

Trilogy Monthly Income Trust



Adviser Investment report: January 2024

APIR (Ordinary units): TGY0003AU
APIR (Platform units): TGY9172AU

Investment at a glance

Investment strategy:

To source loans secured by registered first mortgages held over property geographically spread across Australia's states and territories. Other assets may be held.

Unit Price³: \$1.00
Minimum initial investment: \$10,000
Minimum additional investment: \$1,000
Distribution frequency: Monthly
Preferred method of payment:

Direct debit, BPAY. (Contact us for other options.)

Minimum initial holding period:

Ordinary units: Two months. See PDS & TMD for details.
Platform units: See PDS & TMD for details.

Automatic reinvestment:

Ordinary units: Available
Platform units: Not available

Withdrawal notice periods:

Ordinary units: Four months. See PDS & TMD for details.
Platform units: See PDS & TMD for details.

Responsible entity management fee:

0.96% p.a. (including GST) of total funds under management.
Additional fees are charged to the Trust relating to the assets.
See PDS for details.

Entry & exit fees:

Ordinary units: Nil - but other fees and costs apply, see PDS.
Platform units: See Section 6 of the PDS.

Risks:

This product carries capital, distribution and other risks. You should consider Section 7 of the PDS before investing.

Platforms:

Allan Gray	Mason Stevens	OneVue
Australian Money Market	Netwealth	Powerwrap
Macquarie Wrap	HUB24	uXchange/Dash

Also available for direct investment.

Independent research ratings:



8.05% PA^{1,2}

January 2024 net distribution rate annualised.
Variable rate. Past performance is not a reliable indicator of future performance.

Historical performance² (Inception February 2007)

1 Month %	3 Month %	6 Month %	1 Year %	3 Year %PA	5 Year %PA	Since Launch %PA
0.68	2.03	4.06	7.82	6.33	6.58	7.46

Commentary

Fund update

The Trilogy Monthly Income Trust delivered a return of 8.05% p.a. for the month ending 31 January 2024. During the month, a large number of repayments were made as projects came to practical completion and either plan sealing was secured, occupancy certificates were issued or titles were subsequently registered. One loan settled during the month which is characteristic of the beginning of the calendar year. We continue to see a growing number of enquiries in specialised areas. These include childcare, and specialist disability accommodation (SDA) where an undersupply persists in key regions, particularly Queensland.

Market update

During the month, the Cordell Construction Cost Index (CCCI) for the December 2023 quarter was reported. The index tracks the cost to build a typical new dwelling.

While the reading in the December quarter of 0.8% was higher than the 0.5% recorded for the September 2023 quarter, Core Logic reports that the rate remains 20 basis points below the 10 year pre-Covid average of 1%⁷. Similarly, the 12 month increase of 2.9% is significantly below the pre-covid 10 year average of 4%.

Historically low cost growth of 2.9% appears promising, particularly compared to the peak of 11.9% over the 12 months to December 2022. However, signs of unsettled pricing remain. Specifically, there are inconsistencies between materials in terms of price movements (some are increasing, some decreasing) and inconsistencies in the cost growth rates seen

¹ Equivalent net distribution rate annualised paid to investors for the month ended 31 January 2024.

² All distribution rates quoted are variable, net of fees, costs and taxes and assume no distribution reinvestment. Past performance is not a reliable indicator of future performance.

³ The unit price is fixed, however, capital losses can occur in circumstances where the Fund incurs a capital loss.

⁴ The information contained in the Foresight Analytics report and encapsulated in the investment rating is of a general nature only. The report and rating reflect the opinion of Foresight Analytics and Ratings Pty Limited (AFSL 494552). It does not take into account an individual's objectives, financial situation or needs. Professional advice should be sought before making an investment decision. A fee has been paid by the fund manager for the production of the report and investment rating.

⁵ The rating contained in this document is issued by SQM Research Pty Ltd ABN 93 122 592 036 AFSL 421913. SQM Research is an investment research firm that undertakes research on investment products exclusively for its wholesale clients, utilising a proprietary review and star rating system. The SQM Research star rating system is of a general nature and does not take into account the specific person. The rating may be subject to change at any time. Only licensed financial advisers may use the SQM Research star rating system in determining whether an investment is appropriate to a person's particular circumstances or needs of any specific person. You should read the product disclosure statement and consult a licensed financial adviser before making an investment decision in relation to this investment product. SQM Research receives a fee from the Fund Manager for the research and rating of the managed investment scheme.



Commentary (continued)

in various states – with NSW, Victoria and WA all seeing an acceleration in price growth, and a deceleration in QLD and SA. Building approvals⁸, as reported by the Australian Bureau of Statistics remained close to ten-year lows. Persistently low levels of activity should flow through to lower pressure on construction cost price growth.

Outlook

Looking broadly across the market, there are various factors impacting the broader confidence of borrowers and investors. Locally, official target cash rate cuts will largely be predicated on the RBA's confidence that CPI will approach the 2%-3% target range⁹, and global interest rate movements. The RBA predicts that the target range is likely to be reached in 2025, and the midpoint reached in 2026¹⁰.

Meanwhile, Proptrack reports they continue to expect home prices to increase in 2024, albeit modestly¹¹. They also reported in January¹² that they expect rental supply to be tight, and demand to remain strong, pushing rents higher in 2024.

Finally, as anticipated in previous Trilogy Funds Investment Reports and Company Updates, it would appear Australian mortgage holders are prioritising seeking additional income, or alternative ways to save money, over selling the family home or defaulting on the mortgage. Despite the RBA's string of rate rises over 2022-2023, home price growth remains solid and mortgage stress remains low. In fact, key indicators are below pandemic levels¹³ as reported by PropTrack and APRA.

We will continue monitoring the release of further market information, and considering the impact of market developments on our portfolio.

Portfolio information

Current liquidity⁶

14.02% of the portfolio is currently in cash and investments considered to be liquid.

Loans in arrears or default⁶

2.39% based on FUM

Funds under management (FUM)⁶

\$710,935,560

Weighted average loan to valuation ratio⁶

63.03% ("as-if-complete")

Total number of loans

123

⁶ All figures are based on unaudited figures as at 31 January 2024 and may be subject to change. LVR is based on valuation (for development and construction loans, the "as-if complete" valuation) inclusive of GST. Some figures have been rounded to the nearest percent.

⁷ <https://www.corelogic.com.au/news-research/news/2024/construction-cost-growth-returns-to-trend>

⁸ <https://www.abs.gov.au/statistics/industry/building-and-construction/building-approvals-australia/latest-release>

⁹ <https://www.rba.gov.au/inflation-overview.html>

¹⁰ <https://www.rba.gov.au/media-releases/2024/mr-24-01.html>

¹¹ <https://www.proptack.com.au/insights-hub/how-home-prices-surprised-us-in-2023/>

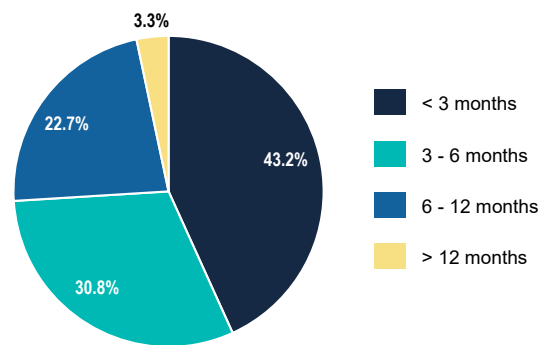
¹² <https://www.proptack.com.au/insights-hub/proptack-rental-report-december-2023-quarter/>

¹³ <https://www.proptack.com.au/insights-hub/interest-rates-have-likely-peaked-so-how-stressed-are-borrowers/>

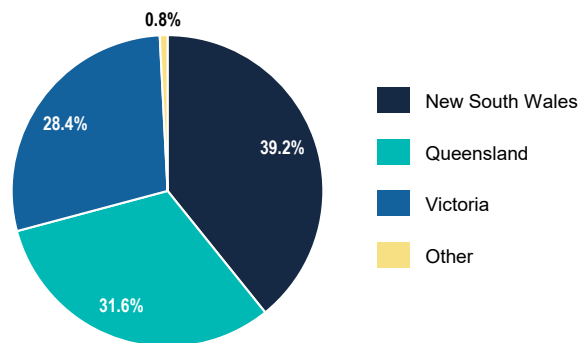
The Trilogy Monthly Income Trust ARSN 121 846 722 is a registered pooled mortgage fund and investments can only be made on the application form accompanying the Product Disclosure Statement (PDS) dated 30 September 2022 issued by Trilogy Funds Management Limited (Trilogy Funds) ABN 59 080 383 679 AFSL 261425 and available from www.trilogyfunds.com.au. Please also consider the Target Market Determination (TMD) dated 30 September 2022 which is available at www.trilogyfunds.com.au. Information included in this communication about investment yield and returns should be considered only as part of a balanced review of all the features, benefits and risks associated with the product. Please read the PDS and the TMD in full. All investments, including those with Trilogy Funds, involve risk which can lead to no or lower than expected returns, or a loss of part or all of your capital. Investments in Trilogy Funds' products are not bank deposits and are not government guaranteed. This information has been prepared for the use of licensed advisers only.

Portfolio diversification

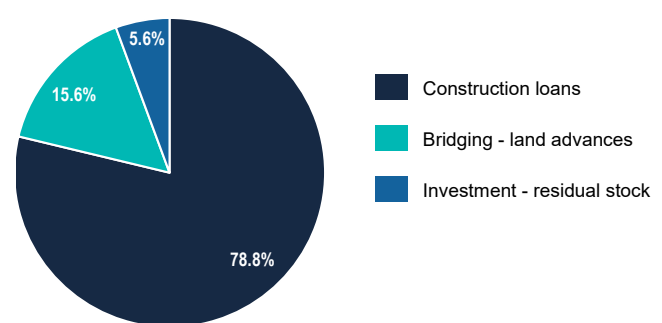
Loan maturity⁶



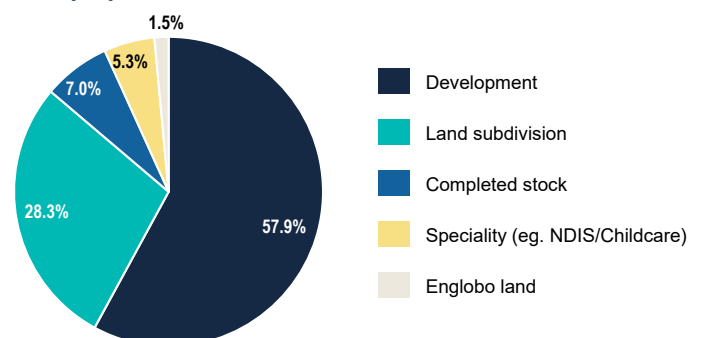
Geographic spread⁶



Loan type⁶



Loan purpose⁶



Top 10 loans by drawn value⁶

