



Investment Rating Report

Foresight Investment Rating: **VERY STRONG**

Foresight Complexity Indicator: **RELATIVELY SIMPLE**

Fund Details

Investment Manager: Trilogy Financing Pty. Ltd., ABN 16 615 429 386

Investment Structure: Australian Unit Trust

Wholesale/Retail: Wholesale and Retail

Category: Enhanced cash fund

Investment Style: Active management of cash, cash-style investments, and other financial assets, enhanced by investment in a mortgage fund.

Inception: Nov 2016

Management Fee: 0.35% retail

Indirect Fees: 0.52%

Responsible Entity: Trilogy Funds Management Limited. ABN 59 080 383 679, AFSL 261425

Investment Objective: To invest directly or indirectly in a portfolio of cash, cash-style investments, and other financial assets and to enhance returns via exposure to the pooled mortgage portfolio of the Trilogy Monthly Income Trust.

The Trust aims to outperform a benchmark of the Official Cash Rate plus 1.5%.

Review Summary

The Trilogy Enhanced Income Fund (the Fund) is an open-ended, registered investment scheme, established in November 2016. The underlying investment targets are 65% cash, cash-style investments, and other financial assets, including enhanced cash funds and mandates. The remaining 35% is invested within the Trilogy Monthly Income Trust, a mortgage trust investing in loans secured by registered first mortgages over property development, construction and refinancing of completed stock.

The Fund has a fixed unit price at \$1.00 and calculates, allocates, and distributes interest and other income at the end of each month.

Trilogy Funds Management Limited has its origins in 1998 when a Brisbane law firm, of which Philip Ryan was a partner, commenced an investment company managing mortgages and property assets. In 2004 Rodger Bacon and John Barry left their executive positions at Challenger Financial to join Philip in founding Trilogy Funds.

The team at Trilogy enhance their many years of experience with multiple checks and balances to enable the Trust to achieve its objectives.

Performance (October 2021)

Period	Return
1 month	2.70%
3 months	2.92%
6 months	2.97%
1 year	3.17%
Since Inception (Nov 2016)	3.71%

Source: Trilogy

Investment Rating & Foresight Complexity Indicator

A **VERY STRONG** rating indicates a very strong level of confidence that the Trust can deliver a risk-adjusted return in line with its investment objectives.

Designation as a **RELATIVELY SIMPLE** product indicates that, while the Trust is expected to move fairly closely in line with mainstream markets, there may be periods where it outperforms or underperforms.

Fund Details

Dominant Strategy	Diversified Income?
Investment Structure	Australian Unit Trust
Investment Manager	Trilogy Financing Pty. Ltd.
Sub-Investment Manager	N/A
Trustee/RE	Trilogy Funds Management Limited
KEY FEATURES	
Fund Inception	November 2016
Domicile	Australia
Legal Form	Registered Managed Investment Scheme
APIR Code	TGY9789AU
Geographic Mandate	Australia
Open/Closed	Open
Management Costs Direct	0.35% of total FUM
Management Costs Indirect	0.52% of total FUM
Target Return	Official Cash Rate plus 1.5% p.a. (before fees).
Distributions	Distributions are paid monthly in arrears.
FUM	\$81.35m as at October 2021
Minimum Subscription	\$5,000
Subsequent Subscription	\$1,000
Withdrawals	Accepted every day. A 30-day notice period is required for withdrawals, but they may be processed and paid quicker at the discretion of Trilogy (while the Fund is liquid). A withdrawal period of up to six months is allowed under the Constitution.
Liquidity	80% of the Fund's assets must be realised within the period specified in the Constitution, which is six months.
PRIMARY CONTACT	
Name & Title	Alison Lancaster – Head of Investor Relations & Distribution
Email Address	a.lancaster@trilogyfunds.com.au
Telephone Number	07 3039 2828
Website	trilogyfunds.com.au

Investment Profile

HISTORY/BACKGROUND

Trilogy Funds Management Limited has its origins in 1998 when a Brisbane law firm, of which Philip Ryan was a partner, started an investment company managing mortgages and property assets. In 2004 Rodger Bacon and John Barry left their executive positions at Challenger Financial to join Philip in founding Trilogy Funds. Trilogy Funds Management is a 100% subsidiary of Trilogy Services Trust, which is majority owned by Rodger Bacon. The other shareholders are senior executives of the company including Justin Smart, Phillip Ryan and John Barry.

Trilogy launched the Trilogy Monthly Income Trust, a pooled mortgage trust, in February 2007.

The five years following the Global Financial Crisis (GFC) were difficult for pooled mortgage funds, with almost all pooled mortgage funds closing and/or in distress. During this time, Trilogy – at the request of investors – became a Responsible Entity (RE) of an external fund, the Pacific First Mortgage Fund. It also acted as RE for a further external pooled mortgage-related fund.

Trilogy launched Trilogy Enhanced Cash in 2016 to complement the mortgage trust and provide an investment with enhanced liquidity. The name of the Trilogy Enhanced Cash Trust changed to the Trilogy Enhanced Income Fund (TEIF) on July 2020. A new PDS was released, with some changes to redemption and liquidity guidelines.

OBJECTIVE

The Investment Manager aims to provide investors with monthly returns in excess of traditional cash products by partially investing in a pooled mortgage fund. The objective of the Fund is to provide a stable unit value of \$1.00 and enhanced liquidity compared to investment in a mortgage-type fund.

FUNDS UNDER MANAGEMENT

The Fund has funds under management of circa \$81.35m as at 30 October 2021. In total as at 31 October 2021, Trilogy manages over \$800million across mortgage trusts, enhanced income funds and property syndicates.

INVESTMENT UNIVERSE

The Fund targets a 65% allocation to cash, cash-style investments and other financial assets as well as a 35% allocation to the Trilogy Monthly Income Trust.

Cash and cash-style products can include the following:

- cash at banks
- short-to-medium-term bank term deposits
- bank bills
- promissory notes
- bonds
- fixed or floating rate securities
- income securities

These securities can be accessed directly or indirectly through investment in listed or unlisted managed investment schemes. The current investment portfolio is a mix of cash, term deposits, investment in three external funds and three direct security mandate through FIIG.

The Trilogy Monthly Income Trust invests primarily in commercial real estate debt secured by registered first mortgages. The underlying loans can be up to \$30m on properties located on the eastern seaboard of Australia, in capital cities and regional town centres. The type of property may be residential, commercial, development, retail or industrial.

Investment Philosophy & Strategy

Trilogy's investment philosophy is to provide a monthly income stream with returns greater than traditional cash products. Trilogy enhances the Fund's returns by investing in an adverse portfolio of relatively short-term property loans, secured by registered first mortgages, and available through the Trilogy Monthly Income Trust.

Investment Process

The investment process for the Trilogy Enhanced Income Fund combines the following key functions:

1. Selection of cash, cash-style investments, and other financial assets
2. Due diligence and selection of external cash managers
3. Portfolio asset allocation
4. Fund reporting and monitoring

Trilogy uses a combination of direct cash deposits to ADIs, investment mandates to cash and fixed-interest managers, and investment in cash-style funds. Investments are differentiated as core or non-core holdings to assist with redemption liquidity.

Investment mandates The Portfolio Manager works with the Treasury Committee to define the Fund's mandate, including requirements for liquidity, volatility risk, credit risk and asset class ranges.

Investment funds Due diligence on cash/FI managers includes comprehensive research into the offer and the investment provider, including direct meetings.

The Treasury Committee is involved in each step of the process, and approves the hiring of new managers or the removal of existing managers.

Portfolio Asset Allocation

This includes managing allocations to the various cash assets and underlying managers, with particular emphasis on tracking and projecting liquidity requirements and maintaining the \$1.00 unit value.

Cash Flow Management

Trilogy engaged an external IT resource – Adaptive Insights – to build a customised loan and portfolio forecasting system, which will replace the current internal systems. This project is predominantly complete and is being incorporated into current reporting and forecasting models.

Investment Team

The Portfolio Manager for the Fund is Henry Elgood. He works closely with Trilogy's finance team and the Treasury Committee to determine asset allocations for the Trust.

EXPERIENCE	
Henry Elgood Head of Investments – Fixed Interest	Henry Elgood combines his role as Head of Investments with that of Chief Risk Officer. Henry has years of experience in the financial services industry and has acted as director for several private companies. Henry is responsible for the daily asset allocation, ensuring the portfolio aligns with the current investment strategy, and reporting to the Board on performance-based metrics.

<p>John Barry Treasury Committee</p>	<p>John Barry is Trilogy’s Executive Director and also sits on the Treasury Committee. John has nearly 40 years of experience guiding the strategic product operations of several of Australia’s leading financial services providers.</p> <p>Previously, John headed up ABN AMRO’s reverse mortgage and social infrastructure divisions. He was a board member and the Head of Property for Challenger, where he was instrumental in its growth as a broad-based financial services company. He was responsible for establishing the Endowment Warrants and the structure and establishment of Challenger’s long-term annuities.</p> <p>Before Challenger, John worked in the corporate finance area of Morgan Grenfell Australia and Rothschilds Australia, where he was a board member. John is also the Independent Non-Executive Chairman of Westpac RE Limited, a subsidiary of the Westpac Banking Corporation.</p>
<p>Philip Ryan Treasury Committee</p>	<p>Philip Ryan is the founder and Managing Director of Trilogy and was instrumental in the company’s formation. He is also a member of Trilogy’s Treasury Committee, Compliance Committee and Investment Committee, and acts as General Counsel for Trilogy. Philip has been a solicitor of the Supreme Court of Queensland and the High Court of Australia for 30 years, specialising in corporate and commercial law.</p> <p>Philip was a partner in a Brisbane law firm for 20 years and was a founding director of the fund’s management entity which evolved into Trilogy. In addition to qualifications in law, he has qualifications in mortgage lending (Diploma of Mortgage Lending), financial services and investment, and he is a Fellow of the Financial Services Institute of Australasia.</p>
<p>Justin Smart Treasury Committee</p>	<p>Justin Smart has been the Chief Operating Officer for Trilogy and Director of RELM since 2007. He is also a Certified Practising Accountant. Before joining Trilogy, Justin worked with Aussie Home Loans and QBE Insurance. He also acted as the Financial Controller for the Australian Commonwealth Government’s HIH Insurance Relief Scheme and was the Financial Controller for Charles Taylor Consulting’s (a UK-listed Mutual Insurance Manager) Australian operations. He commenced his career with a multinational Chartered Accounting firm, specialising in audit.</p> <p>Justin’s expertise encompasses technology, strategic planning and program delivery as well as reviewing existing systems and processes to improve operational efficiencies. This, combined with his experience across audit, insurance, home loans, and funds management, gives him a unique understanding of driving efficiencies within the industry.</p>
<p>Rodger Bacon Treasury Committee</p>	<p>Rodger Bacon is the co-founder of Trilogy and is now the Executive Deputy-Chairman. Before forming Trilogy, Rodger served as an Executive Director at Challenger International, where he assisted in the establishment of Challenger Annuities and the development of a property portfolio worth more than \$2.6b. Rodger also worked for 15 years at Schroder Merchant Banking group, where he gained experience in all aspects of funds management. He is a Senior Fellow of the Financial Services Institute of Australasia.</p>

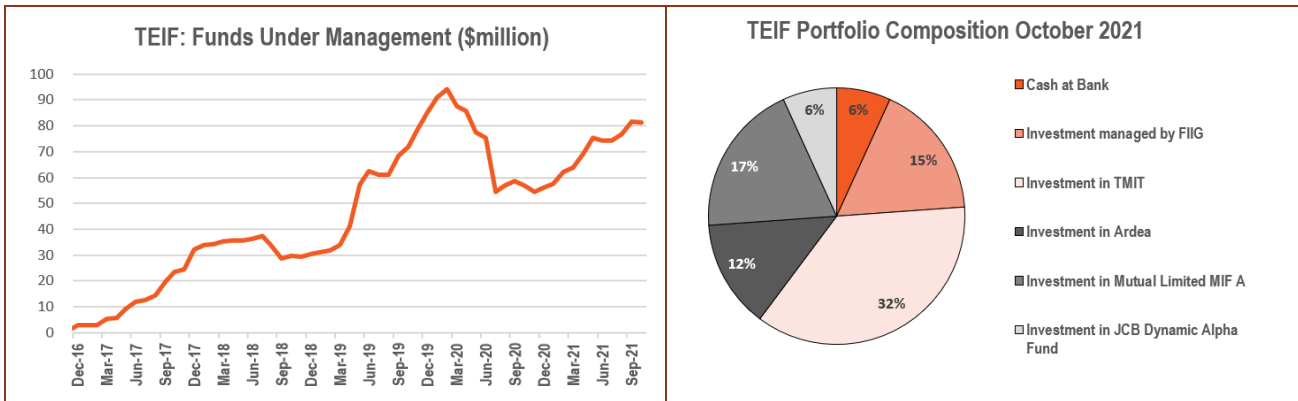
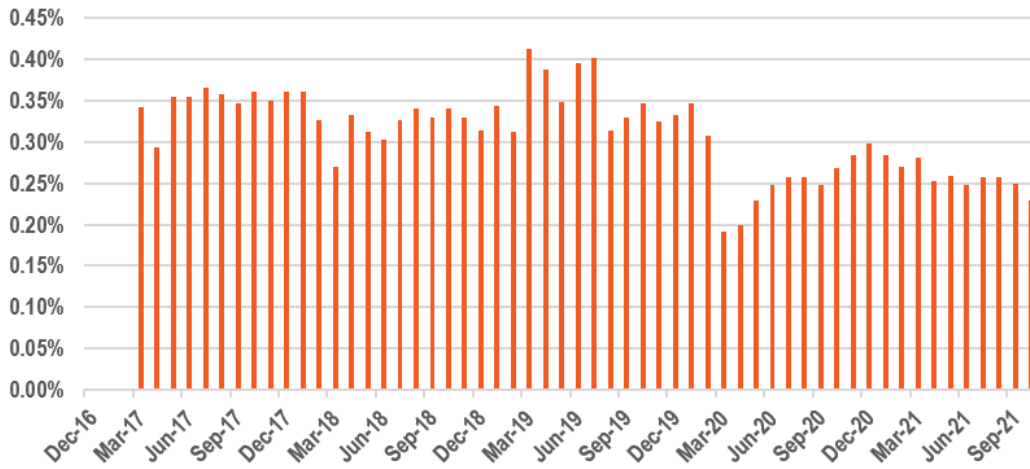
Performance

The Trilogy Enhanced Income Fund outperformed its benchmark of the Official Cash Rate plus 1.5% over all periods on a net distribution basis.

NET RETURNS (annualised) as at 31 October 2021

	Return
1 month	2.70%
3 months	2.92%
6 months	2.97%
1 year	3.17%
Since Inception (Nov 2016)	3.71%

TEIF Monthly Returns

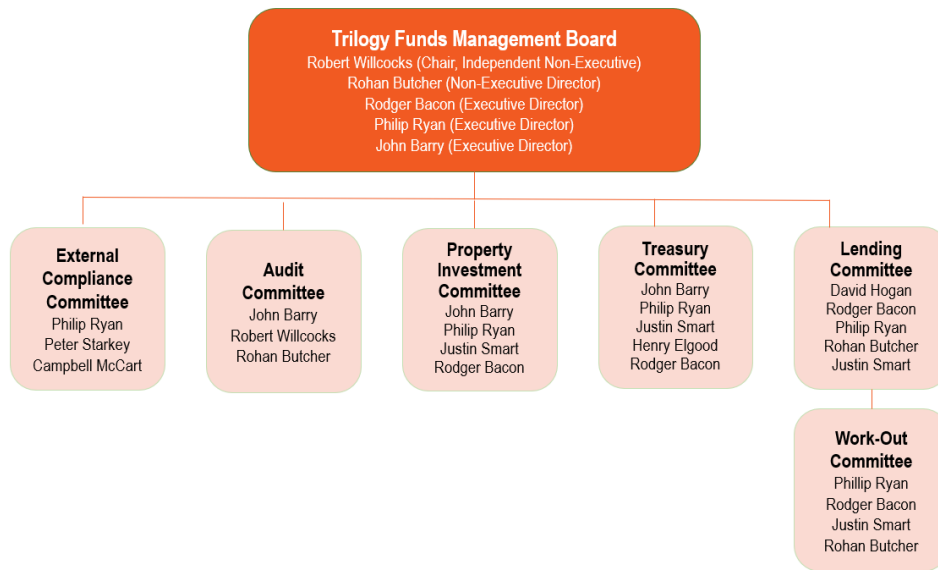


Source: Trilogy

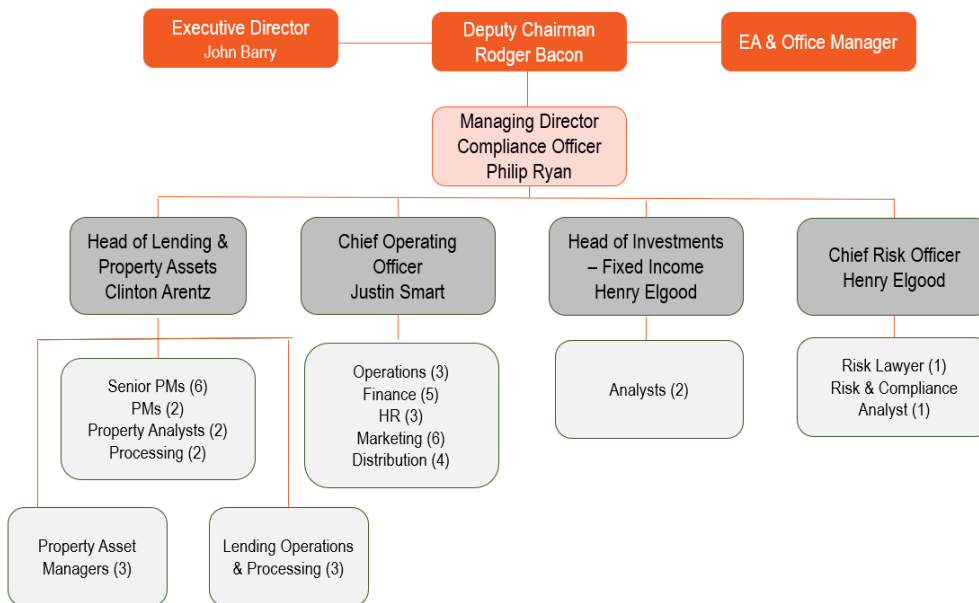
Business Management

The key executives of Trilogy Funds Management are involved at all levels of management and compliance. There are 6 functional committees that report to the Board regularly. The Treasury Committee, Property Investment Committee, and the Lending Committee meet weekly. The Executive Risk Committee meets monthly and monthly updates are provided to the Board by the Head of Governance & Risk.

Board and Committees



Operations and Investment



The compliance function is overseen by the Managing Director and Chief Risk Officer.

Compliance & Risk

Risk management for the Fund is embedded in a due diligence process and ongoing monitoring. It is reported through the various committees, including the Lending Committee and the Treasury Committee.

Trilogy’s compliance management system comprises of a framework of policies and procedures which set out roles, responsibilities, and tools for identifying and managing compliance obligations. The Compliance Plan for the Fund addresses compliance with the legal framework and Trilogy’s ethical standards.

The Compliance Plan includes provisions to be adopted for

- management of the Fund;
- custody of the assets of the Fund;

- valuations;
- methods for the handling of application money;
- Fund assets, income and payments;
- complaints handling and dispute resolution;
- audits;
- conflict of interests;
- monitoring, resolving and reporting suspected breaches of the Corporations Act; and
- formation and operation of the Compliance Committee.

The compliance function is overseen by the Managing Director and Chief Risk Officer.

Transparency & Reporting

Investors receive monthly reports showing 1-month, 3 months, 1 year and since inception net distributions.

In addition, they receive

- a receipt of funds notification;
- annual tax statements; and
- annual periodic (transaction) statements, and an annual financial report, when requested.

There is an investor portal that enables the autonomous collection and review of these documents by investors.

THIRD-PARTY & SERVICE ADVISORS

Fund Administrator	In-house
Custodian	The Trust Company (Australia) Limited
Taxation Advisor	PwC Australia (various) & BDO (statutory and compliance audit)
External Auditor	BDO Australia
Fund Research	In-house
IT Consultant	Wyntec

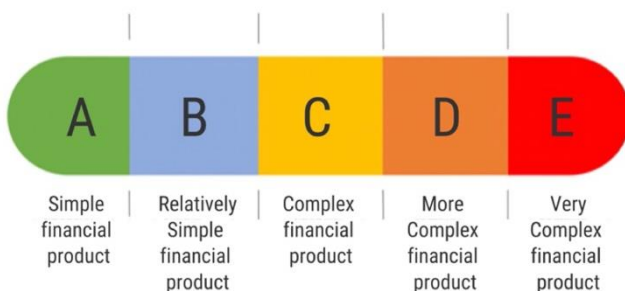
Investment Rating Scale

The Foresight Analytics' investment rating represents how well we believe a fund will perform against a range of risks.

Rating	Definition
Superior	Indicates our highest level of confidence that the fund can deliver a risk-adjusted return in line with its investment objectives.
Very Strong	Indicates our very strong conviction that the fund can deliver a risk-adjusted return line with its investment objective.
Strong	Indicates our strong conviction that the fund can deliver a risk-adjusted return in line with its investment objective.
Competent	Indicates that the fund may deliver a return in line with its relevant benchmark.
Weak	Indicates our view that the fund is unlikely to deliver a return in line with its investment objective or outperform its benchmark.

Foresight Complexity Indicator

Foresight Complexity Indicator (PCI) highlights the complexity of an investment and how it may affect the investors' returns. It's based on the structure of the fund's terms and conditions and its level of transparency.



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Contact Details