

Qualitas Real Estate Income Fund (ASX: QRI): Introduction by the Victoria State Government of Stage 4 Restrictions

6 August 2020: In light of the recent introduction by the Victoria State Government of Stage 4 Restrictions in Metropolitan Melbourne, QRI Manager Pty Ltd ("**Manager**"), the manager of the Qualitas Real Estate Income Fund ("**QRI**" or "**Trust**"), would like to provide the following comments on the Trust's portfolio (noting all references to the portfolio are as at 30 June 2020 unless otherwise stated):

- **Diversified portfolio:** QRI holds a diversified portfolio consisting of 33 loans¹. As noted in the ASX announcement dated 22 July 2020, the Manager's intention is to reduce focus on construction loans at this point in the cycle.
- **Melbourne construction restrictions:** The Victoria State Government Stage 4 Restrictions impose restrictions on construction activity in Metropolitan Melbourne which may result in slower construction progress than first anticipated.
- 11% of the loans in the Trust's portfolio are construction loans that are located in the Melbourne Metropolitan area – 10% of which are senior loans and 1% of which are mezzanine loans. These construction loans may be impacted by the Stage 4 Restrictions.
- **Significant equity buffer to absorb any time delays or increased costs on Melbourne senior construction loans:** The weighted average loan-to-value ratio ("**LVR**") for the Melbourne senior construction loans in the portfolio is 56%. This means there is significant borrower equity sitting behind the loans to absorb any time delays or increased costs, keeping in mind the time delay is in fact further interest accruals on the loans made by QRI which could positively impact the total return to QRI from the initial loan.
- Additionally, the current weighted average loan term remaining for the Melbourne senior construction loans is 0.5 years which means the underlying projects are well progressed.
- **One mezzanine construction loan remains in construction phase:** There are only 2 mezzanine construction loans in the Trust's portfolio and both are located in Melbourne. One loan has completed construction and is currently repaying and the LVR of this loan is circa 20%. In respect of the other loan, the project in respect of that loan has 110% pre-sales debt cover with a strong and experienced sponsor.
- **All interest payments are up to date:** All loans are up to date on their interest payments. Furthermore, 98% of the portfolio benefits from a personal or corporate guarantee from the relevant sponsor.

¹Represents total loans on a look through basis via investments in direct loans and Qualitas wholesale funds. Excludes the AFWT loan portfolio unless otherwise stated. All references to the Trust's loans or the loan portfolio are made on this basis.

- **Arch Finance Warehouse Trust (AFWT) notes continues to perform as expected:** Interest received on AFWT notes held by QRI is current and up to date. The AFWT loan pool has no construction loans and comprises 100% senior investment loans.
- **No impairment:** All loans are reviewed on a monthly basis with downside COVID-19 sensitivities applied as part of the Manager review analysis. The Manager confirms that there is no current impairment on any of the Trust's loans or the AFWT notes.
- **Deeply experienced credit team:** The Manager maintains three levels of risk defence – firstly, its investment team; secondly, its risk team who have oversight of new investments and ongoing asset management; and lastly, the Trust's investment committee, which includes independent members. The staff across these levels have significant experience working through various economic and property cycles.

As at 30 June 2020, the 3-month net return and distribution returns are 6.20% p.a. and 6.14% p.a., respectively. QRI continues to deliver attractive and healthy premiums to the RBA cash rate since inception and more importantly the Trust has continued to deliver monthly income, despite the current pandemic, with capital preservation remaining the key focus of the Manager.²

- Ends -

² The payment of monthly cash income is a goal of the Trust only.

About Qualitas Real Estate Income Fund

The Qualitas Real Estate Income Fund (“Trust” or “QRI”) seeks to provide monthly income and capital preservation by investing in a portfolio of investments that offers exposure to real estate loans secured by first and second mortgages, predominantly located in Australia.³

About QRI Manager Pty Ltd

QRI Manager Pty Ltd is the Manager of the Trust, and is wholly owned by the Qualitas Group (“Qualitas”).

Established in 2008, Qualitas has a 12-year track record in the real estate sector and currently manages approximately \$2.65 billion in committed capital. Comprising over 70 investment and fiduciary professionals, Qualitas has a disciplined approach to generating strong risk-adjusted returns for its investors.

Qualitas’ investment strategies include senior and mezzanine debt, preferred and ordinary equity investments in real estate development, value-add, repositioning, special situations and other opportunistic transactions.

About the Trust Company (RE Services) Limited

The Responsible Entity of the Trust is The Trust Company (RE Services) Limited, a wholly owned member of the Perpetual Group (“Perpetual”). Perpetual has been in operation for over 130 years and is an Australian public company that has been listed on the ASX for over 50 years.

Investor Queries

General

Phone: +61 3 9612 3900

Email: gri@qualitas.com.au

Trust website: www.qualitas.com.au/listed-investments/QRI

Responsible Entity

The Trust Company (RE Services) Limited

Level 18, Angel Place,
123 Pitt Street,
Sydney NSW 2000

Unit Registry

Phone: 1300 402 177

Email: qualitas@automicgroup.com.au

Website: www.automic.com.au

³ There is no guarantee the Trust will meet its Investment Objective. The payment of monthly cash income is a goal of the Trust only.

Notices and disclaimers

1. This communication has been issued by The Trust Company (RE Services) Limited (ACN 003 278 831) (AFSL 235150) as responsible entity of The Qualitas Real Estate Income Fund (ARSN 627 917 971) (Fund), has been authorised by the board of directors of the responsible entity and has been prepared by QRI Manager Pty Ltd (ACN 625 857 070) (AFS Representative 1266996 as authorised representative of Qualitas Securities Pty Ltd (ACN 136 451 128) (AFSL 34224)).
2. This communication contains general information only and does not take into account your investment objectives, financial situation or needs. It does not constitute financial, tax or legal advice, nor is it an offer, invitation or recommendation to subscribe or purchase a unit in QRI or any other financial product. Before making an investment decision, you should consider the current Product Disclosure Statement (PDS) of the Trust, and assess whether the Trust is appropriate given your objectives, financial situation or needs. If you require advice that takes into account your personal circumstances, you should consult a licensed or authorised financial adviser.
3. While every effort has been made to ensure the information in this communication is accurate; its accuracy, reliability or completeness is not guaranteed and none of The Trust Company (RE Services) Limited (ACN 003 278 831), QRI Manager Pty Ltd (ACN 625 857 070), Qualitas Securities Pty Ltd (ACN 136 451 128) or any of their related entities or their respective directors or officers are liable to you in respect of this communication. Past performance is not a reliable indicator of future performance.