ASX Announcement

Qualitas Real Estate Income Fund (ASX: QRI)
Quarterly Update - March 2022

17 May 2022

The Trust Company (RE Services) Limited as Responsible Entity for Qualitas Real Estate Income Fund (**ASX: QRI**) (**QRI** or **Trust**) and QRI Manager Pty Ltd (**Manager**), the manager of QRI, are pleased to provide QRI's March 2022 quarterly update. To access the video presentation please click on the following link https://qualitas.com.au/asx-announcement-asxqri-quarterly-update-march-2022. The presentation slides are attached to this announcement.

In this quarterly update, Andrew Schwartz (Group Managing Director and Co-Founder) and Nick Bullick (Senior Director, Real Estate) discuss QRI's performance and highlight the benefits of QRI as a hedge against rising interest rates and inflation.

Highlights

- QRI has delivered an attractive distribution return of 5.35% over the last 12 months (LTM) calculated on a LTM average NTA of $1.61
- Entitlement offer proceeds invested ahead of PDS forecasts, with Trust capital currently 88% invested and the current cash balance fully allocated to new investments
- Variable rate loans as at 31 March represent 31% of total portfolio, providing interest rate and inflation protection as any increase in the cash rate and/ or risk margins are passed through to the unitholder. This exposure is expected to increase significantly in the next 12 months as the portfolio is of short duration and the vast majority of new loans being written as variable rate meaning the funds interest rate charged to Borrowers will increase with widely expected rises in base interest rates
- Strong portfolio credit quality maintained, with no impairments or interest arrears experienced since IPO
- Net Asset Value (NAV) per unit of $1.60 at 31 March 2022

Fund and market update

During the March quarter, QRI continued its strong track record of delivering monthly returns to investors, recording an attractive LTM distribution return of 5.35% per annum to 31 March 2022 based on the LTM average NAV of $1.61 [1].

The portfolio continues to perform in line with its investment objectives, with no loan impairments or interest arrears recorded during the quarter, and at 31 March the Trust's NAV per unit was unchanged at $1.60.

Investment activity for the quarter comprised 11 new and extended loans totalling $137 million settled and a total of 40 million loans repaid. In addition, QRI is expected to participate in approximately $300 million of new loan mandates which have been generated through the Qualitas network and which are expected to settle in the coming months.

[1] Past performance is not indicative of future performance

QRI loans are structured to target attractive yield with inflation protection. The short duration of the QRI portfolio allows for re-pricing of loans and the revaluation of loan security. QRI has a fully secured portfolio with an average Loan-to-Value ratio (LVR) of approximately 66%, which provides a significant equity buffer against any reduction property values. In addition, security is further strengthened with 99% of QRI investments subject to personal guarantees as of 31 March 2022.

Interest rates and Trust performance

The Manager believes QRI is well positioned as we enter a period of rising interest rates and inflation because:

- **Increases in the RBA Cash Rate are passed through** to borrowers for the Trust's variable interest rate loans. As at 31 March 2022, 31% of the QRI's portfolio is loans based on a variable interest rate and this percentage is expected to increase as the weighted loan maturity of the portfolio is 1.2 years and any new loans will be priced on a variable rate base rate;
- **QRI has no borrowings**, which means rising interest rates do not impact the Fund's direct costs, and revenues are expected to increase as interest rate increases are passed through to borrowers on the Trust's variable rate loans;
- **Historically, risk margins tend to rise in times of market uncertainty and volatility,** and QRI is well positioned to capture this upside as its loans have short duration of 1.2 years, allowing for re-pricing of loans and revaluation of underlying real property security; and
- **QRI provides attractive income returns with inflation protection** through a fully secured portfolio, an LVR of c. 66%, and a weighted loan maturity which allows for frequent revaluation and re-assessment of returns

The Manager also notes that rising interest rates may have an impact on the valuation of the underlying real estate security which may have an impact on the returns of the fund.

Summary

QRI is well positioned to navigate a period of rising interest rates and inflation, with a high proportion of variable interest rate loans and a relatively short average loan term. These key factors, combined with the recent widening of credit spreads, is anticipated to benefit the returns generated for QRI investors.

QRI maintains a strong track record of delivering attractive monthly returns and no loan impairments to date[2]. The Manager continues to see a dynamic commercial real estate debt market delivering a strong pipeline of opportunities for QRI. We also remain vigilant with respect to asset management and to our approach to managing risk across the portfolio.

- Ends –

[2] Past performance is not indicative of future performance

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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.

About QRI Manager Pty Ltd

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

Qualitas is an ASX-listed Australian alternative real estate investment manager, with committed funds under management of $4.22 billion across debt and equity fund mandates, specialising in real estate private credit and real estate private equity sectors.

Founded in 2008, the firm has since inception invested in or financed assets valued at over A$15 billion. The firm invests in real estate private credit, opportunistic real estate private equity, income-producing commercial real estate and build-to-rent residential. Qualitas manages discretionary funds on behalf of institutional and wholesale clients in Australia, Asia, and Europe.

Qualitas' objective is to provide Shareholders with attractive risk-adjusted returns through a combination of regular and growing dividend income and capital growth. Qualitas has 71 investment and fiduciary professionals, with a strong focus on risk mitigation and management through its robust risk management and governance frameworks, and its operating structure and procedures.

About the Trust Company (RE Services) Limited

The Responsible Entity of the Trust is The Trust Company (RE Services) Limited, a wholly owned subsidiary of the Perpetual Group ("Perpetual"). Perpetual has been in operation for over 135 years and is an Australian public company that has been listed on the ASX for over 50 years.

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Qualitas Real Estate Income Fund (ASX:QRI)

March 2022 quarterly update

ANDREW SCHWARTZ
Group Managing Director and Co-Founder

NICK BULLICK
Senior Director, Real Estate

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Market Update

QRI – a hedge against rising interest rates and inflation

ANDREW SCHWARTZ
Group Managing Director
and Co-Founder

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About the Manager

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Qualitas is one of the largest alternative real estate investment managers in Australia managing discretionary funds across private credit and private equity

AU$ 4.22 bn

Funds under management[1]

14 funds

across 10 credit and equity strategies

~73%

of committed FUM is eligible for performance fee[2]

Track record of outperformance[3]

~69%

blue chip institutional investor capital composition[2]

Extensive global institutional and wholesale investor base

$5.7 billion	$15.9 billion	219	172	47
Total Capital Deployed[2,4]	GAV[2,4,5] of Investments	Total Investments[2]	Credit investments[2]	Equity investments[2]

Notes: 1. Represents committed capital and IC approved investor mandates as at 31 March 2022 in which Qualitas provides investment management services to deploy into investments. 2. As at 31 December 2021. 3. Past performance is not indicative of future performance. 4. Cumulative capital invested exceeds total FUM due to recycling of funds relating to capital returned to investors from realised investments in closed end funds. 5. Gross Asset Value (GAV) means the aggregated value of the gross realisable value of the underlying projects or real property assets across both debt and equity investments.

About the Fund – targeting yield with inflation protection

QUALITAS

Leading alternative real estate specialist financier across Australia and New Zealand

Target Return achieved – RBA Cash + 5.0% to 6.5%

Delivered attractive risk adjusted returns[1]

5.35%

Distribution return p.a.

LTM Mar-22, calculated at LTM average NAV of $1.61

Monthly cash distributions

Portfolio diversification

Well diversified by loan type, location, sponsor, property sector

35

Loans

1st

Predominantly first mortgage

Capital preservation

No impairments or interest arrears since the IPO and during COVID-19[2]

$1.60

Historical NAV

Conservative weighted LVR 66%

Growth trajectory

Consistent growth of FUM and track record of performance

~$300m

New loan mandates through Qualitas network in the next few months

Target $1bn FUM

*All figures are based on QRI exposure, look through to Qualitas wholesale funds. [1] Past performance is not a reliable indicator of future performance. [2] Arrears refers to a % of the loan portfolio on look through-basis in arrears by 90 days or more.

Why now is the time to invest in QRI?

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QRI loan portfolio hedges against rising interest rates and inflation

1	Increased implied returns	QRI LTM distribution as at March 2022 of **5.35% yield calculated at LTM average NAV of $1.61**. The LTM distribution **represents a 5.83% yield at current unit price of $1.48**[1]
2	Unlevered fund with increased rates passed to unitholders	**QRI is not leveraged** so rising interest rates do not impact the cost side of the Fund's profitability, with **revenues increasing through the pass through of variable rate loans**
3	Benefit from widening risk margins	Historically risk margins tend to rise in times of market uncertainty and volatility. Qualitas is **well positioned to capture the upside as our loans have short duration which allow for re-pricing of loans and revaluation of underlying real property security**[2]
4	Yield with income inflation protection	**Fully secured portfolio** with **LVR 66%** and weighted loan maturity of **1.2 years** allow for **frequent revaluation and re-assessment of returns**

1. QRI closing price as at 12 May 2022. 2. Rising interest rates may have an impact on the valuation of the underlying real estate security which may have an impact on the returns of the fund.

Our current focus

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Take advantage of anticipated increases in risk premiums which typically occur in a less liquid economic environment whilst maintaining vigilance with asset quality

Disciplined Asset Management

Impairment and risk mitigants

- Equity buffer in security properties
- Sponsor guarantees and interest reserves
- Active management of loan and borrower
- Extensive loan obligations and covenants
- Regular revaluation of security
- Qualitas bilateral lender control, sole decision maker

1

- During the March Quarter and to the end of April 2022, ongoing asset reviews were undertaken, and the results were:
  - No material changes to internal ratings;
  - No impairment on any loan;
  - All requisite interest payments on time
- Short duration portfolio allows for constant re-assessment, repricing and revaluation

2

- 46% of the QRI's portfolio is based on a variable interest rate which benefits from increases in the RBA Cash Rate immediately
- Any new loans will be priced on a variable rate base rate which will allow the portfolio to move close to 100% variable within approximately 8 months

3

- To take advantage of potential risk premium increases in times of market volatility and uncertainty

Why is this good for investors?

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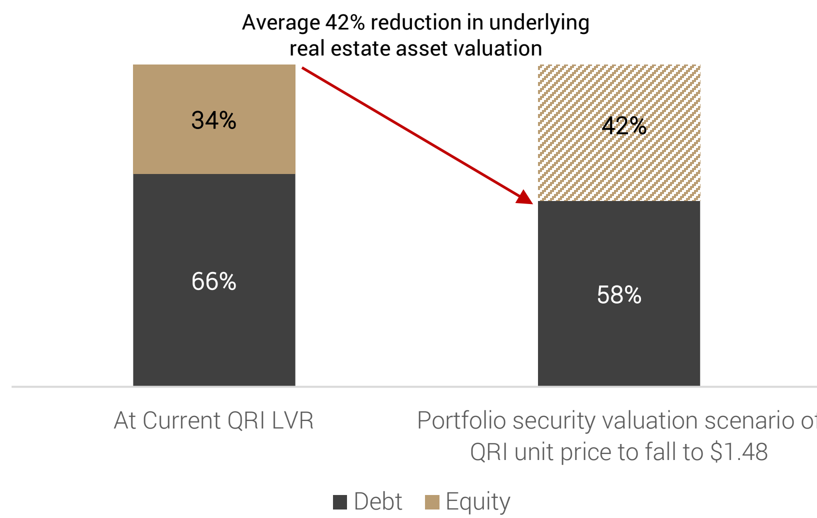
Current QRI unit price of $1.48[1] implies an 8% loan portfolio impairment, which equates to implied security property values falling by a substantial 42%

Implied Impairment and yield

Unit Price	**$1.60**	**$1.48**	A
Current NAV	**$1.60**	**$1.60**	B
Cash reserves in portfolio as at 12 May 2022	**3%**	**3%**	C
Cash component in NAV	$0.04	$0.04	D = B × C
Current value of invested portfolio	$1.56	$1.56	E = B − D
Implied value of invested portfolio	$1.56	$1.44	F = A − D
Estimated % impairment of the invested portfolio	0%	(8%)	G = F ÷ E − 1
Distribution Return on NAV	5.35%[2]	5.83%[3]	

Implied reduction in real estate valuation at $1.48



- A discount to NAV means the market is effectively implying that property prices across all sectors and geographies will fall hence reducing the equity buffer to zero and therefore the loan is impaired
    - i.e. at the current QRI unit price of $1.48, it is implied mathematically that underlying asset security value has fallen by 42% noting that latest NAV is $1.60 as at 13 May 2022
- The short duration of the QRI portfolio allows for re-pricing of loans and the revaluation of underlying real property security. This combined with frequent portfolio monitoring and covenant testing allow for timely adjustment to the loan structure in response to any potential fall in real asset valuation triggered by increasing interest rates
- Fully secured portfolio with an average Loan-to-Value ratio of c. 66%, with 99% of QRI investments personally guaranteed as at 31 March 2022
    - – providing a significant equity buffer against any reduction in the value of underlying real estate security

1. As at 12 May 2022. 2. LTM distribution divided by LTM average NAV of $1.61 as at 31 March 2022. 3. LTM distribution divided by $1.48.

Fundamental dynamics supports CRE debt market growth

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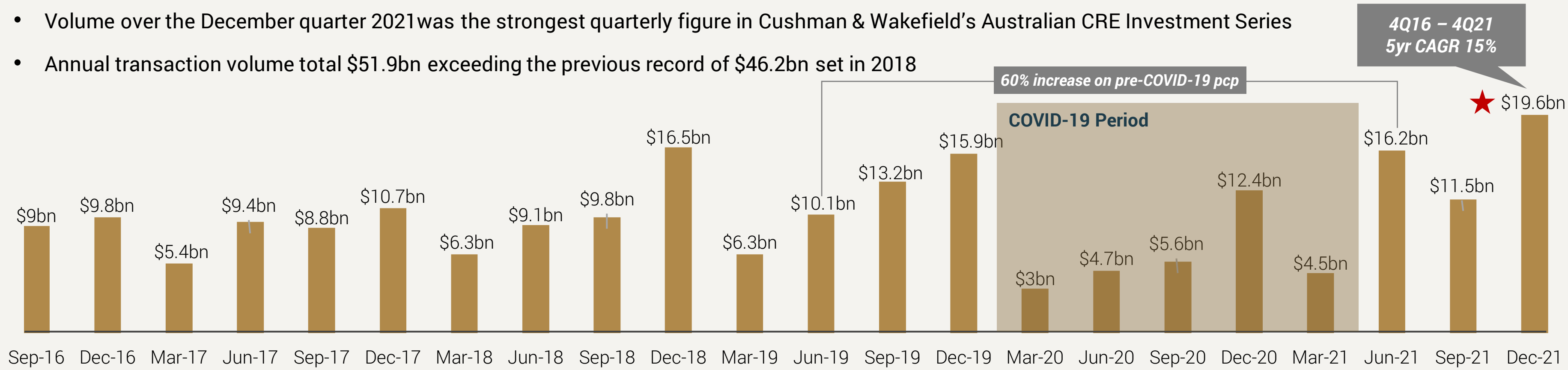
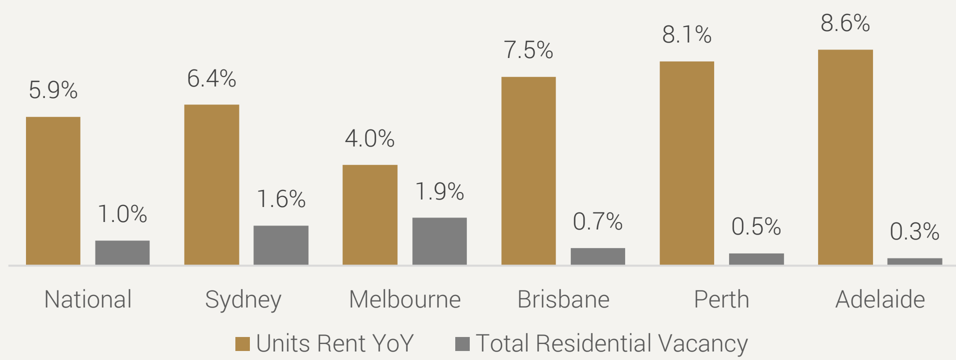
Record Quarterly Australian CRE Transaction Volumes[1]...

- Volume over the December quarter 2021was the strongest quarterly figure in Cushman & Wakefield's Australian CRE Investment Series
- Annual transaction volume total $51.9bn exceeding the previous record of $46.2bn set in 2018



Driven by Long-term Residential Supply Shortage[2]...



- National rental vacancy rate at its lowest point on record[3]
- Driven by absorption of current supply and lag time for new constructions given COVID-19
- Increasing demand will likely partly offset impact of rising interest rates on valuation

1. Cushman & Wakefield Market Beat Australia Investment Q4 2021 2. CBRE research as at 31 March 2022. 3. According to Domain Property Group.

QRI Portfolio Update

NICK BULLICK
Senior Director,
Real Estate

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QRI portfolio targets achieved

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Investment mandate constraints[1]		31 March 2022
Ranking	Predominantly focused on senior loans	**94%** (Invested capital)[2]
	Mezzanine loans: target range 20%-35% (incl. AFWT notes)	**6%** (Invested capital)[2] **Underweight**
Investment type	≤ 40% in a single Qualitas wholesale fund	**7%** (total capital) across two funds (QSDF, QMDF)[3]
	≤ 15% AFWT notes	**0%** (total capital)
Geography (security property)	≤ 30% Non-capital cities	**4%**[2]
	Australian and NZ cities with ≥ 100,000 population	**100%**[2]
	≤ 20% New Zealand	**0%**

Manager other key targets[4]		31 March 2022
Loan type	≤ 40% Land loans	**32%**
	≤ 25% Construction loans	**17%**
	≥ 30% Investment loans	**37%**

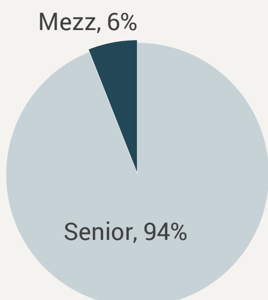
[1] As outlined in Section 4.8 "Target Portfolio Composition" in the PDS dated 7 October 2021.
[2] % of the QRI loan portfolio, excluding AFWT notes, cash and the Trust loan receivable.
[3] Qualitas Senior Debt Fund, Qualitas Mezzanine Debt Fund
[4] The Manager sets other QRI portfolio targets in addition to the PDS which are reflective of current risk appetite based on market conditions. These targets are reviewed on an ongoing basis with reference to market conditions and opportunities. Amendments to these targets are at the discretion of the Manager.

QRI portfolio composition and metrics

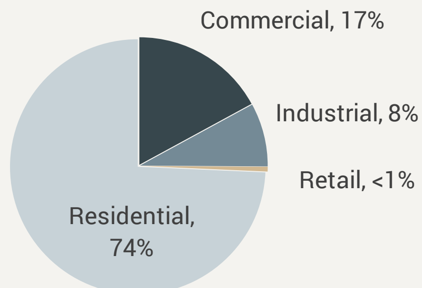
QRI portfolio as of 31 March 2022	$ millions	%
Cash (QRI & Qualitas funds) uncommitted	69.9	11.6%
Senior Debt Investment Loans	223.2	37.2%
Senior Debt Construction Loans	69.9	11.6%
Senior Debt Land Loans	190.6	31.8%
Mezzanine Debt Construction Loans	30.3	5.1%
Trust Loan Receivable[1]	16.2	2.7%
Total	**$600.1**	**100%**

- **35** Total Loans
- **30** Loan Counterparties
- **$14.7m** Avg. Loan Exposure[2]
- **66%** Weighted LVR[3]
- **1.2 yrs** Weighted loan maturity

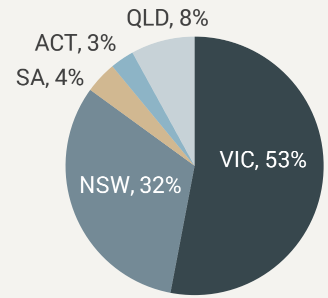
Ranking[4]



Sector[4]



Geography[4]



100% Australia
96% Qualitas core markets[5]
Melbourne, Sydney Canberra

*All investments including direct loans are made by the Sub-Trust (wholly owned by the Trust). Represents total loans in the portfolio on a look through basis, via investments in direct loans and Qualitas wholesale funds.

[1] The Trust has provided a working capital loan to the Manager to pay a portion of the costs and expenses incurred in relation to the IPO and subsequent capital raisings. The Trust Loan Receivable is limited to an amount of 3.5% of the Trust NAV at any time.

[2] Based on the QRI exposure to the loan

[3] Represents total LVR of loans in the portfolio on a look through basis, via investments in direct loans and Qualitas wholesale funds

[4] Excludes Trust Loan Receivable & cash.

[5] % of the QRI loan portfolio, excluding cash and the Trust loan receivable.

Unique CRE Credit platform with strong track record

Sophisticated risk grading model, deep CRE credit experiences, separate IC and credit teams combined enables Qualitas' strong track record of robust risk assessment

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Qualitas key risk management tools

Robust risk grading model – average LTV of c. 66%[1] in income credit strategies, fully secured loans typically supported by personal guarantees from sponsors

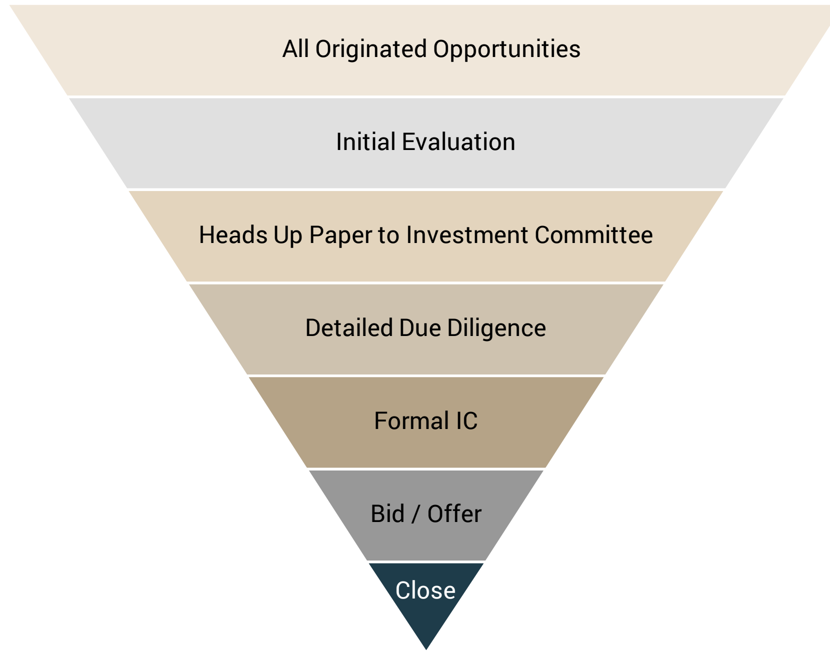
Mostly short tenor – flexibility for active loan management and potential for repricing and timely security revaluation

Strong focus on Sponsor criteria – formal client onboarding policy and direct borrower and partner relationship

Diversification – by geography, types of loans and sectors within the CRE market

Notes: 1. Loan to Value ratio as at 31 March 2022.

Transaction screening process



Zero loss of investor capital or interest since inception

Wrap up

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- **Rising base interest rates, increasing risk margins, short tenured loan portfolio** and having a portfolio of **46% variable interest rate** loans provide a solid foundation for ongoing attractive returns, taking advantage of interest rate rises to the benefit of our investors
- Favourable market conditions including a forward projection of **cash rates to ~2.4% by December 2022[1] is anticipated to increase returns for QRI unitholders**
- QRI has a **track record of delivering stable monthly** income throughout cycle[2]
- Tailwinds support CRE debt market in the current macroeconomic environment will likely **accelerate growth for alternative real estate financiers**
- We **remain vigilant** with out asset reviews maintaining the quality of our existing assets

Notes: 1. Based on 1-Yr Australian Dollar Interest Rate Swap as at 9 May 2022. 2. 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.

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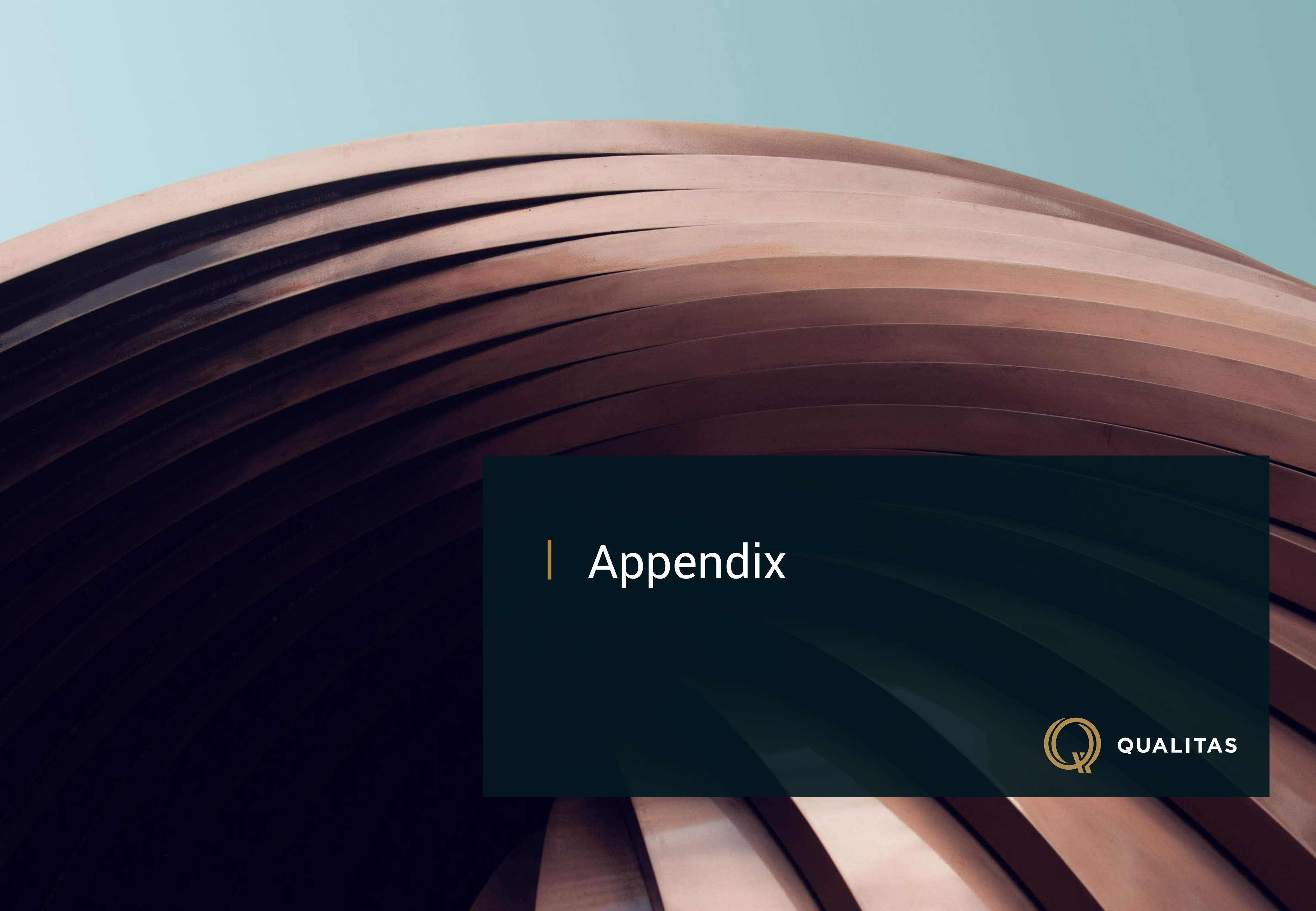

Appendix

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Detailed loan portfolio

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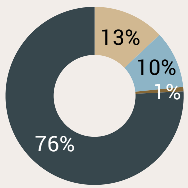
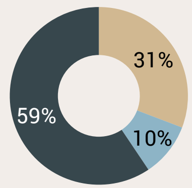
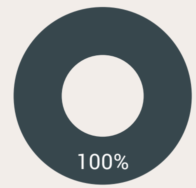
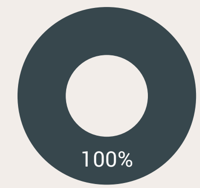
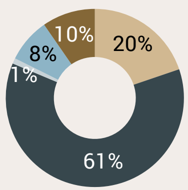
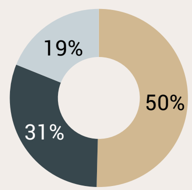
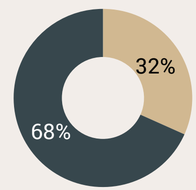
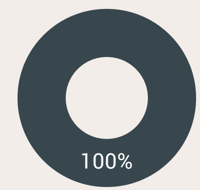
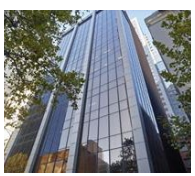
	Senior Investment Loans	Senior Land Loans	Senior Construction Loans	Mezzanine Construction Loans
Number of loans	19	11	3	2
Total loan amount	$223m (43%)	$191m (37%)	$70m (14%)	$30m (6%)
Avg. loan amount	$11.7m	$17.3m	$23.3m	$15.1m
Weighted avg. gross return	7.0%	7.2%	4.9%	13.4%
Weighted avg. duration	1.1 yrs	1.4 yrs	1.6 yrs	0.7 yrs
Weighted avg. LVR	64%	67%	65%	77%
Sector Commercial Industrial Retail Residential				
Geography NSW VIC QLD ACT SA				

Loan investments



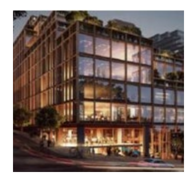
Melbourne CBD, VIC
Senior Investment
LVR 60%
24 months

West End, VIC
Residual Stock
LVR 65%
24 months

Box Hill, VIC
Residual Stock
LVR 70%
18 months

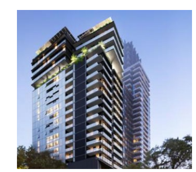
Melton South, VIC
Senior Construction
LVR 57%, LTC 78%
13 months

South Melbourne, VIC
Senior land
LVR 65%
18 months



North Sydney, NSW
Senior land
LVR 65%
12 months

Fitzroy, VIC
Mezz Construction
LVR 79%, LTC 87%
27 months



West Melbourne, VIC
Mezz Construction
LVR 70%, LTC 81%
27 months

* Term is as at financial close of facility. All stats are on a look through basis, representing QRI's share of the loans

Thank you

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