

## **Qualitas Real Estate Income Fund (ASX: QRI)**

### **Appendix 4C and report on quarterly activities**

**30 October 2020:** The Trust Company (RE Services) Limited (“RE”) as responsible entity of the Qualitas Real Estate Income Fund (“QRI” or “Trust”), released its cash flow report for the September 2020 quarter (Appendix 4C) and QRI Manager Pty Ltd (“Manager”) provides an update on the key areas of investment activity for the same period.

#### **Investment activities – Quarter ending September 2020**

QRI provides exposure to the Australian commercial real estate debt (“CRE”) market in a liquid, regular income<sup>1</sup> paying form with capital preservation characteristics. Each loan asset in the QRI portfolio is secured via a real property mortgage.

During the September 2020 quarter, the key investment activities undertaken by the Trust were:

- Investment activity comprised of 9 loans worth \$107m<sup>2</sup> settled (both new and extended) and \$51m<sup>3</sup> of loan repayments (both partial and some full exits), which resulted in 89% of Trust capital deployed as at 30 September 2020.
- The Trust capital is now fully allocated<sup>4</sup> to new investments including a new mezzanine construction loan which is due to settle in the upcoming months.
- Total loans in the portfolio increased from 33 to 35 loans of which 99%<sup>5</sup> are senior loans with 100% exposure to Australia.
- Taking advantage of improved risk-adjusted opportunities in the market, the portfolio composition was repositioned, with investment loan exposure increased from 23% (June quarter) to 39% whilst construction loans and land loans were reduced to 12% and 28% respectively.
- Weighted LVR of the portfolio further reduced to 60% from 62% (June quarter) as a result of increased investment loans with lower LVRs.
- To provide flexibility to reinvest in a direct manner<sup>6</sup>, the Manager submitted a \$44.4m unit redemption request to the Qualitas Senior Debt Fund for redemption on or around January 2020.
- The Manager undertook ongoing monthly review of each loan having regard to the current pandemic risks. During the quarter, no impairments and no arrears were recorded, resulting in the Trust’s Net Asset Value (“NAV”) remaining stable at \$1.60 per unit.

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<sup>1</sup> The payment of monthly cash income is a goal of the Trust only and neither the Manager or the Responsible Entity provide any representation or warranty (whether express or implied) in relation to the payment of any monthly cash income.

<sup>2</sup> QRI exposure, look through to Qualitas wholesale funds.

<sup>3</sup> QRI exposure, look through to Qualitas wholesale funds.

<sup>4</sup> Allocated to investments is where the Trust has allocated capital to an investment which is yet to be invested. The Trust’s capital is fully allocated to investments when accounting for a ~3% cash buffer which is currently held for liquidity purposes.

<sup>5</sup> QRI loan portfolio only, excludes Arch Finance Warehouse Trust (“AFWT”) notes.

<sup>6</sup> All investments including direct loans are made by the Sub-Trust. The Sub-Trust is wholly owned by the Trust.

- QRI has continued to deliver attractive and healthy premiums<sup>7</sup> above the current low RBA Cash Rate of 0.25% p.a, achieving a 3-month net return and distribution return of 6.23% p.a. and 6.05% p.a. respectively which are within the current Target Return of 5.25% - 6.75% p.a.

Refer to the recent QRI ASX releases for salient details of the current operating environment of the CRE debt market and the Trust's performance and portfolio updates in respect of the September 2020 quarter:

- September 2020 quarter update and video presentation:  
<https://wcsecure.weblink.com.au/pdf/QRI/02298598.pdf>
- September 2020 Performance update:  
<https://wcsecure.weblink.com.au/pdf/QRI/02294277.pdf>

#### **Commentary on Appendix 4C cash flow**

During the quarter, the Trust continued to receive regular monthly distributions in respect of its investment in the Qualitas Wholesale Real Estate Income Fund. Following payment of Trust expenses and loan obligations, the Trust also continued to distribute monthly payments to unitholders. There were no material one-off cashflows to note as either being received or paid during the quarter.

No payments were made by the Trust to related parties during the quarter. Related party payments made by the Trust historically and into the future, include payments to the Trust's Responsible Entity and Custodian.

**- Ends -**

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<sup>7</sup> The premium achieved is commensurate to the investment risk undertaken.

## **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.<sup>8</sup>

## **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 \$2.76 billion in committed capital. Comprising over 50 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](mailto:gri@qualitas.com.au)

Trust website: [www.qualitas.com.au/listed-investments/QRI](http://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](mailto:qualitas@automicgroup.com.au)

Website: [www.automic.com.au](http://www.automic.com.au)

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<sup>8</sup> 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 and authorised for release 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 in respect of the Trust, you should consider the current Product Disclosure Statement (PDS) of the Trust and the Trust's other periodic and continuous disclosure announcements lodged with the ASX which are available at [www.asx.com.au](http://www.asx.com.au) 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.

+Rule 4.7B

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

Qualitas Real Estate Income Fund

**ABN**

13 625 843 851

**Quarter ended ("current quarter")**

30 September 2020

| <b>Consolidated statement of cash flows</b>               | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>\$A'000</b> |
|---|------------------------------------|---------------------------------|
| <b>1. Cash flows from operating activities</b>            |                                    |                                 |
| 1.1 Receipts from customers                               |                                    |                                 |
| 1.2 Payments for  |                                    |                                 |
| (a) research and development                              | -                                  | -                               |
| (b) product manufacturing and operating costs             | -                                  | -                               |
| (c) advertising and marketing                             | (62)                               | (62)                            |
| (d) leased assets   | -                                  | -                               |
| (e) staff costs   | -                                  | -                               |
| (f) administration and corporate costs                    | (1,703)                            | (1,703)                         |
| 1.3 Dividends received (see note 3)                       | -                                  | -                               |
| 1.4 Interest received                                     | 144                                | 144                             |
| 1.5 Interest and other costs of finance paid              | -                                  | -                               |
| 1.6 Income taxes paid                                     | -                                  | -                               |
| 1.7 Government grants and tax incentives                  | -                                  | -                               |
| 1.8 Other (provide details if material)                   |                                    |                                 |
| Distributions received                                    | 6,985                              | 6,985                           |
| Rebates received  | 346                                | 346                             |
| GST refunds received                                      | 136                                | 136                             |
| <b>1.9 Net cash from / (used in) operating activities</b> | <b>5,846</b>                       | <b>5,846</b>                    |

| Consolidated statement of cash flows |   | Current quarter<br>\$A'000 | Year to date<br>\$A'000 |
|--------------------------------------|---|----------------------------|-------------------------|
| <b>2.</b>                            | <b>Cash flows from investing activities</b>           |                            |                         |
| 2.1                                  | Payments to acquire:                                  |                            |                         |
|                                      | (a) entities  | -                          | -                       |
|                                      | (b) businesses  | -                          | -                       |
|                                      | (c) property, plant and equipment                     | -                          | -                       |
|                                      | (d) investments                                       | -                          | -                       |
|                                      | (e) intellectual property                             | -                          | -                       |
|                                      | (f) other non-current assets                          | -                          | -                       |
| 2.2                                  | Proceeds from disposal of:                            |                            |                         |
|                                      | (a) entities  | -                          | -                       |
|                                      | (b) businesses  | -                          | -                       |
|                                      | (c) property, plant and equipment                     | -                          | -                       |
|                                      | (d) investments                                       | -                          | -                       |
|                                      | (e) intellectual property                             | -                          | -                       |
|                                      | (f) other non-current assets                          | -                          | -                       |
| 2.3                                  | Cash flows from loans to other entities               | 240                        | 240                     |
| 2.4                                  | Dividends received (see note 3)                       | -                          | -                       |
| 2.5                                  | Other (provide details if material)                   | -                          | -                       |
| <b>2.6</b>                           | <b>Net cash from / (used in) investing activities</b> | <b>240</b>                 | <b>240</b>              |

|           |   |         |         |
|-----------|---|---------|---------|
| <b>3.</b> | <b>Cash flows from financing activities</b>   |         |         |
| 3.1       | Proceeds from issues of equity securities (excluding convertible debt securities)       | -       | -       |
| 3.2       | Proceeds from issue of convertible debt securities                                      | -       | -       |
| 3.3       | Proceeds from exercise of share options   | -       | -       |
| 3.4       | Transaction costs related to issues of equity securities or convertible debt securities | -       | -       |
| 3.5       | Proceeds from borrowings  | -       | -       |
| 3.6       | Repayment of borrowings   | -       | -       |
| 3.7       | Transaction costs related to loans and borrowings                                       | -       | -       |
| 3.8       | Dividends paid  | -       | -       |
| 3.9       | Other (provide details if material)   | -       | -       |
|           | Proceeds from issue of units  | -       | -       |
|           | Distributions paid  | (5,441) | (5,441) |

| Consolidated statement of cash flows |   | Current quarter<br>\$A'000 | Year to date<br>\$A'000 |
|--------------------------------------|---|----------------------------|-------------------------|
|                                      | Unit buybacks   |                            |                         |
| <b>3.10</b>                          | <b>Net cash from / (used in) financing activities</b> | <b>(5,441)</b>             | <b>(5,441)</b>          |

|            |  |              |              |
|------------|--|--------------|--------------|
| <b>4.</b>  | <b>Net increase / (decrease) in cash and cash equivalents for the period</b> |              |              |
| 4.1        | Cash and cash equivalents at beginning of period                             | 5,226        | 5,226        |
| 4.2        | Net cash from / (used in) operating activities (item 1.9 above)              | 5,846        | 5,846        |
| 4.3        | Net cash from / (used in) investing activities (item 2.6 above)              | 240          | 240          |
| 4.4        | Net cash from / (used in) financing activities (item 3.10 above)             | (5,441)      | (5,441)      |
| 4.5        | Effect of movement in exchange rates on cash held                            | -            | -            |
| <b>4.6</b> | <b>Cash and cash equivalents at end of period</b>                            | <b>5,871</b> | <b>5,871</b> |

|            |   |                            |                             |
|------------|---|----------------------------|-----------------------------|
| <b>5.</b>  | <b>Reconciliation of cash and cash equivalents</b><br>at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter<br>\$A'000 | Previous quarter<br>\$A'000 |
| 5.1        | Bank balances   | 5,871                      | 5,871                       |
| 5.2        | Call deposits   | -                          | -                           |
| 5.3        | Bank overdrafts   | -                          | -                           |
| 5.4        | Other (provide details)   | -                          | -                           |
|            | Short maturity <3 months term deposits  | -                          | -                           |
| <b>5.5</b> | <b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>  | <b>5,871</b>               | <b>5,871</b>                |

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

| Current quarter<br>\$A'000 |
|----------------------------|
| -                          |
| -                          |

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of and an explanation for, such payments.

| 7. <b>Financing facilities available</b><br><i>Note: the term "facility" includes all forms of financing arrangements available to the entity</i><br><i>Add notes as necessary for an understanding of the sources of finance available to the entity</i> | <b>Total facility amount<br/>at quarter end<br/>\$A'000</b> | <b>Amount drawn at<br/>quarter end<br/>\$A'000</b> |
|---|---|--|
| 7.1 Loan facilities   | -   | -  |
| 7.2 Credit standby arrangements   | -   | -  |
| 7.3 Other (please specify)  | -   | -  |
| 7.4 <b>Total financing facilities</b>   |   |  |

7.5 **Unused financing facilities available at quarter end** -

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

N/A

| 8 <b>Estimated cash available for future operating activities</b>                 | <b>\$A'000</b> |
|---|----------------|
| 8.1 Net cash from / (used in) operating activities (Item 1.9)                     | 1,766          |
| 8.2 Cash and cash equivalents at quarter end (Item 4.6)                           | 5,871          |
| 8.3 Unused finance facilities available at quarter end (Item 7.5)                 | -              |
| 8.4 Total available funding (Item 8.2 + Item 8.3)                                 | 5,871          |
| 8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b> | 3              |

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

- Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: *Not applicable*

- Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: *Not applicable*

- Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

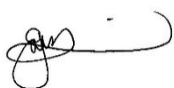
Answer: *Not applicable*



### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 30 October 2020



Authorised by: Gananatha Minithantri, Company Secretary

.....  
(Name of body or officer authorising release – see note 4)

### Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.