

## **Qualitas Real Estate Income Fund (ASX: QRI): Quarterly Update - December 2021**

**3 February 2022:** The Trust Company (RE Services) Limited as Responsible Entity for Qualitas Real Estate Income Fund (**QRI** or **Trust**) and QRI Manager Pty Ltd ("**Manager**"), the manager of the Trust, is pleased to release the QRI December 2021 quarter portfolio update. Please click on the following link <https://www.qualitas.com.au/qri-quarterly-update-december-2021/> to access the video presentation. The presentation slides are attached to this announcement.

In this quarterly update, Mark Fischer (Co-Founder & Global Head of Real Estate) and Yin-Peng Chiew (Director, Listed Funds & Strategy, Corporate Development) presents QRI's latest performance and provides an update on the CRE debt market.

### **Fund performance**

The loan portfolio continues to perform in line with the investment objectives and there were no impairments recorded or interest arrears, resulting in a stable NAV for the quarter.

The Manager is pleased to continue to deliver attractive risk-adjusted returns in a low interest rate environment and for a well-diversified loan portfolio that is predominantly senior first mortgage. The Trust's performance for the December quarter was 4.94% p.a. net return and 5.10% p.a. distribution return (3-months).

The Trust is in the process of investing the new capital raised from the Entitlement Offer<sup>1</sup> and as of 31 December 2021, the Trust is 75% invested and the uninvested cash was \$143m. The Manager notes that the Trust's return is generally trending lower as a result of increased credit supply and competitive pressures across the CRE debt market.

### **December quarter market & portfolio recap**

The Manager has a positive outlook on the CRE debt market which continues to grow in size and anticipates the Australian economy to recover from the recent setbacks due to COVID-19. Generally, there is improving business activity across all CRE sectors, and this will be further supported by the reopened borders and the return of migration.

The low cash rate continues to underpin CRE debt demand and uphold security property values. The market for alternative lending and credit supply remains strong and Qualitas is well positioned in the Australian market due to our long-standing local presence and deep borrower relationships built on trust and repeat lending.

The December quarter was one of the busiest investment periods of 2021 leading up to the holidays and the Manager leveraged this opportunity to achieve strong deployment outcomes for the Trust.

The investment activity for the quarter comprised of 16 new loans totalling \$96m settled, both new and extended, and a total of \$65m loans repaid. Of the \$172m of new capital raised from the

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<sup>1</sup> New Units under the Entitlement Offer and Shortfall Offer were issued on 1 November 2021 and 4 November 2021 respectively.

Entitlement Offer in early November 2021, 70% has been deployed and allocated as of 31 December 2021. In addition, \$159m of new loan mandates were achieved across investment and loans which are currently being assessed for allocation to QRI.

Based on this position, the Manager remains on track to fully invest the new capital by April 2022 which is within the 6 months maximum target period for the deployment timeframe indicated in the PDS.<sup>2</sup>

### **Trust Benefits to Investors**

QRI seeks to continue delivering the following benefits to investors who are seeking attractive sources of income and capital preservation:

- **Reliable income** in the form of regular monthly cash distributions<sup>3</sup>
- **Attractive premiums** above the current low cash rate<sup>4</sup>
- **Capital preservation**, as all CRE loans are secured by real property mortgages
- **Historically stable net asset value** at or above \$1.60 per unit with no impairments, supported by a robust loan valuation process
- **CRE debt asset class differentiation** managed by a local property specialist with expertise across both real estate debt and equity
- **Domestically focused investments** with 100% of the portfolio currently invested in Australia.

Yours sincerely,

Vicki Riggio  
General Manager  
The Trust Company (RE Services) Limited  
as Responsible Entity for the Qualitas Real Estate Income Fund

- Ends -

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<sup>2</sup> This is a forecast and deployment is not guaranteed.

<sup>3</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>4</sup> Returns are not guaranteed. The premium achieved is commensurate to the investment risk undertaken. Past performance is not a reliable indicator of future performance.

## 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>5</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 13-year track record in the real estate sector and currently manages \$4.2 billion in committed capital. Comprising over 65 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 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.

For **media enquiries**, please contact:

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## Investor Queries

### General

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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

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Limited  
Level 18, Angel Place,  
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Sydney NSW 2000

### Unit Registry

Phone: 1300 402 177  
Email: [hello@automicgroup.com.au](mailto:hello@automicgroup.com.au)  
Website: [www.automic.com.au](http://www.automic.com.au)

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<sup>5</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) ("**Trust**") 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 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.
4. The Product Disclosure Statement ("PDS") and a target market determination for units in the Trust can be obtained by visiting the Trust website [www.qualitas.com.au/qri](http://www.qualitas.com.au/qri). The Trust Company (RE Services) Limited as responsible entity of the Trust is the issuer of units in the Trust. A person should consider the PDS in deciding whether to acquire, or to continue to hold, units in the Trust.

# Qualitas Real Estate Income Fund

(ASX:QRI) ARSN 627 917 971

Quarterly Update – December 2021



*Presented by:*  
**Mark Fischer**  
*Co-Founder & Global Head of Real Estate  
Qualitas Group*



*Presented by:*  
**Yin-Peng Chiew**  
*Director, Listed Funds & Strategy, Corporate Development  
Qualitas Group*

# December quarter highlights



## Positive outlook for CRE debt market

- Australian economic recovery underway despite recent COVID-19 setbacks
- Investment discipline maintained as alternative lender competition increases and pricing compress



## Busiest investment period in lead up to holidays

- 16 loans total \$96m settled, both new and facility increased, offset by \$65m of repayments



## Strong deployment outcomes

- 70% of \$172m of Entitlement Offer<sup>1</sup> new capital deployed and allocated
- Manager on track to fully invest new capital by April 2022<sup>3</sup>



## Solid portfolio performance

- All loans performing, no impairments recorded, no interest arrears<sup>1</sup>
- Loans repay on time and within schedule

\*All figures are based on QRI exposure, look through to Qualitas wholesale funds.

<sup>1</sup> Results of the Entitlement Offer was announced to the ASX on 26 October 2021. New Units under the Entitlement Offer and Shortfall Offer were issued on 1 November 2021 and 4 November 2021 respectively.

<sup>2</sup> This is a forecast and deployment is not guaranteed.

<sup>3</sup> Arrears refers to a % of the loan portfolio on look through-basis in arrears by 90 days or more.

# QRI Investment Objectives Met



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

Delivered attractive risk-adjusted returns<sup>1</sup> to unitholders:

Monthly cash  
distributions

**5.10%**  
Distribution Return p.a.  
(Dec-21: 3 month)

**5.71%**  
Distribution Return p.a.  
(Dec-21: 12 month)



**Portfolio diversification**

32 loans

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

Predominantly first mortgage



**Capital preservation**

Historical  
NAV \$1.60

No impairments or interest arrears  
since the IPO and during COVID-19<sup>2</sup>

Conservative weighted LVR of 65%

\*All figures are based on QRI exposure, look through to Qualitas wholesale funds.

<sup>1</sup> Past performance is not a reliable indicator of future performance.

<sup>2</sup> Arrears refers to a % of the loan portfolio on look through-basis in arrears by 90 days or more.



# Market and Fund Update

As at 31 December 2021

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# Private CRE debt market continues to grow



## Private Debt Market Opportunity: Alternative Lenders



CRE Debt Market Growth



Supportive Macroeconomics

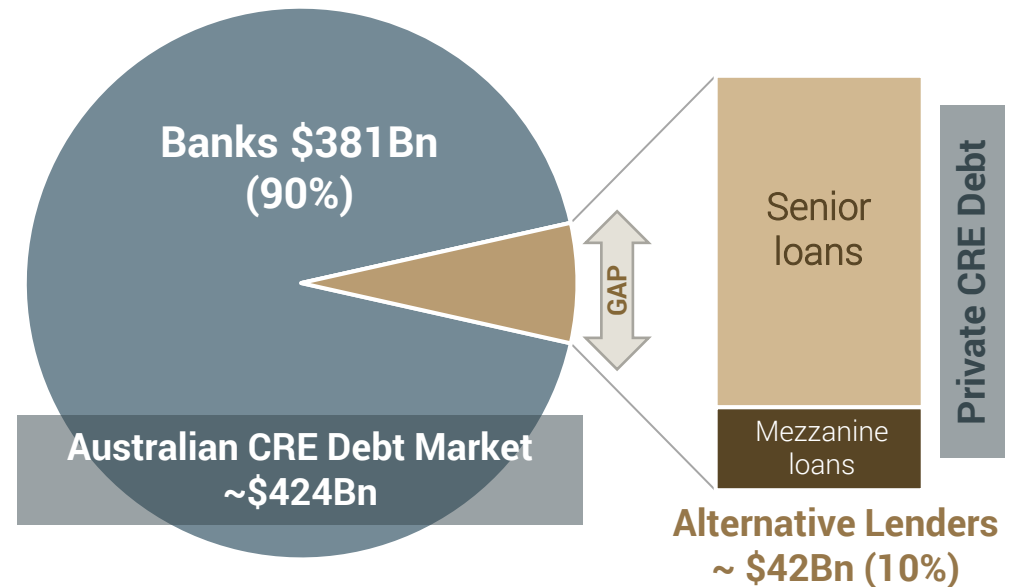


Bank Withdrawal increases the “gap”

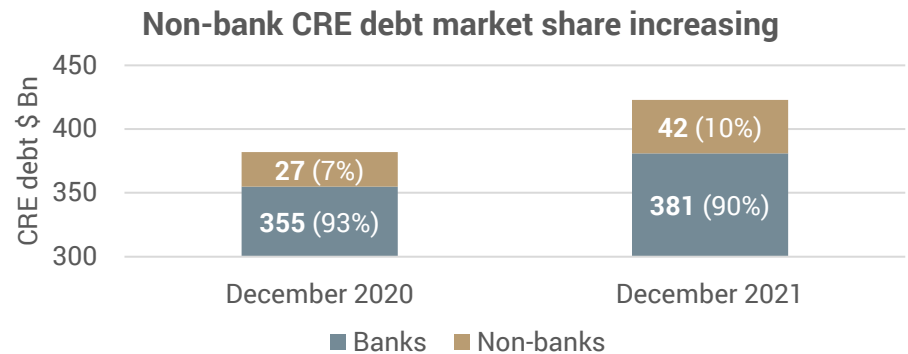
## Attractive risk-adjusted returns<sup>1</sup>

Borrowers are willing to **pay a premium** to access more flexible alternative financing

<sup>1</sup> Returns are not guaranteed. The premium achieved is commensurate to the investment risk undertaken.



\* Manager estimates. Source of Graphs: APRA Quarterly Authorised Deposit-taking Property Exposures September 2021; RBA Financial Stability Review October 2021.



\* Manager estimates. Source of Graphs: APRA Quarterly Authorised Deposit-taking Property Exposures June 2020 and September 2021; RBA Financial Stability Review April 2021 and October 2021.

# CRE debt market outlook

## THEMES

### Economic recovery...

Recent COVID-19 setbacks

Improving business activity expected

Borders reopen, migration returns

### Low interest rates...

RBA holds cash rate at 0.10%

Support CRE investment and valuations

### Growing private CRE debt market...

APRA refocus on bank lending standards

Borrowers continue to seek flexibility

Strong credit supply & competition

## SECTOR OUTLOOK

### RESIDENTIAL (MULTI-DWELLING)

- Supply of medium to high-density dwellings in major cities declining or at low levels, demand expected to increase in eastern seaboard cities over med-term
- Residual stock loans in high demand and completed stock selling well
- Land loan opportunities increase – developers acquire sites for next cycle
- Lockdowns had an impact on construction

### INDUSTRIAL

- Structural shift away from in-store retail
- Fuelling warehouse demand from increased online retail activity

### OFFICE

- Long term office demand to remain sound
- Potential short term income pain as tenants determine the space required for the next 3-5 years
- City fringe office is becoming increasingly popular - lower rent for greater space and amenities

### RETAIL

- Major repositioning of asset class
- Neighborhood non-discretionary performing well
- Bank appetite reduced, providing select opportunities for alternative lenders

### ACCOMMODATION & HOSPITALITY

- Impacted by COVID reduced patronage
- Occupancy to remain under pressure
- Non-CBD hotels performing better off the back of domestic tourism

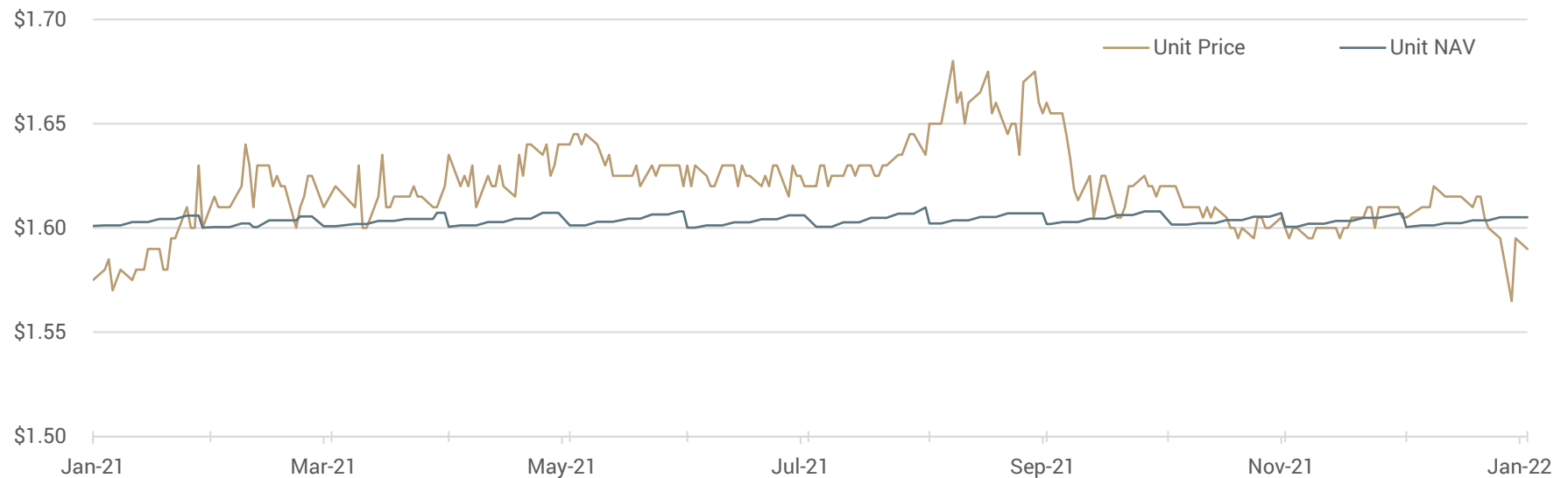
PERFORMING

NEUTRAL

INCREASED RISK

# Manager continues to support the unit price

- ✓ Since the IPO, historically maintained a **stable NAV**
- ✓ No QRI loan impairments, supported by the equity buffer of real property security
- ✓ Leading CRE debt **education**
- ✓ Ongoing direct **marketing** to investors
- ✓ **Transparent** and **detailed** portfolio reporting
- ✓ **Frequent** investor communications

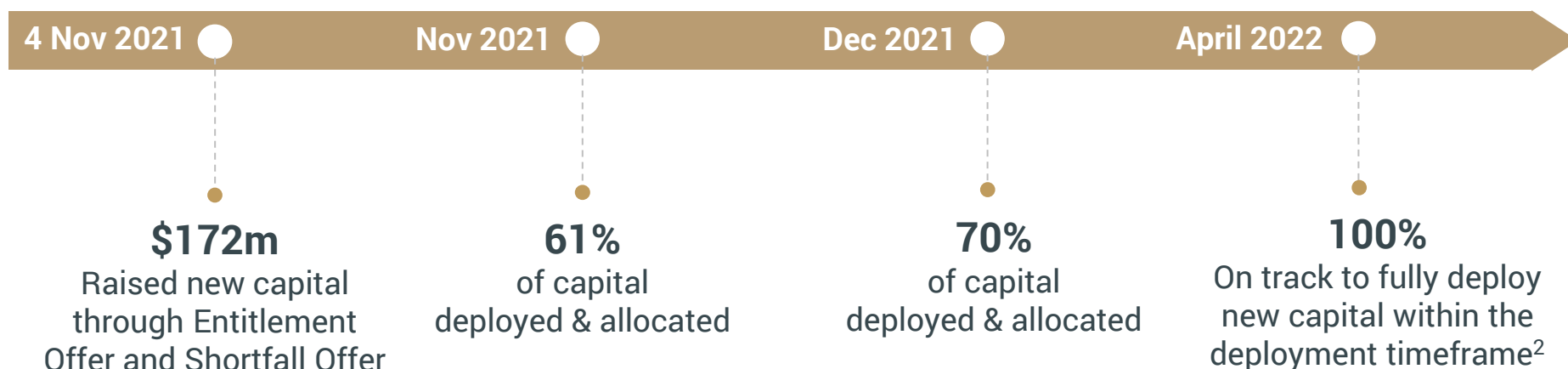


\* Past performance is not a reliable indicator of future performance.

<sup>1</sup> As quoted on ASX as of 31 January 2022.

# Deployment of new capital well progressed

## *Entitlement Offer: deployment timeframe 3-6 months<sup>1</sup>*



<sup>1</sup>New Units under the Entitlement Offer and Shortfall Offer were issued on 1 November 2021 and 4 November 2021 respectively. The deployment timeframe of new capital is 3-6 months from the settlement date of the Entitlement Offer as prescribed in the PDS dated 7 October 2021.

<sup>2</sup>This is a forecast and deployment is not guaranteed.

# Portfolio targets achieved

Investment mandate constraints <sup>1</sup>		31 December 2021
✓ Ranking	Predominantly focused on senior loans	<b>93%</b> (Invested capital) <sup>2</sup>
	Mezzanine loans: target range 20%-35% (incl. AFWT notes)	<b>7%</b> (Invested capital) <sup>2</sup> <b>UNDERWEIGHT</b>
✓ Investment Type	≤ 40% in a single Qualitas wholesale fund	<b>7%</b> (total capital) across two funds (QSDF, QMDF) <sup>3</sup>
	≤ 15% AFWT notes	<b>0%</b> (total capital)
✓ Geography (security property)	≤ 30% Non-capital cities	<b>5%</b> <sup>2</sup>
	Australian and NZ cities with ≥ 100,000 population	<b>100%</b> <sup>2</sup>
	≤ 20% New Zealand	<b>0%</b>
Manager other key targets <sup>4</sup>		
✓ Loan Type	≤ 40% Land loans	<b>18%</b>
	≤ 25% Construction loans	<b>11%</b>
	≥ 30% Investment loans	<b>43%</b>

<sup>1</sup> As outlined in Section 4.8 "Target Portfolio Composition" in the PDS dated 7 October 2021.

<sup>2</sup> % of the QRI loan portfolio, excluding AFWT notes, cash and the Trust loan receivable.

<sup>3</sup> Qualitas Senior Debt Fund, Qualitas Mezzanine Debt Fund

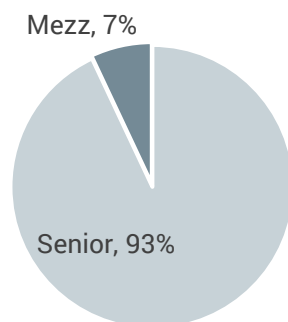
<sup>4</sup> The Manager sets other QRI portfolio targets in addition to the PDS which are reflective of current risk appetite based on market conditions. These targets are reviewed on an ongoing basis with reference to market conditions and opportunities. Amendments to these targets are at the discretion of the Manager.

# Portfolio composition & metrics

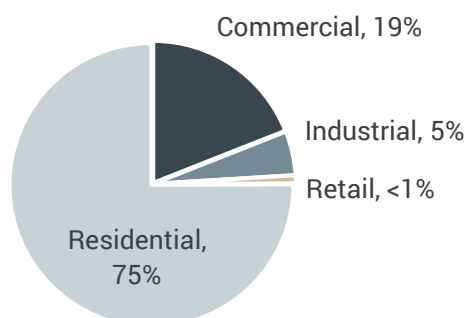
QRI portfolio as of 31 December 2021	\$ millions	%
Cash (QRI & Qualitas funds) uncommitted	149.8	25.0%
Senior Debt Investment Loans	258.5	43.1%
Senior Debt Construction Loans	35.3	5.9%
Senior Debt Land Loans	110.4	18.4%
Mezzanine Debt Construction Loans	29.3	4.9%
Trust Loan Receivable <sup>1</sup>	16.5	2.7%
<b>Total</b>	<b>\$599.8</b>	<b>100%</b>
<b>Gross Return (3 mth)<sup>2</sup></b>	<b>6.76% p.a.</b>	
Mgt Fee and Overheads	(1.82% p.a.)	
<b>Net Return (3 mth)<sup>2</sup></b>	<b>4.94% p.a.</b>	

- 32 Total Loans
- 28 Loan Counterparties
- \$13.5m Avg. Loan Exposure<sup>3</sup>
- 65% Weighted LVR<sup>4</sup>
- 1.2 yrs Weighted loan maturity

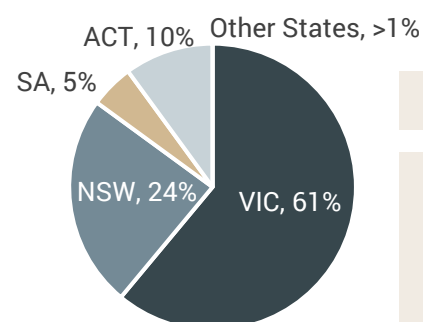
Ranking<sup>5</sup>



Sector<sup>5</sup>



Geography<sup>5</sup>



100% Australia

95% Qualitas core markets<sup>6</sup>  
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.

<sup>1</sup> 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.

<sup>2</sup> Past performance is not a reliable indicator of future performance.

<sup>3</sup> Based on the QRI exposure to the loan

<sup>4</sup> Represents total LVR of loans in the portfolio on a look through basis, via investments in direct loans and Qualitas wholesale funds

<sup>5</sup> Excludes Trust Loan Receivable & cash.

<sup>6</sup> % of the QRI loan portfolio, excluding cash and the Trust loan receivable.



# New loan case studies

## Senior Investment Loan (Residual stock)

- A\$52m total loan (A\$42.8m QRI exposure)
- Financed 134 new completed residential apartments
- Canberra ACT
- LVR 70%
- Repeat borrower
- High calibre borrower with excellent track record



## Senior Construction Loan

- \$41.8m total (A\$20.9m QRI exposure)
- Financed a boutique residential development
- Blue ribbon Sydney suburb, lower north shore
- 75% pre-sales debt coverage
- First time borrower
- Proven developer with track record +30 years



# Manager wrap up

- Despite the impact of COVID-19 continuing, the Australian economy is resilient and the Manager anticipates **improving business activity** across all CRE sectors, as supported by the borders reopening and the return of migration.
- The Manager is positive on the CRE debt market as alternative lenders **market share** and **size** continues to increase.
- QRI continues to provide investors with **attractive risk-adjusted returns**<sup>1</sup> in a low interest rate environment.
- As a leading investment manager in CRE debt, we are committed to **educating** our investors in this specialised asset class.

<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. Returns are not guaranteed.

# Appendix

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# Real estate specialist with proven track record

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

AU\$  
4.2<sup>bn</sup>

Funds under management<sup>1</sup>

13 Funds

across debt and equity  
strategies



Track record of  
outperformance



Extensive global institutional  
and wholesale investor base



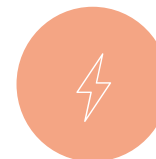
Total Capital Deployed<sup>2</sup>  
\$4.7 billion



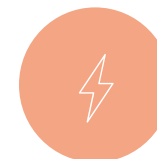
GAV<sup>2,3</sup> of Investments  
\$14.6 billion



Total Transactions  
201



Debt deals  
158



Equity deals  
43

Notes: 1. Represents committed capital and IC approved investor mandates as at 31 October 2021 in which Qualitas provides investment management services to deploy into investments. 2. As at 30 June 2021. Cumulative capital invested exceeds total FUM due to recycling of funds relating to capital returned to investors from realised investments in closed end funds. 3. Gross Asset Value (GAV) is the aggregated value of the real estate asset as at the date of the investment, across both debt and equity investments.

# QRI summary and benefits

1

QRI provides exposure to the **Australian CRE debt** market:

- in a **liquid, regular income**<sup>1</sup> paying form
- with **capital preservation** characteristics
- each loan is secured via a **real property mortgage**

2

QRI is managed by Qualitas, an **Australian real estate financier and investment manager** with FUM \$4.2Bn

3

QRI invests only in **CRE loans** which are distinct from equities, high yield fixed income bonds and unsecured corporate loans

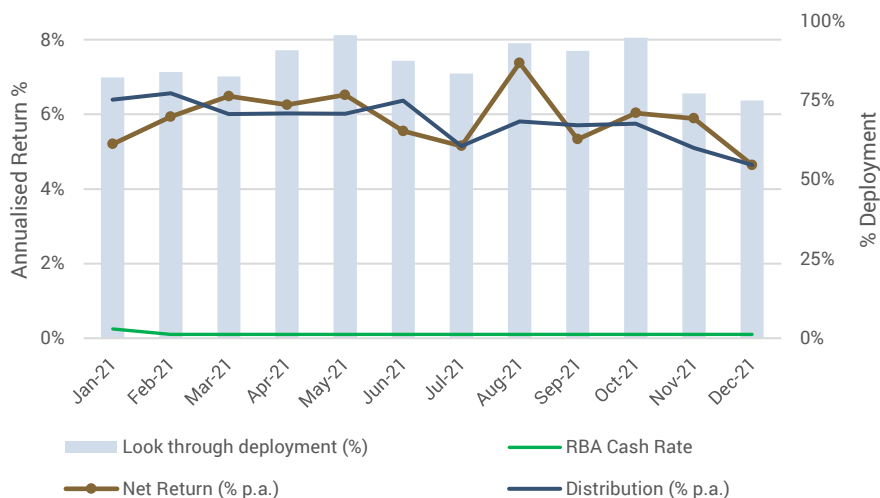
## BENEFITS – Why Invest?

- ✓ Regular monthly income at attractive risk-adjusted returns<sup>1</sup>
- ✓ Capital preservation: real property mortgages
- ✓ Portfolio diversification
- ✓ Specialised credit only investing in CRE loans
- ✓ Experienced Manager, co-investment \$10m
- ✓ Property exposure without equity risk

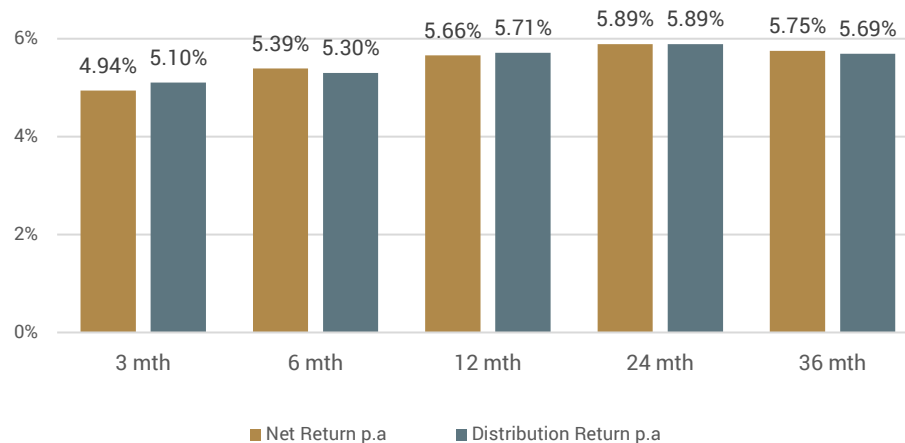
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# Solid fund performance, delivered healthy returns

## Monthly Return<sup>1</sup>



## Net Returns by period



\*As at 31 December 2021. Past performance is not a reliable indicator of future performance. Charts as per QRI monthly reports released to the market and sourced from management reports.

<sup>1</sup> Deployment represents the % of the Trust's total capital that has been committed and invested as at month end in investments, including the Trust Loan Receivable.

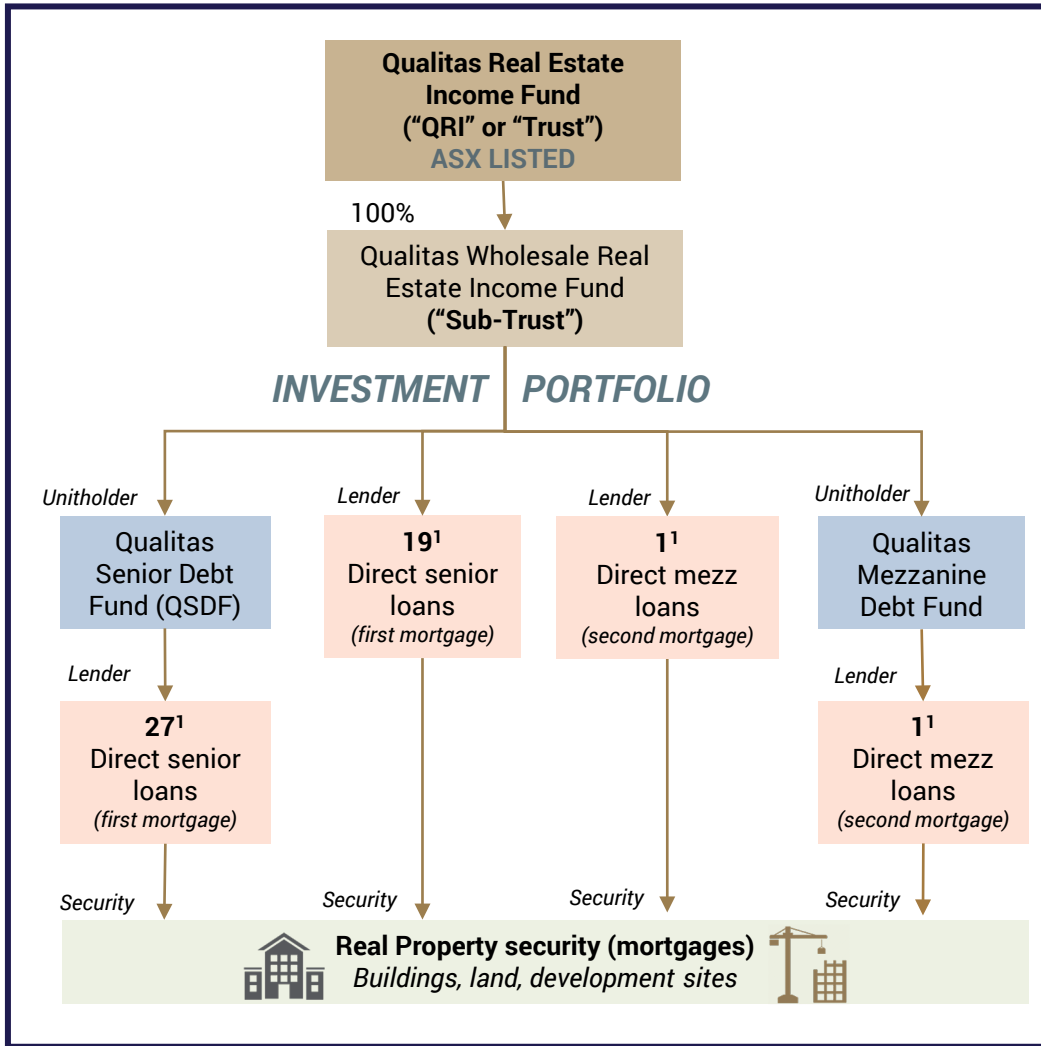


# Detailed loan portfolio

	Senior Investment Loans	Senior Land Loans	Senior Construction Loans	Mezzanine Construction Loans				
No. of loans	21	7	2	2				
Total loan amount	\$258m (60%)	\$110m (25%)	\$35m (8%)	\$29m (7%)				
Avg. loan amount	\$12.3m	\$15.8m	\$17.7m	\$14.7m				
Weighted avg. gross return	6.9%	8.3%	5.4%	12.6%				
Weighted avg. duration	1.3 yrs	1.2 yrs	0.6 yrs	1 yrs				
Weighted avg. LVR	64%	64%	66%	77%				
Sector	<div><div></div> Commercial</div> <div><div></div> Industrial</div> <div><div></div> Retail</div> <div><div></div> Residential</div> 							
Geography	<div><div></div> NSW</div> <div><div></div> VIC</div> <div><div></div> QLD</div> <div><div></div> ACT</div> <div><div></div> SA</div> 							
Loan investments	 <p>Melbourne CBD, VIC Senior Investment LVR 60% 24 months</p>	 <p>West End, VIC Residual Stock LVR 65% 24 months</p>	 <p>Box Hill, VIC Residual Stock LVR 70% 18 months</p>	 <p>Melton South, VIC Senior Construction LVR 57%, LTC 78% 13 months</p>	 <p>South Melbourne, VIC Senior land LVR 65% 18 months</p>	 <p>North Sydney, NSW Senior land LVR 65% 12 months</p>	 <p>Fitzroy, VIC Mezz Construction LVR 79%, LTC 87% 27 months</p>	 <p>West Melbourne, VIC Mezz Construction LVR 70%, LTC 81% 27 months</p>

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

# QRI structure and loan definitions



\*All numerical disclosures are as at 31 December 2021

<sup>1</sup> 15 loans are subject to co-investment between the Sub-Trust and the relevant Qualitas wholesale fund as applicable.

## LOAN DEFINITIONS

### INVESTMENT LOANS

Loans secured against real estate that is or potentially income generating.

Includes residual stock loans which are loans secured against completed construction projects made to developers for the purpose of holding and selling unsold stock (e.g. apartments) in an orderly fashion to maintain pricing levels.

### CONSTRUCTION LOANS

Loans provided to fund development and construction costs, and secured against land with the potential for development, or real estate assets that are soon-to-be or are under construction.

Construction loans are typically drawn down over time as the project progresses.

### LAND LOANS

Loans secured against infill vacant land with the potential for development.

This includes undeveloped land that can be subdivided, land approved for development and land yet to be approved for development.

### MEZZANINE LOANS

Loans secured with a second ranking mortgage. Mezzanine loans usually associated with construction projects and ranks behind a senior lender who is typically a 'Big 4' retail bank.

# Stakeholder engagement and communication



Regular  
unitholder  
emails



Investor  
presentations



Website  
News & Insights



Media



Weekly NAV



Monthly, semi  
and annual  
financial results



Industry  
Conferences



Independent  
Research



Email: [gri@qualitas.com.au](mailto:gri@qualitas.com.au)

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

Trust Website:  
[www.qualitas.com.au/listed-investments/QRI](http://www.qualitas.com.au/listed-investments/QRI)

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## Important Information

This document 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") 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)).

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