

Fund Research

Metrics Direct Income Fund



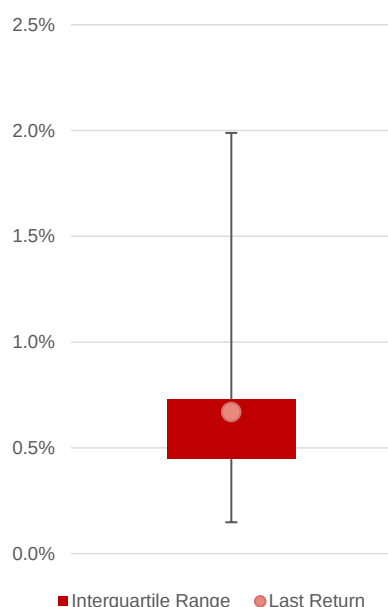
Overview

The Metrics Direct Income Fund (“MDIF”, or the “Fund”) is an unlisted open-ended unit trust which aims to provide retail investors with access to the Australian corporate loan market. As at 30 June 2025, the Trust had a Net Asset Value (NAV) of \$2.85bn.

MDIF is closely aligned to the Metrics Master Income Trust (ASX: MXT) which is the ASX listed version of the strategy. Launched in October 2017, MXT predates MDIF’s inception by nearly three years. MDIF was established to provide investors with an alternative vehicle offering greater redemption certainty – MDIF units are redeemed at Net Asset Value (NAV), compared to MXT units, which trade on market and are subject to equity like volatility during periods of stress. While MDIF itself is insulated from direct unit price volatility, it can hold MXT units within its portfolio, introducing some indirect exposure to MXT’s market price movements.

MDIF’s objective is to deliver capital stability while providing an attractive income stream, targeting the RBA cash rate + 3.25% p.a. (currently 6.85% on a forward-looking basis) after fees, paid monthly. MDIF invests primarily in the MCP Wholesale Investment Trust (WIT), which in turn invests across Metrics’ Wholesale Investor funds.

Figure 1. Monthly Net Returns Box Plot



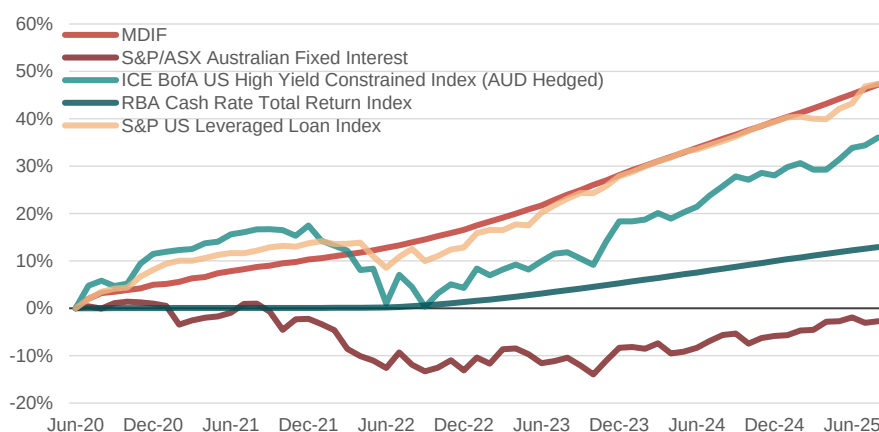
Source: BondAdviser, Metrics. As at 31 August 2025. Monthly investment return net of fees and operating expenses since inception based on growth of NTA.

Figure 2. Monthly Net Returns* (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2025	0.66	0.61	0.68	0.68	0.73	0.68	0.70	0.67					5.39
2024	0.81	0.71	0.75	0.71	0.73	0.71	0.69	0.73	0.66	0.68	0.65	0.71	8.53
2023	0.81	0.68	0.69	0.71	0.75	0.68	0.95	0.93	0.76	0.88	0.76	0.87	9.48
2022	0.27	0.36	0.35	0.35	0.40	0.48	0.47	0.55	0.53	0.64	0.55	0.59	5.55
2021	0.13	0.43	0.72	0.24	0.77	0.42	0.37	0.44	0.25	0.47	0.25	0.47	4.95
2020							1.99	1.19	0.28	0.35	0.32	0.77	4.90

Source: BondAdviser, Metrics. As at 31 August 2025. Does not assume reinvestment of distributions.
* Return is monthly net total return based on NTA plus dividends.

Figure 3. Relative Cumulative Performance



Source: BondAdviser, Metrics, Bloomberg. As at 31 August 2025. Calculated from cumulative net monthly returns of the Underlying Fund. Returns on NAV, not traded unit price, see Figure 17 for unit price variance. Assumes reinvestment of distributions.

Product Assessment

Highly Recommended

MDIF has been able to consistently raise and deploy capital, adding to an already diverse look-through portfolio. Importantly, risk parameters have been maintained despite this growth trajectory.

The Fund continues to outperform its target return over various investment horizons. We expect this to continue considering the yield of the underlying portfolio.

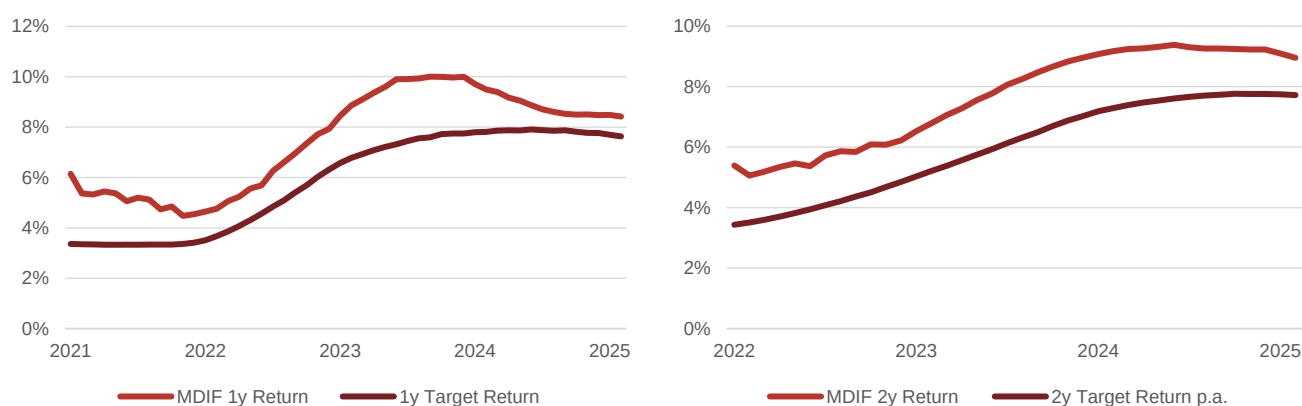
The **Metrics Direct Income Fund** is one of Metrics' flagship investment vehicles, giving investors exposure to the breadth and diversity of the Manager's private credit platform. Specifically, through the MCP Wholesale Investments Trust (WIT), the underlying portfolio is 60% allocated to the Metrics Credit 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).

As of 30 June 2025, the look-through portfolio amounts to \$2.85 billion across 348 individual borrower exposures with an average counterparty exposure of 0.3% and no single counterparty representing more than 2% of the book (versus a hard-limit of 5%). We view this diversification as robust in the context of the domestic market and note it has further improved over the last 12 months (from 316 individual borrower exposures as of 30 June 2024).

Positively, this growth has not been at the expense of quality with the look-through portfolio exhibiting a broadly consistent risk profile as of 30 June 2025 as outlined in the *Portfolio Risk Management* section. This includes an improvement in senior secured exposure to 88% of the book (from 84% as of 30 June 2024) as well as a reduced number of assets on the Investment Committee's watchlist, which accounts for 2.1% of the portfolio (from 3.5% as of 30 June 2024). As a result, our Risk Score remains unchanged at **Lower Medium** with the implied credit quality of the underlying assets notched up by the strong counterparty diversification of the Fund.

MDIF's strong portfolio construction has allowed the Fund to continue to outperform its net target return (RBA cash rate plus 3.25% per annum). As of 30 June 2025, this includes 4.20% above the RBA cash rate (or 8.44%) on a 1-year basis and 4.67% above the RBA cash rate (or 7.73% per annum) on an inception basis. We expect this to continue, reflecting an indicative yield of 7.81% for the look-through portfolio in comparison to the current net return target of 6.85% (3.25% plus the current cash rate of 3.60%). We note returns are further enhanced by origination fees, of which Metrics passes through around 80% of origination fees on average to MDIF investors based on the current WIT allocation (Sep-25).

Figure 4. MDIF Returns Relative to Target



Source: BondAdviser, Metrics, Bloomberg. As at 31-Aug-25. Assumes reinvested returns.

Overall, we continue to believe MDIF exhibits best-in-class features across structure, processes, policies and track record. While the retirement of Graham McNamara (as one

of the four founding partners) introduces an element of transition risk, we are confident this will be managed prudently and supported by Mr. McNamara continuing in an advisory capacity. We also note two independent members have been added to the Board of Metrics Credit Holdings adding additional governance oversight.

For these reasons, Metrics' ability to uphold effective systems and procedures that diligently manage credit risk remains robust and will allow MDIF to continue to outperform its target return, in our view. Importantly, this has been demonstrated for almost 4 years, of which coverage has been continuous under *BondAdviser Alternative Investment Fund Research Methodology*. We retain our Product Assessment at **Highly Recommended**.

Construction and Investment Process

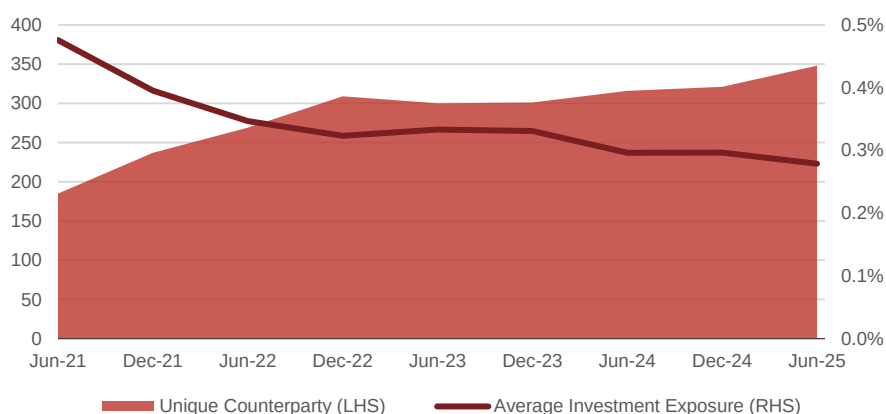
There have been **no material changes** to MDIF's construction and investment process.

Portfolio Risk Management

Credit investing is asymmetric in nature given limited upside through contractual interest payments but meaningful downside risk in the event of default. We believe the portfolio is well balanced to manage downside risk through counterparty concentration, credit quality, and seniority.

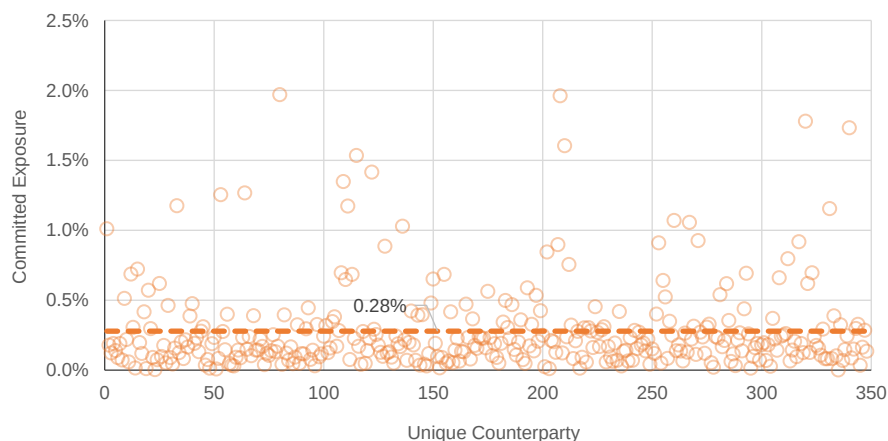
Metrics has shown a commitment to strengthening these pillars as the underlying portfolio has scaled – the last 12 months being no exception. In May 2025, MXT announced the successful completion of a wholesale placement worth \$315 million (at a price of \$2.00 per New Unit), which was subsequently deployed into the MCP WIT. This has driven an increase in unique counterparties to 348 as of 30 June 2025 (versus 316 as of 30 June 2024). Subsequently, the portfolio's average counterparty exposure (including cash) fell 2bps y/y to 0.28%. Greater diversification was also complemented by a notable reduction in the maximum committed exposure to 1.97% (including cash) versus 2.47% as of 30 June 2024.

Figure 5. Diversification Trends: Unique Counterparties vs Average Exposure*



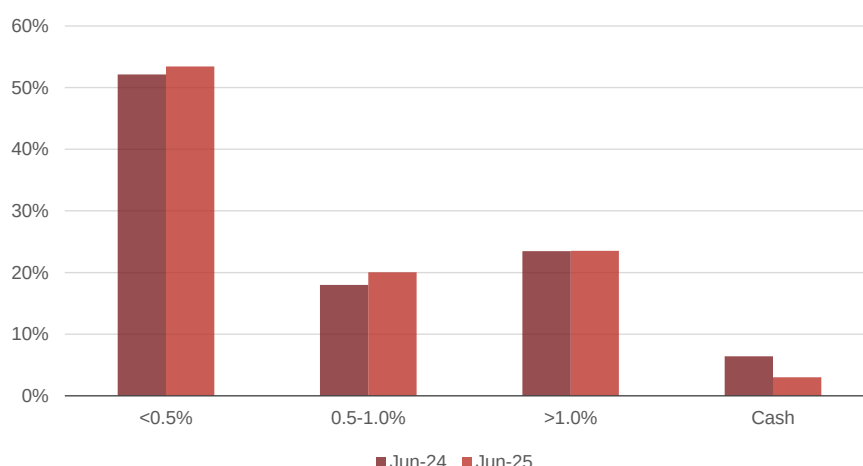
Source: BondAdviser, Metrics. As at 30 June 2025. Based on Metrics' underlying portfolio (WIT) not MDIF.
*Committed exposures inclusive of cash.

Figure 6. Unique Counterparty Exposure*



Source: BondAdviser, Metrics. As at 30 June 2025. Based on Metrics' underlying portfolio (WIT) not MDIF.
*Committed exposures inclusive of cash.

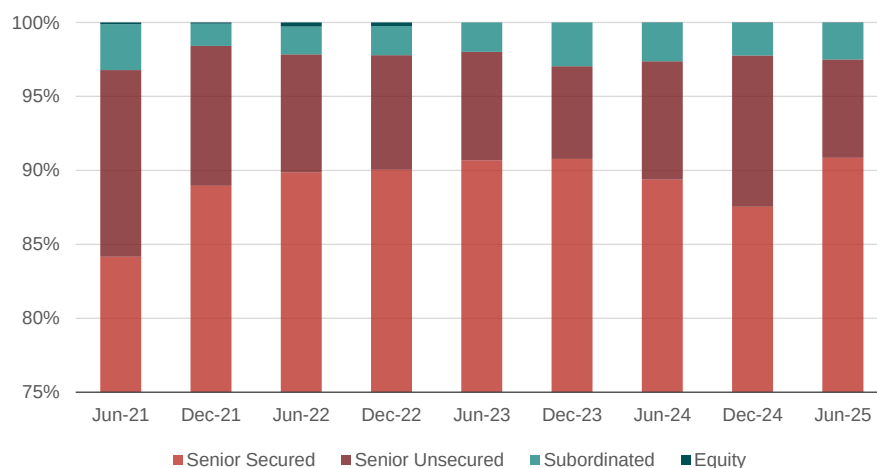
Figure 7. Portfolio Exposure by Weighting*



Source: BondAdviser, Metrics. As at 30 June 2025. Based on Metrics' underlying portfolio (WIT) not MDIF.
*Committed exposures inclusive of cash.

While the portfolio's seniority mix remained mostly unchanged over the 12 months, there were some movements intra-period: senior secured exposure fell to December 2024 (-1.8ppts), reflecting an almost equivalent increase in senior unsecured positions (+2.2ppts). Despite this, allocations recovered to 30 June 2025, with the senior secured exposure increasing 1.5ppts y/y to 90.8%. Both equity and subordinated exposures remained small at 0.02% and 2.05% respectively, while senior unsecured declined slightly to 6.6% (30 June 2024: 8.0%). This asset mix of tilting to senior secured assets reflects the conservative nature of the strategy.

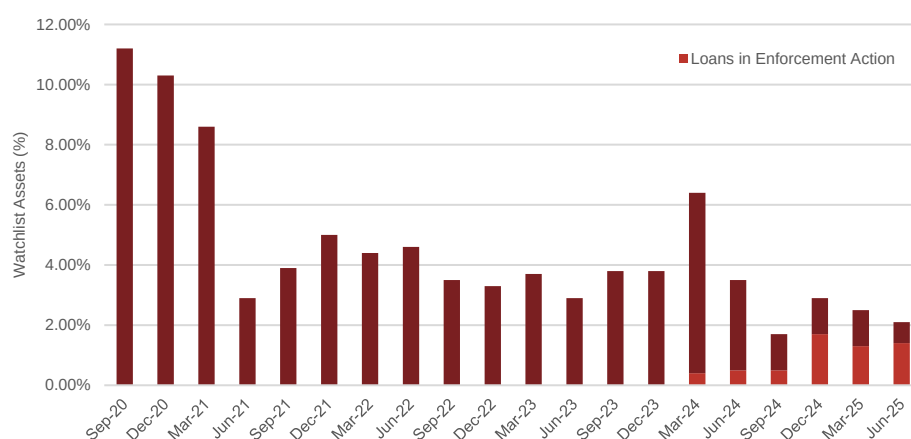
Figure 8. Portfolio Seniority Mix*



Source: BondAdviser, Metrics. As at 30 June 2025. Based on Metrics' underlying portfolio (WIT) not MDIF.
*Drawn exposure excluding cash.

This has translated into strong credit metrics across the MDIF look-through portfolio with assets on Metrics' internal watchlist sitting at just 2.1% of the book. This includes 3 individual exposures under enforcement action currently, accounting for 1.4% of the book. While the portfolio has experienced loan restructurings as a result, these outcomes continue to be negligible at any given time in the context of MDIF's diversification (<1%) with realised loan losses near-zero since inception of the Fund.

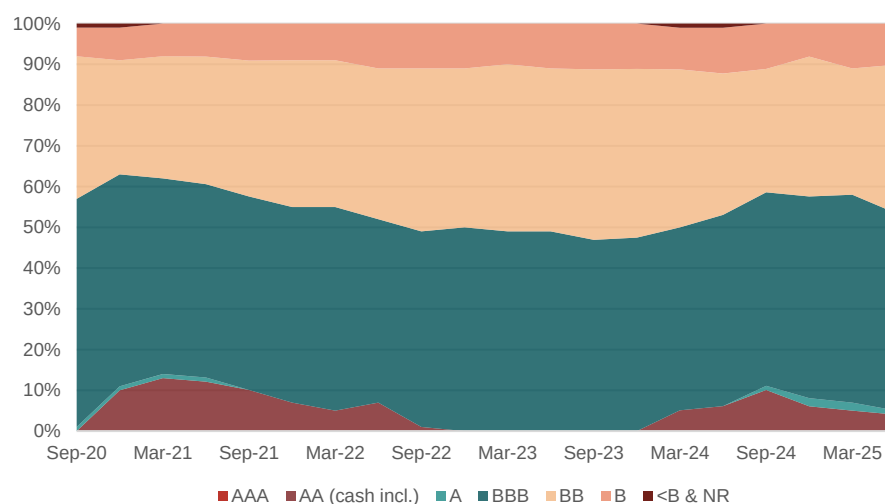
Figure 9. Portfolio Watchlist % (inclusive of Loans in Enforcement Action)



Source: BondAdviser, Metrics. As at 30 June 2025. Based on Metrics' underlying portfolio (WIT) not MDIF.

MDIF's implied credit rating distribution remained broadly stable versus the prior corresponding period, with the portfolio scaling proportionately to existing allocations. As of 30 June 2025, the investment grade (IG) versus sub-IG split stood at 53% and 47%, respectively. We note this is broadly in line with long-term averages and consistent with credit quality under our Quantitative Analysis, of which we continue to argue implied credit quality is further enhanced by the diversification of the portfolio.

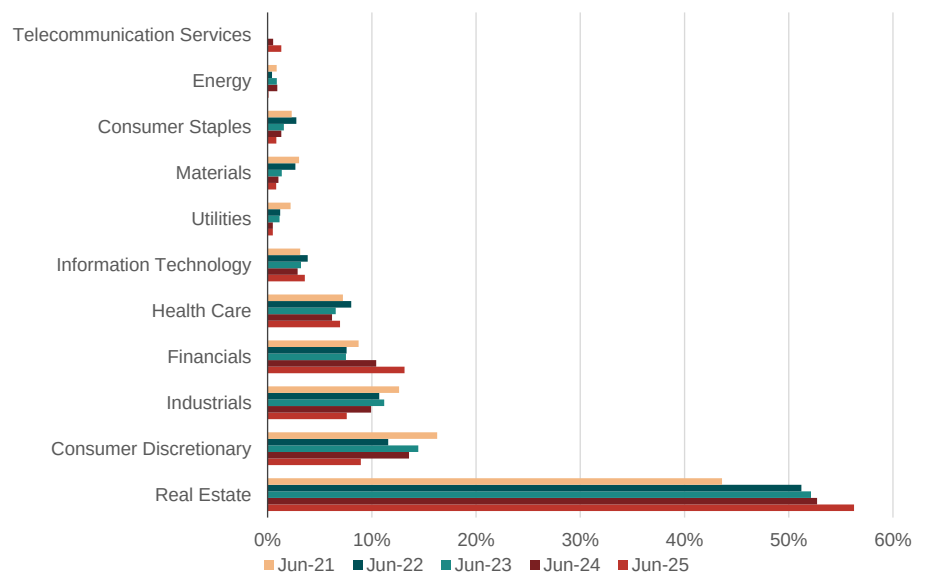
Figure 10. Portfolio Credit Rating Mix*



Source: BondAdviser, Metrics. As at 30 June 2025. Based on Metrics' underlying portfolio (WIT) not MDIF.
*Committed exposures inclusive of cash (AA).

In terms of sector allocations, the exposure to real estate continues to trend higher, increasing 3.5ppts y/y to 56.3% – this compares to a 43.6% weighting in June 2021. Outside of real estate, exposures to consumer discretionary and industrials fell the most to 9.0% and 7.6% (30 June 2024: 13.6% and 9.9%) respectively. This was partially balanced against a 2.7ppt y/y increase in financials while the remaining exposures were largely unchanged. Notably, moves over the past 12-months reflect broader allocation trends since June 2021. While high concentration in any one industry is a credit negative due to elevated asset correlation, Metrics' demonstrated ability to manage sector risk provides comfort, particularly in real estate, where the look-through portfolio performance has remained resilient despite persistent headwinds.

Figure 11. Portfolio Exposure by S&P Sector *



Source: BondAdviser, Metrics. As at 30 June 2025. Based on Metrics' underlying portfolio (WIT) not MDIF.
 *Drawn exposure excluding cash.

Finally, the portfolio's weighted average tenor (drawn ex. cash) remains broadly unchanged at 1.48 years (30 June 2024: 1.52 years). This positioning maintains favourable exposure to short-term credit risk while allowing investors to benefit from higher origination fees. While the shorter tenor increases refinancing risk, this is mitigated by the Manager's wide and diverse origination platform. As such, we remain comfortable that any potential cash drag on returns is limited.

Figure 12. Portfolio Term to Maturity Profile*



Source: BondAdviser, Metrics. As at 30 June 2025. Based on Metrics' underlying portfolio (WIT) not MDIF.
 *Drawn exposure excluding cash.

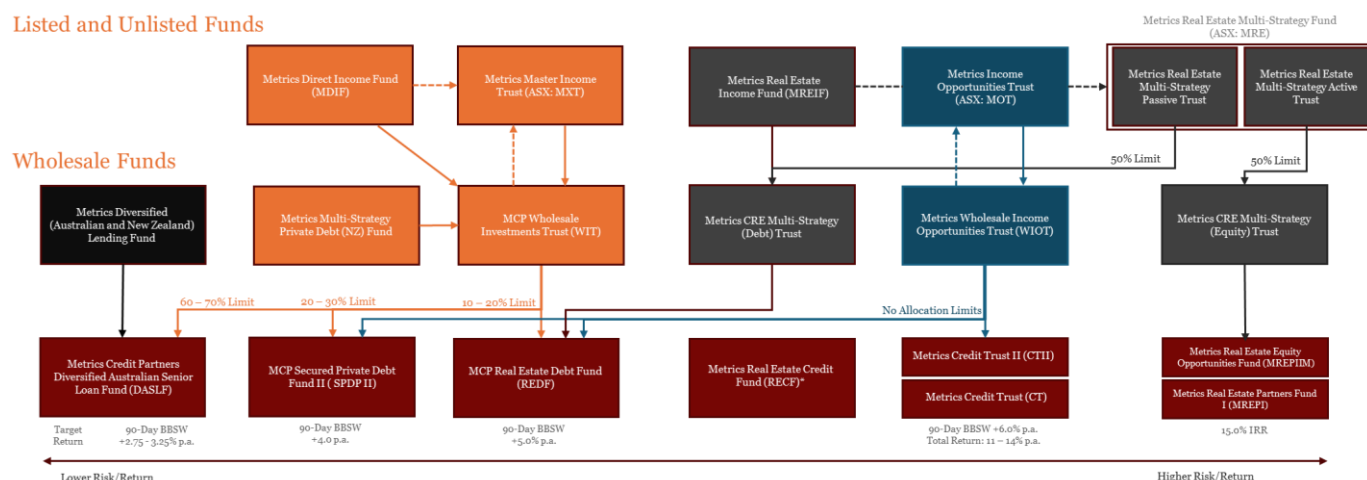
Fund Governance

The structure of the MDIF has not changed and is outlined in prior reports (see page 14 of [MDIF Initiation Report – 24 August 2021](#)) and the governance framework in relation to the Trust remain unchanged. However, there has been a series of announcements relating to Investment Manager governance as detailed below.

- On 13 March 2025, the RE announced that Metrics Credit Holdings Pty Ltd (**Metrics**) – the ultimate parent company of Metrics Credit Partners (**Investment Manager**) – issued shares to a partnership between the National Pension Service of Korea (**NPS**) and Townsend Group (**Townsend**). Of note, no shares were sold by the Metrics Managing Partners (Andrew Lockhart, Justin Hynes, Graham McNamara, and Andrew Tremain). The partnership owns a 4.17% interest in Metrics and is expected to bring considerable expertise to help future growth endeavours.
- On 1 July 2025, Metrics announced the **retirement of Graham McNamara** which will come into effect on 31 March 2026. Mr. McNamara is a founding partner of Metrics and has served on the Investment Committee (IC) since its inception, including from the launch of MDIF in July 2020. Mr. McNamara will continue in an advisory role following the retirement date, remaining on the debt investment committee. New members are expected to be added to the investment committee(s) with changes expected to be finalised by end of October,
- On 2 July 2025, following a unanimous unitholder vote in favour of the restructure, MCP Credit Trust acquired 15.4% of Metrics Credit Holdings (MCH). Additionally, Metrics Credit Trust has been established, which follows the same strategy and investment philosophy as its predecessor, MCP Credit Trust. We note that Metrics is currently finalising changes to the Investment Committee, which, subject to board approval, will be result in two separate debt and equity investment committees. We view this change positively in mitigating potential conflicts of interest. As well, Metrics has advised it has established a Valuations Committee and reconstituted and expanded the Board Audit & Compliance Committee (BACC) to oversee any connected party transactions.
- On 14 August 2025, Metrics announced the appointment of **Ms. Lisa Davis and Mr. Peter McCluskey as Independent Non-Executive Directors to the Board**. Ms Davis is an accomplished Non-Executive Director, senior executive and business leader with more than 15 years' board-level experience, and Mr McCluskey is a highly experienced professional services leader with more than 35 years' experience in financial advisory, insolvency and corporate restructuring. These appointments strengthen the Board by adding deep commercial, strategic, and governance expertise.

Figure 13. Metrics Funds Overview

Listed and Unlisted Funds



Source: BondAdviser, Metrics.

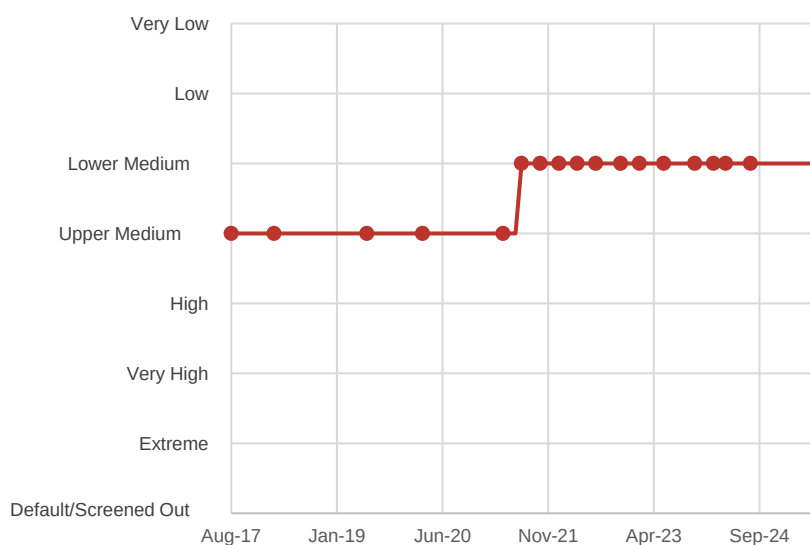
Quantitative Analysis

In this section, we model the portfolio using empirically observed inputs under two 10,000 simulation scenarios: (1) a benign scenario under normal economic conditions, and (2) a distressed scenario, where downward credit migrations are more frequent and recoveries are lower.

Under the benign scenario, the portfolio performs well with 68% of the 10,000 simulations delivering above the target return, and a median return across the scenario of 7.3%. Downside protection remains strong as a function of the credit quality and security of the underlying assets, with no losses incurred and a 95% VaR of 6.3%. This implies that 95% of all simulations generated a return above 6.3%, a testament to the quality of the underlying portfolio.

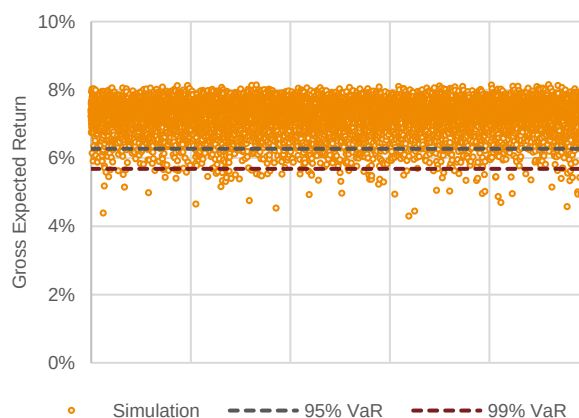
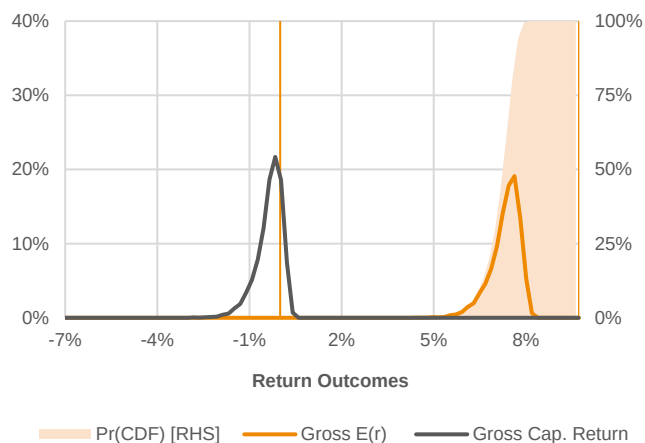
The underlying portfolio also models well under GFC-like conditions with the lowest returning simulation generating a total return of 0.1%, and 99% of simulations generating a return above 2.9%. This has continued to be the case throughout our modelling of MDIF over the years, with this modelling reflecting robust downside protection even under distressed conditions, reflecting the majority rating to shadow-investment grade and BB credits with senior secured positions in each capital structure. We estimate that the portfolio is around BBB- to BB+, but with the added benefit of strong counterparty diversification, we notch our implied credit rating upwards to **Lower Medium**.

Figure 14. Risk Score



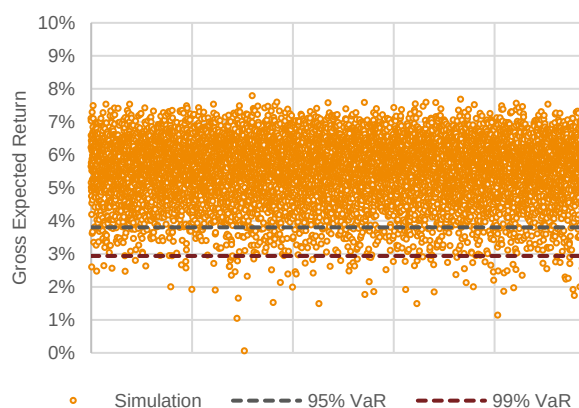
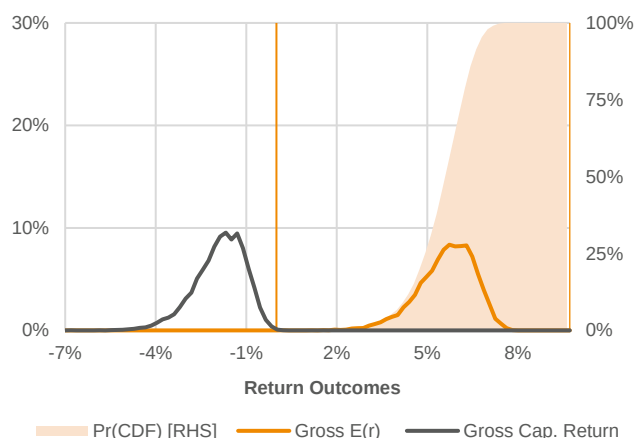
Source: BondAdviser, Metrics.

Scenario 1. Baseline Asset Assessment



Source: BondAdviser Estimates as of 30 June 2025 portfolio. Excludes impact of management and origination fees. Gross capital returns excludes the value of coupons/income and is only modelling impairment or loss given default, based on historical credit data from Moody's. Impact of traded price is not simulated. For a more detailed explanation of the methodology, please [contact](#) BondAdviser.

Scenario 2. Stressed Asset Assessment



Source: BondAdviser Estimates as of 30 June 2025 portfolio. Excludes impact of management and origination fees. Gross capital returns excludes the value of coupons/income and is only modelling impairment or loss given default, based on historical credit data from Moody's. Impact of traded price is not simulated.

Reporting History

[MDIF Update Report – 11 October 2024](#)

[MDIF Update Report – 9 May 2024](#)

[MDIF Update Report – 4 March 2024](#)

[MDIF Update Report – 3 January 2024](#)

[MDIF Update Report – 23 October 2023](#)

[MDIF Update Report – 7 July 2023](#)

[MDIF Update Report – 7 December 2022](#)

[MDIF Update Report – 17 October 2022](#)

[MDIF Update Report – 26 May 2022](#)

[MDIF Update Report – 27 April 2022](#)

[MDIF Update Report – 5 November 2021](#)

[MDIF IPO Report – August 2021](#)

Alternative Investment Fund Research Methodology

[Click here to view](#)

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