



# Performance Update – December 2020

## QRI Highlights

### Net Return<sup>1</sup> (% p.a.)

1 month (%) p.a.	7.13%
12 month (%) p.a.	6.18%

### Distribution

Current month	\$0.008373 / unit
Current month % p.a.	6.18%

### QRI investment benefits

- ✓ Experienced Institutional local based Manager
- ✓ Regular and stable monthly cash distributions<sup>2</sup>
- ✓ Return is an attractive premium<sup>3</sup> to current low cash rate
- ✓ Capital preservation: loans / real property mortgages
- ✓ Exposure to the property market
- ✓ Simple credit strategy of investing in only Commercial Real Estate (CRE) loans

### QRI Key Metrics as at 31 December 2020

Market Cap / Trust NAV	\$359m / \$361m
Invested Capital <sup>4</sup>	\$318m
Unit Price	\$1.590
Unit NAV	\$1.6025
Total Invested positions <sup>5</sup>	18
Total Loans <sup>6</sup>	36
Weighted LVR <sup>7</sup>	62%
Weighted loan maturity <sup>6</sup>	1.0 years
Loans in arrears <sup>8</sup>	-
Fixed / Floating interest exposure	83% / 17%

### Key Information<sup>9</sup>

Target Return	RBA Cash Rate <sup>10</sup> + 5.0% - 6.5% p.a. (net)
Investment Type	Listed Investment Trust
Distributions	Monthly
Unit Pricing	Weekly
Distribution Reinvestment Plan (DRP)	Suspended

### Investment Objective

To achieve the Target Return, and provide monthly cash income, capital preservation and portfolio diversification<sup>9</sup>.

### Investment Strategy

Seek to achieve the Investment Objective by investing in a portfolio of investments that offers exposure to commercial real estate loans secured by first and second mortgages, predominantly located in Australia.

## Market Update and Investment Activity

The CRE debt market was exceptionally busy in the lead up to the Christmas and New Year holidays, particularly with the volume of deal settlements for alternative lenders. Overall, the CRE debt market conditions held firm however the Manager is conscious of any negative impact from the recent fluctuating COVID infections in Sydney, Melbourne and Brisbane which have resulted in the closure of state borders.

As of 31 December 2020, the Trust's capital remains fully allocated<sup>11</sup> and is 88% deployed (look-through to Qualitas funds). During the month, five allocated loans (totalling \$59m, both new and extended loans) disclosed in last month's report were settled before the holiday period. These loans were two new mezzanine construction loans totalling \$25.8m, a new senior investment loan secured by a well-located hotel, and two senior loan extensions.

The Trust's exposure to mezzanine construction loans has now increased from 1.5% in November to 7.8% as intended by the Manager in order to strategically reposition the portfolio given the attractive risk return metrics currently presenting in the market. This has also resulted in some rebalancing of investment and land loans now reduced to 39% and 23% respectively.

The Trust's unit redemption in the Qualitas Senior Debt Fund (QSDF) was also finalised with \$22.2m of capital returned in December for reinvestment into the new direct loans. A further \$22.2m is to be redeemed in January. Post redemption, the Trust's remaining capital invested in the QSDF will reduce to \$39m. The redemption of part of the Trust's units in the QSDF reflects the strategy of pursuing investment in direct<sup>12</sup> loans by the Trust as opposed to indirectly via Qualitas wholesale funds. There was also \$35m of loan repayments (look through to Qualitas Funds) during the month.

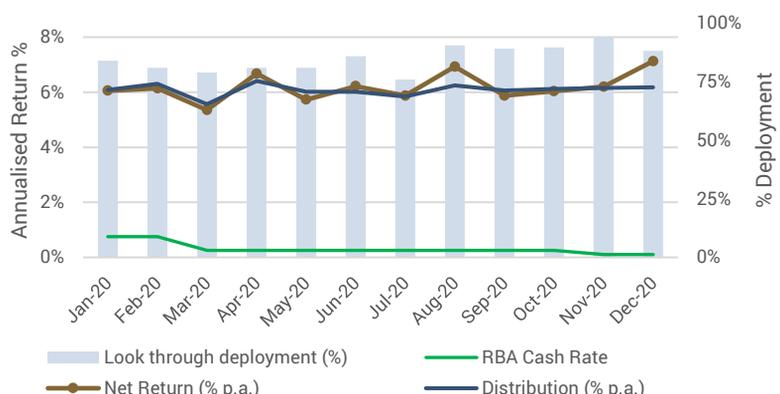
The Manager continues to originate new loan opportunities ahead of scheduled loan repayments and available capital as the CRE debt pipeline remains strong. A new residual stock loan has been allocated and is expected to close in February. The Manager also continues to seek more mezzanine transactions in the current climate.

In line with the current **Target Return of 5.10% to 6.60% p.a.**, the Manager is pleased to achieve a December month net return of 7.13 % p.a. with a distribution return of 6.18% p.a. The settlement of five loans, particularly with two of these loans settling very late in December after the distribution declaration date, has resulted in a strong net return for the month. In order to provide unitholders with a more predictable and consistent distribution and in accordance with the Trust's new distribution policy announced on 15 October 2020, the Trust has retained income from the month of December which will be distributed in future distributions within the financial year ending 30 June 2021. The Manager continues to meet the Trust's investment objective of capital preservation as the Trust's NAV remained stable after the most recent asset review, with no loan impairments and no interest arrears recorded as of the date of this release.

## QRI Historical Performance

	1 Mth	3 Mth	6 Mth	12 Mth	24 Mth
Net Return (%) <sup>1</sup>	0.60%	1.62%	3.19%	6.18%	-
Net Return (% p.a.)	7.13%	6.45%	6.34%	6.18%	5.73%
Distribution (¢/unit)	0.8373	2.4738	4.9077	9.7277	17.7452
Distribution Return (% p.a.)	6.18%	6.15%	6.10%	6.08%	5.65%

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



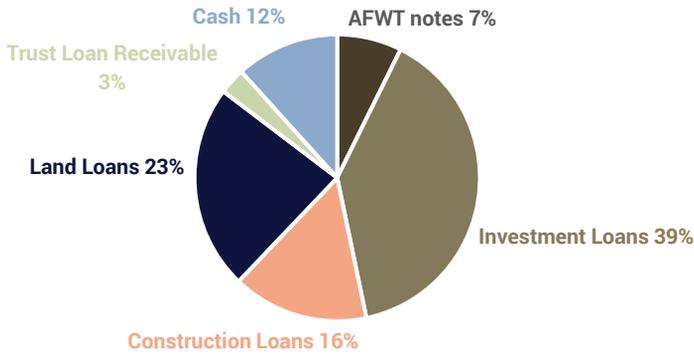
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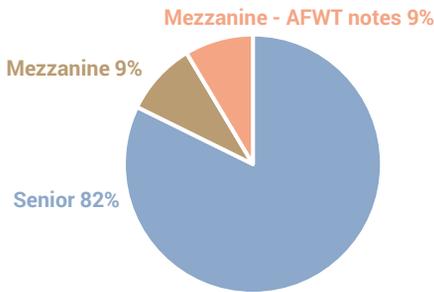
QRI Portfolio Diversification<sup>1</sup>

Portfolio Composition

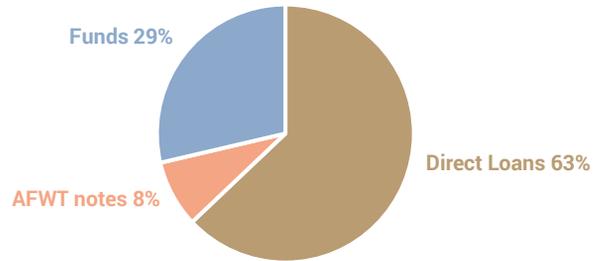


Category	\$ millions	%
Cash (QRI) uncommitted	35.4	10%
Cash (Qualitas funds) uncommitted	7.0	2%
Senior Debt Investment Loans	142.1	39%
Senior Debt Construction Loans	27.5	8%
Senior Debt Land Loans	83.5	23%
Mezzanine Debt Construction Loans	28.1	8%
AFWT Notes	26.5	7%
Trust Loan Receivable	10.7	3%
<b>Total</b>	<b>\$360.8</b>	<b>100%</b>
<b>Gross Return</b>	<b>9.12% p.a.</b>	
Mgt Fee and Overheads	(1.99% p.a.)	
<b>Net Yield (Annualised)<sup>2</sup></b>	<b>7.13% p.a.</b>	

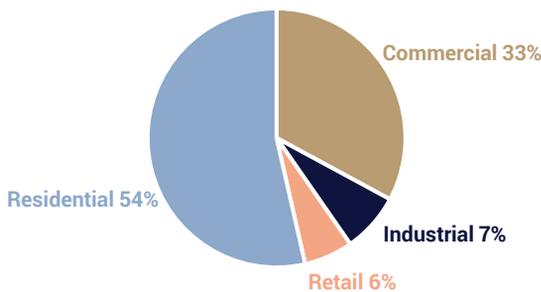
Loan Classification<sup>3</sup>



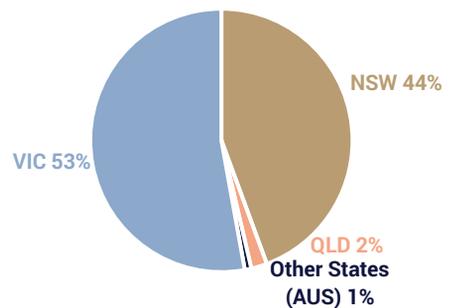
Investment Type<sup>3</sup>



Property Sector Diversification<sup>4</sup>



Geographic Diversification<sup>4</sup>



About the Manager

Established in 2008, Qualitas has a 12-year track record in the real estate sector and currently manages \$2.75 billion in committed capital. 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.

Key Service Providers

Manager QRI Manager Pty Ltd – an authorised representative of Qualitas Securities Pty Ltd

Responsible Entity The Trust Company (RE Services) Limited

Platforms

Macquarie, BT Panorama, BT Wrap, Asgard, Netwealth, AMP North, HUB24.

Upcoming Investor Events & Key Dates

- w/c 1<sup>st</sup> February : QRI December Quarter portfolio update

Investor Queries

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### Monthly Historical Performance

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

Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD
<b>Distributions (c/unit)</b>													
FY19	-	-	-	-	-	0.1534	0.2416	0.2464	0.3784	0.6719	0.6463	0.8397 <sup>1</sup>	3.1777
FY20	0.8150	0.7370	0.9511 <sup>1</sup>	0.7906	0.7896	0.9099	0.8233	0.7989	0.7539	0.8405	0.8152	0.7882	9.8132
FY21	0.7914	0.8469	0.7956	0.8289	0.8076	0.8373	-	-	-	-	-	-	4.9077
<b>Net Return (%)</b>													
FY19	-	-	-	-	0.02%	0.08%	0.12%	0.15%	0.25%	0.41%	0.44%	0.49% <sup>2</sup>	1.96%
FY20	0.53%	0.45%	0.66% <sup>2</sup>	0.49% <sup>2</sup>	0.49%	0.61%	0.51%	0.49%	0.45%	0.55%	0.49%	0.51%	6.23%
FY21	0.50%	0.59%	0.48%	0.51%	0.51%	0.60%	-	-	-	-	-	-	3.19%

### Unit Price vs NAV



### Notes

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- [1] 1 month net return is calculated based on the weighted average NAV. 3 month, 6 month and 12 month net return is calculated based on the average month end NAV.
- [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.
- [3] The premium achieved is commensurate to the investment risk undertaken.
- [4] Invested Capital represents the amount of the Trust's total capital that has been committed and invested as at month end in loans (on a look through basis to the Qualitas Funds), the AFWT notes and the Trust Loan Receivable.
- [5] All investments including direct loans are made by the Sub-Trust. The Sub-Trust is wholly owned by the Trust.
- [6] Represents total loans in the portfolio on a look through basis, via investments in direct loans and Qualitas wholesale funds. Excludes the AFWT loan portfolio.
- [7] Represents total LVR of loans in the portfolio on a look through basis, via investments in direct loans, Qualitas wholesale funds and AFWT loan portfolio.
- [8] Represents % of loan portfolio on look through-basis (excluding AFWT loan portfolio) in arrears by 90 days or more.
- [9] This is a target return only. There is no guarantee the Trust will meet its Investment Objective. 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. The Trust reserves the discretion to amend its distribution policy.
- [10] RBA cash rate is subject to a floor of 0%.
- [11] 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.
- [12] Direct means via the Sub-Trust.

### Disclaimer

This report has been 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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- [1] The portfolio statistics are determined on a look-through basis having regard to the loans in the underlying Qualitas Funds and the AFWT portfolio as indicated. The classifications of these diversification parameters are determined by the Manager. Figures stated are subject to rounding.
- [2] Net Yield is based on the net return of the Trust Portfolio for the reporting month and converts this into an annual yield as if the return was constant for 12 months.
- [3] Excludes Trust Loan Receivable & cash. The Manager classifies the AFWT subordinated notes as mezzanine as it ranks behind senior noteholders.
- [4] Excludes Trust Loan Receivable & cash. Adjusted for AFWT loan portfolio.

#### Page 3

- [1] Calculated based on units entitled to the distribution. The units entitled to the Sep-19 distribution excludes units issued under the Wholesale and Early Retail Entitlement Offers.
- [2] Net Return calculated based on weighted average NAV.