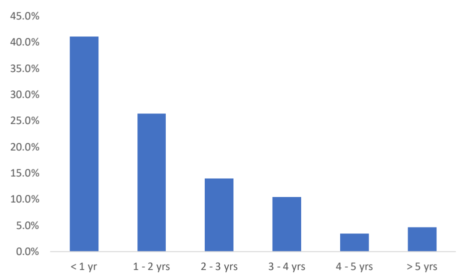
Loan terms will range from 6 months to 10 years with DASLF having a target weighted average loan term of 3 to 5 years. Loans made by REDF tend to have a shorter maturity (less than 2 years) given the nature of CRE loans. The weighted average term to maturity for the MXT portfolio has been declining with the weighted average loan term falling below two years in 2023. As at 31 August 2023, over 40% of the loans in the portfolio had a loan term of less than 1 year remaining with over 80% of the portfolio having a remaining term of less than 3 years. The short duration nature of the loans reduces the term risk associated with loans in the portfolio and suggests there will be a significant amount of turnover in the portfolio over the next 12 months.

Weighted Average Loan Term (years)

Historic Weighted Average Loan Term (years)



Term to Maturity Spread*



*As at 31 August 2023.

Sector & Loan Type Allocation

The portfolio is diversified by sector as well as individual loan as highlighted by the below table. Real Estate Management and REITs are the largest sector allocation with these two sectors making up over 50% of the portfolio. We note REITs includes commercial property loans, excluding construction loans. The portfolio will always have a significant weighting to this sector given 20% of the Trust is allocated to REDF and the other two wholesale funds also have exposure to commercial property loans.

Hotels, Restaurants and Leisure are the next biggest sector exposure with exposure to this sector increasing to 11% at 31 August 2023, from 7% the year prior.

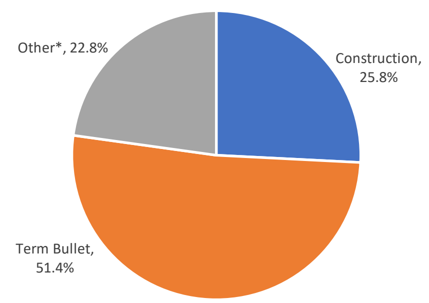
Sector Allocation (as at 31 August 2023)

Sector	Weighting
Real Estate Management & Development	18%
REITs	37%
Hotels, Restaurants & Leisure	11%
Health Care Providers & Services	5%
Professional Services	2%
Capital Markets	5%
Speciality Retail	1%
Diversified Financial Services	3%

Sector Allocation (as at 31 August 2023)	
Oil, Gas & Consumable Fuels	1%
Commercial Services & Supplies	2%
Transportation	4%
Food Products	1%
Construction Materials	1%
Construction & Engineering	0%
Utilities	2%
Other/Cash	5.7%

The portfolio is predominantly exposed to term bullet loans which refers to loans in which interest is paid on a regular basis and the loan amount is repaid at maturity. At 31 August 2023, 25.8% of the portfolio was allocated to construction loans. REDF has the highest level of construction loans, which is to be expected given the focus on CRE debt, however both DASLF and SPDF II also include construction loans.

Loan Type Exposure



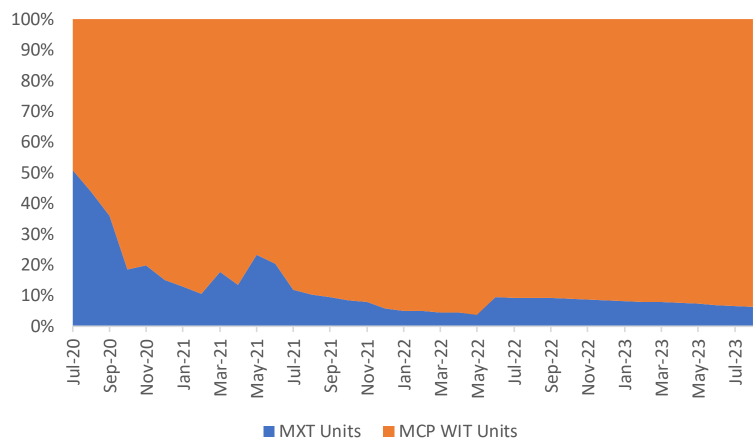
*Other includes capex loans, revolving facilities, amortising loans and other structures.

MCP WIT & MXT Allocation

As mentioned in the above report, the Trust can invest in MCP WIT and MXT units. One of the reasons the Trust was established was as a discount management mechanism for MXT.

In the initial period, the Trust had a large allocation to MXT units with 50% of the Trust allocated to MXT units with the Trust acquiring MXT units when they were trading at a discount. After accumulating MXT units initially, the Trust sold down a large part of its position in MXT before acquiring more units when MXT was trading at a discount in June 2022 with the MXT allocation accounting for 9.5% of the Trust at 30 June 2022. The Trust has marginally added to its MXT position since June 2022, however FUM growth and allocation of capital to MCP WIT units has seen the weighting to MXT fall to 6.2% of the portfolio as at 31 August 2023, with MDIF holding 8.3% of MXT units on issue.

MDIF Asset Allocation



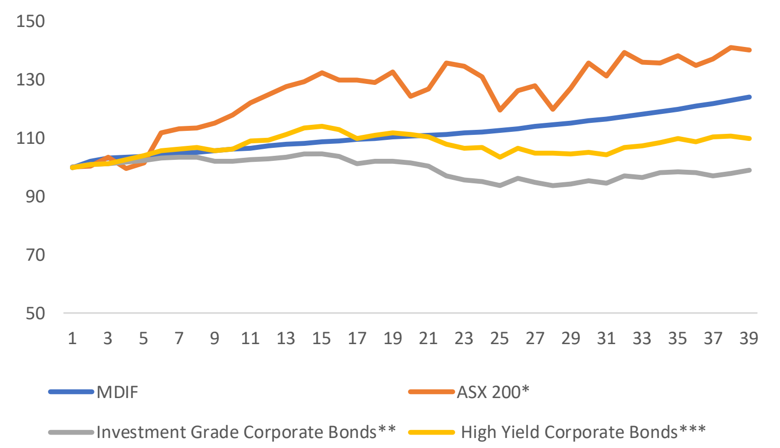
PERFORMANCE ANALYTICS

The below looks at the performance of MDIF. The Trust provides exposure to a portfolio of direct loans and therefore the return will be predominantly income based with the monthly distribution reflecting the interest income generated by the portfolio of loans for the month. There may be some NAV volatility as a result of the volatility in MXT units held by the Trust.

We have provided the MDIF returns combined with the returns of the S&P/ASX 200 Accumulation Index and the S&P Australia Investment Grade and High Yield Corporate Bond Indexes. We note that the market indices are provided for illustrative purposes only to highlight how an investment in MDIF differs from equities and fixed rate corporate bond indices.

The below chart shows the total cumulative net return for MDIF as well as the returns of the above-mentioned market indices from establishment in July 2020 to 31 August 2023. The chart highlights the low levels of volatility of MDIF when compared to the market indices over this period. MDIF's NAV has varied very little since listing with the loans in the portfolio not publicly traded. This compares to the S&P/ASX 200 Accumulation Index and the Investment Grade and High Yield Corporate Bonds which are traded on the public market and therefore marked-to-market on a daily basis. Corporate bonds are typically fixed rate bonds and therefore the price of the bonds are heavily influenced by movements in interest rates. The total return of Investment Grade and High Yield Bonds has been negatively impacted by the decline in prices which has been a result of the increasing interest rate environment.

Total Cumulative Return



*S&P/ASX 200 Accumulation Index.

**S&P/ASX Australia Investment Grade Corporate Bond Index

***S&P/ASX Australia High Yield Corporate Bond Index

Source: Metrics Credit Partners Pty Ltd, Iress, S&P Global.

The below table provides the performance metrics of MDIF and the above-mentioned market indices to 31 August 2023. MDIF's portfolio has delivered a return that is slightly below the S&P/ASX 200 Accumulation Index over the 12-months to 31 August 2023. The increasing interest rate environment and the floating rate nature of the loans in the MDIF portfolio has resulted in an increase to the distributions paid by the Trust. The increased interest rates have impacted negatively on the total return of the Investment Grade and High Yield Corporate Bond Indices with the bond prices falling to account for the increasing interest rates. This has seen MDIF deliver a superior return to the corporate bond indices over the 1, 3 and 5 year periods to 31 August 2023.

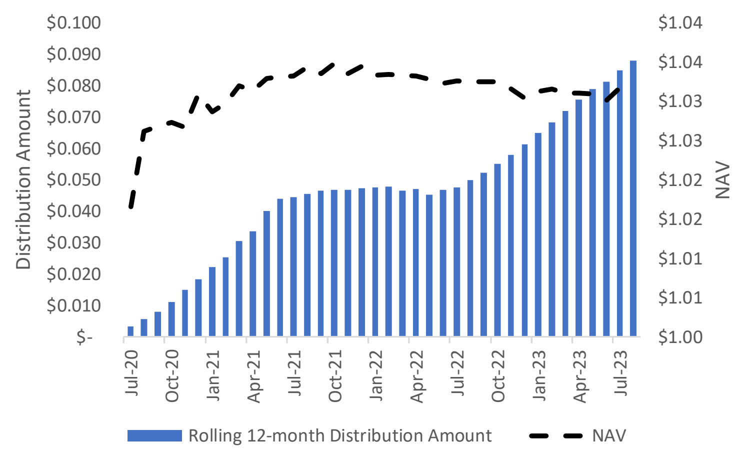
Performance Analytics (to 31 August 2023)				
	NAV	S&P/ASX 200 Accumulation Index	S&P Australia Investment Grade Corporate Bond Index	S&P Australia High Yield Corporate Bond Index
Cumulative Total Return:				
1 year	8.9%	9.6%	4.5%	4.7%
Since Inception (p.a.)	7.0%	11.2%	-0.3%	3.0%
Standard Deviation:				
1 year	0.5%	14.3%	3.9%	3.5%
Since Inception (p.a.)	1.1%	13.4%	4.2%	4.9%
Correlation to S&P ASX 200 Acc. Index				
1 year	0.18	na	0.63	0.49
Since Inception (p.a.)	0.06	na	0.35	0.41

Distributions

The below chart shows the rolling 12-month distributions paid by the Trust and the NAV per unit. The NAV increased in the initial years as a result of the large holding in MXT units which the Trust acquired at a discount and benefited from as the discount narrowed. The NAV of the Trust will be impacted by the value of MXT units at times when the Trust holds MXT units.

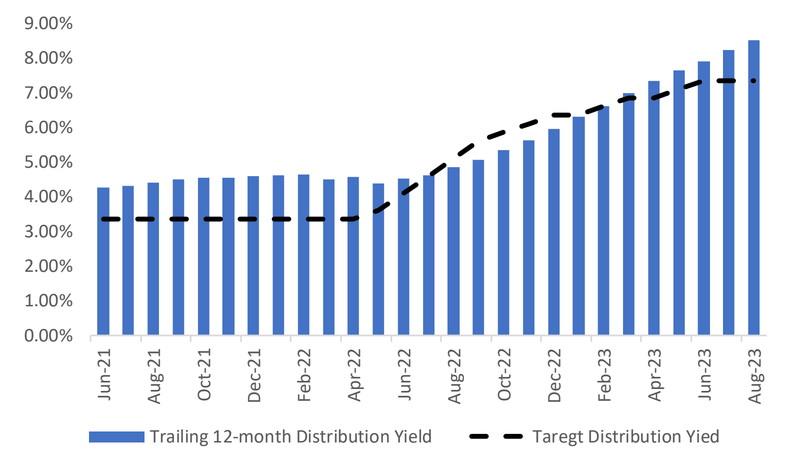
The portfolio is exposed to predominantly floating rate loans and therefore the distributions will ebb and flow with movements in interest rates. The increasing interest rate environment has seen an increased distribution amount as the Trust has realised increased interest income from the portfolio of loans.

Rolling 12-month Distributions & NAV Since Inception



The Trust has consistently delivered a yield above the target distribution yield of RBA Cash Rate + 3.25% p.a. (net of fees and expenses). The below chart shows the trailing 12-month distribution yield of the Trust from 12-months after being established and the target distribution yield. The Trust has delivered a distribution yield above the target yield with a slight lag in the trailing distribution yield during the interest rate rises as the rises flow through to the loans in the portfolio.

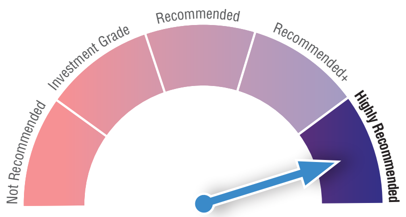
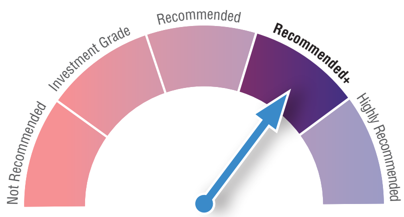
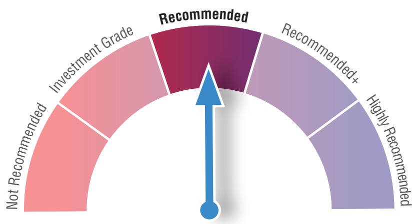
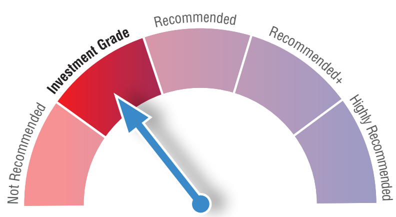
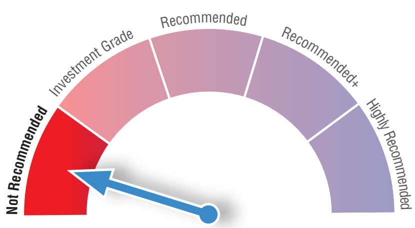
Trailing 12-month Distribution Yield



APPENDIX A – RATINGS PROCESS

Independent Investment Research Pty Ltd "IIR" rating system.

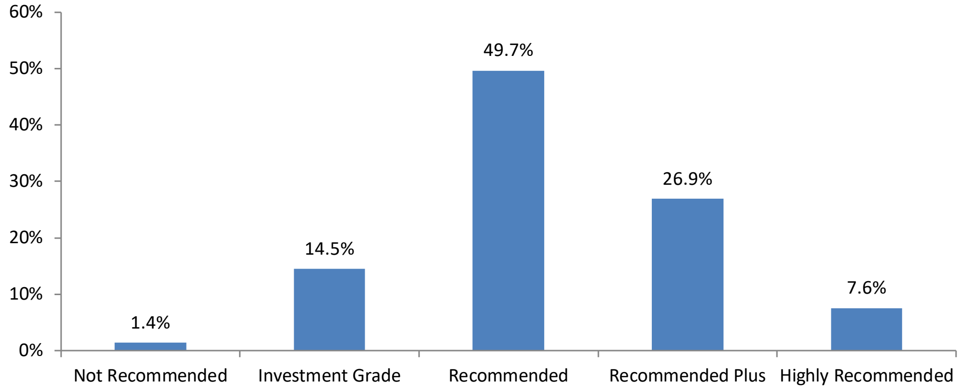
IIR has developed a framework for rating investment product offerings in Australia. Our review process gives consideration to a broad number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: product management and underlying portfolio construction;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



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