Trilogy Funds

Trilogy Monthly Income Trust

Annual Financial Report
30 June 2023

ARSN 121 846 722

Issued by Trilogy Funds Management Limited
in its capacity as Responsible Entity

trilogyfunds.com.au

A Message from the Non-Executive Chairman

Thank you for your continued support. As we look back on the past year at Trilogy Funds, we are pleased to share the significant milestones that have shaped our journey.

This year, we welcomed three new Executive Directors to our Board. These include Justin Smart, who serves as Trilogy Funds Executive Director and Chief Operating Officer; Clinton Arentz, our Executive Director for Lending and Property Assets; and Henry Elgood, our Executive Director for Institutional Capital and Chief Risk Officer. All three have held senior leadership positions with Trilogy Funds for a long time.

A highlight this year was the naming of the Trilogy Industrial Property Trust as the 2023 Fund Manager of the Year in the Direct Property category by the Financial Newswire and SQM Research Awards. In addition, the Trust was recognised by Livewire at the end of 2022 as one of the top performers in its category, and with Ryan Mooney, Manager- Property Funds, winning the 2023 Rising Star of the Year award at the Money Management Australia Fund Manager of the Year Awards.

In terms of our other products, we have broadened our offering by introducing the MDC Trilogy Wholesale Yield Fund I. This fund provides investors with exposure to rent rolls through the issuance of secured notes. Our flagship open-ended funds continue to perform as expected and have been recognised by independent research houses and industry peers.

As we move into the new financial year, we are optimistic and focused on seizing opportunities. We remain committed to helping you achieve your financial goals.

Robert Willcocks
Independent Non-Executive Chairman
Trilogy Funds Management Limited

Trilogy Monthly Income Trust
Contents page

The Directors of Trilogy Funds Management Limited (Responsible Entity), the Responsible Entity of the Trilogy Monthly Income Trust (Scheme), present their report together with the financial statements of the Scheme for the year ended 30 June 2023.

Responsible Entity

The Responsible Entity is incorporated and domiciled in Australia. The registered office and principal place of business of the Responsible Entity and the Scheme is Level 26, 10 Eagle Street, Brisbane, QLD, 4000.

Directors

The names of the directors in office at any time during, or since the end of the financial year are:

Name and qualifications	***Age***	***Experience and special responsibilities***
Robert M Willcocks Independent Non-Executive Chairman BA, LL.B, LL.M	74	Member of the Audit & Risk Committee Former partner with Mallesons Stephen Jaques (now King & Wood Mallesons) Mr Willcocks has been a non-executive director (sometimes Chairman) of a number of listed companies Chairman - Responsible Entity since 9 October 2009
Rodger I Bacon Non-Executive Deputy Chairman BCom(Merit), AICD, SFFin	77	Former executive director of Challenger International Limited Mr Bacon is a former director of several companies including, Financial Services Institute of Australasia Executive Director – Responsible Entity until 30 June 2023 Non-Executive Director – Responsible Entity since 30 June 2023
John C Barry Executive Director BA, FCA	71	Chairman of the Audit & Risk Committee Former executive director of Challenger International Limited Mr Barry is a director of several companies, including former Chairman of Westpac RE Limited Director – Responsible Entity since 9 July 2004
Philip A Ryan Executive Director and Company Secretary LL.B, Grad Dip Leg Prac, FTIA, FFIN	62	Member of the Compliance Committee Mr Ryan is a solicitor and member of the Queensland Law Society Inc. Former partner of a Brisbane law firm Mr Ryan is a director of several companies Director – Responsible Entity since 13 October 1997
Rohan C Butcher Non-Executive Director Grad Dip PM, BASc(QS), Registered Builder, Licensed Real Estate Agent	54	Member of the Lending Committee Consultant to several major companies providing development management services Director – Responsible Entity since 29 July 2008
Justin J Smart Executive Director and Company Secretary BCom, CPA	51	Member of the Audit & Risk Committee, and Compliance Committee Mr Smart is a director of several private companies and has over 20 years experience in the financial services industry Director – Responsible Entity from 1 January 2023 Company Secretary - Responsible Entity from 11 July 2013

Directors (continued)

Henry F Elgood Executive Director MAICD	27	Member of the Audit & Risk Committee, and Compliance Committee Mr Elgood is a non-executive director of several private companies Director – Responsible Entity from 1 January 2023
Clinton B Arentz Executive Director MBA, SIA (Aff)	60	Chairman of the Workout Committee Head of Lending & Property Mr Arentz is a former director of Winston Development Services, and has over 25 years experience in property development, asset management, project delivery, construction lending and property finance Director – Responsible Entity from 1 January 2023

Principal activities
The Scheme is a registered managed investment scheme domiciled in Australia. During the year the Scheme invested in loans secured by registered first mortgages over real property in Australian states and territories, with funds also held in financial institutions for liquidity purposes. The investment strategy of the Scheme is to invest in loans secured by registered first mortgages, and to utilise excess liquidity in fixed income investments, in accordance with the Scheme's Product Disclosure Statement (PDS). The Scheme did not have any employees during the year.

The Scheme's loans to borrowers were limited to a maximum loan amount of $40 million (2022: $40 million) and a maximum loan-to-value (LVR) ratio of 70% (2022: 70%).

Financial overview
The Scheme produced an average net return for the year ended 30 June 2023 of 6.78% p.a. (2022: 5.06% p.a.). Net investor inflows less movement in the provision for expected credit losses (ECL) (Note 9) resulted in net assets attributable to unitholders of $646,465,591 (2022: $644,106,680). Whilst the number of loans on the loan book declined from the prior year, the total approved value of loans increased by $27,989,726 to a total of $898,339,750 (2022: $840,350,024).

The net profit before finance costs for the year ended 30 June 2023 was $46,026,339 (2022: $30,627,644).

Distributions to unitholders
The return to unitholders of the Scheme was as follows (refer Note 5):

	2023 **$**	2022 $
Distributions paid during the year	**41,468,895**	28,406,355
Distributions payable at year end	**4,450,489**	2,785,653
	45,919,384	31,192,008
Average net return to unitholders p.a.	**6.78%**	5.06%

The basis for valuation of the Scheme's major asset, mortgage loans, is disclosed in Note 9 to the financial statements.

Principal activities (activities)

Net assets attributable to unitholders

Net asset value per unit	**2023** **$**	2022 $
Net assets attributable to unitholders	**646,465,591**	644,106,680
Add ECL collective provision (i)	**1,073,843**	1,180,798
Adjusted net assets attributable to unitholders	**647,539,434**	645,287,478
Net asset value per unit as at 30 June	**$1.00**	$1.00

(i) It is the policy of the Responsible Entity to add back the ECL collective provision to the net asset value of the Scheme as the provision does not relate to a specific impairment provision on the loan portfolio.

Indirect cost ratio (ICR)
The ICR is the ratio of the Scheme's management costs over the Scheme's average net assets for the year, expressed as a percentage.

Management costs include management fees and other expenses or reimbursements deducted in relation to the Scheme, but do not include transactional and operational costs. Management costs are deducted from distributions to unitholders. The ICR for the Scheme for the year ended 30 June 2023 is 3.56% p.a. (2022: 0.63% p.a.).

Interests of the Responsible Entity
The following fees were paid to the Responsible Entity and its associates out of the Scheme property during the financial year (refer Note 14(c)(i)).

	2023 **$**	2022 $
Fees paid directly by the Scheme		
Responsible Entity management fees	**6,212,776**	5,581,553
Responsible Entity management fees rebated	**(2,225,599)**	(1,910,267)
	3,987,177	3,671,286
Mortgage investment management fees	**22,004,690**	20,063,037
	25,991,867	23,734,323

Interests of the Responsible Entity (continued)

Other fees and expenses	**2023** **$**	2022 $
Expenses incurred by the Responsible Entity and not reimbursed by the Scheme	**1,410,712**	1,079,308

The Responsible Entity (including its associates) does not hold any units in the Scheme as at 30 June 2023 (2022: nil).

Significant changes in the state of affairs
In the opinion of the Responsible Entity there were no significant changes in the state of affairs of the Scheme that occurred during the financial year.

Events subsequent to the end of the reporting year
There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Responsible Entity, to affect significantly the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme, in future financial years.

Likely developments and expected results of operations
The Scheme will continue to pursue its principal activities in the next financial year in order to achieve a competitive return for unitholders.

Environmental regulation
The operations of the Scheme are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory. There have been no known significant breaches of any other environmental requirements applicable to the Scheme.

Options
No options were:
(i) Granted over unissued units in the Scheme during or since the end of the financial year; or
(ii) Granted to the Responsible Entity.

No unissued units in the Scheme were under option as at the date on which this report is made.

No units were issued in the Scheme during or since the end of the financial year as a result of the exercise of an option over unissued units in the Scheme.

Indemnification of officers or auditor
Indemnification
Under the Scheme's constitution the Responsible Entity is required to indemnify all current and former officers of the Responsible Entity (but not including auditors) out of the property of the Responsible Entity against:

(a) any liability for costs and expenses which may be incurred by that person in defending civil or criminal proceedings in which judgement is given in that person’s favour, or in which the person is acquitted, or in the connection with an application in relation to any such proceedings in which the court grants relief to the person under the Corporations Act 2001; and

Indemnification of officers or auditor (continued)
Indemnification (continued)

(b) a liability incurred by the person, as an officer of the Responsible Entity or of a related body corporate, to another person (other than the Responsible Entity or a related body corporate) unless the liability arises out of conduct involving a lack of good faith.

Insurance premiums
During the financial year, the Responsible Entity paid an insurance premium in respect of a contract insuring each of the officers of the Responsible Entity. The amount of the premium is, under the terms of the insurance contract, confidential. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Responsible Entity or related body corporates. This insurance premium does not cover the auditors. The Scheme has not indemnified any auditor of the Scheme.

Proceedings on behalf of the Responsible Entity

No person has applied for leave of Court to bring proceedings on behalf of the Responsible Entity in relation to Scheme, or intervene in any proceedings to which the Responsible Entity in relation to the Scheme is a party, for the purpose of taking responsibility on behalf of the Responsible Entity for all or any part of those proceedings. The Responsible Entity was not a party to any such proceedings during the year.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

This report is made in accordance with a resolution of the Directors of the Responsible Entity.

Philip A Ryan
Managing Director

21 September 2023
Brisbane

Justin J Smart
Executive Director

21 September 2023
Brisbane

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DECLARATION OF INDEPENDENCE BY T J KENDALL TO THE DIRECTORS OF TRILOGY FUNDS MANAGEMENT LIMITED AS RESPONSIBLE ENTITY OF TRILOGY MONTHLY INCOME TRUST

As lead auditor of Trilogy Monthly Income Trust for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

T J Kendall
Director

BDO Audit Pty Ltd

Brisbane, 21 September 2023

Trilogy Monthly Income Trust
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2023

	Note	2023 $	2022 $
Revenue and other income			
Interest revenue - mortgage loans	4	**48,747,961**	32,923,892
Distribution revenue - investments	4	**2,394,124**	3,197,514
Net gain on change in fair value of financial assets	10	**279,324**	-
Impairment loss recovery	9	**106,955**	-
		51,528,364	36,121,406
Borrower fees:			
• Application and extension fees	4	**9,274,640**	10,709,488
• Variation fees	4	**558,656**	161,705
• Exit and release fees	4	**304,635**	934,529
• Progress draw fees	4	**205,869**	153,363
• Administration and monitoring fees	4	**11,166,566**	10,199,618
Borrower fees received		**21,510,366**	22,158,703
		73,038,730	58,280,109
Expenses			
Responsible Entity management fees	14(c)	**(3,987,177)**	(3,671,286)
Mortgage investment management fees	14(c)	**(22,004,690)**	(20,063,037)
Net loss on change in fair value of financial assets	10	**-**	(3,353,778)
Impairment loss expense	9	**-**	(564,364)
Other expense	14(c)	**(1,020,524)**	-
		(27,012,391)	(27,652,465)
Profit for the year		**46,026,339**	30,627,644
Profit for the year attributable to unitholders		**46,026,339**	30,627,644
Other comprehensive income			
Other comprehensive income		**-**	-
Total comprehensive income for the year		**46,026,339**	30,627,644

The statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Trilogy Monthly Income Trust
Statement of financial position
As at 30 June 2023

	Note	2023 $	2022 $
Assets			
Cash and cash equivalents	7	**13,366,959**	37,573,509
Trade and other receivables	8	**3,242,019**	6,681,478
Mortgage loans	9	**631,823,296**	554,380,390
Financial assets	10	**7,377,493**	56,035,168
Total assets		**655,809,767**	654,670,545
Liabilities			
Trade and other payables	11	**4,893,687**	7,778,212
Distributions payable	5	**4,450,489**	2,785,653
Total liabilities		**9,344,176**	10,563,865
Net assets attributable to unitholders - Equity		**646,465,591**	644,106,680

The statement of financial position should be read in conjunction with the accompanying notes

Trilogy Monthly Income Trust
Statement of changes in net assets attributable to unitholders
For the year ended 30 June 2023

	Note	Total equity $
Balance at 1 July 2021		**525,423,364**
Comprehensive income:		
Profit for the year		30,627,644
Other comprehensive income for the year		-
Total comprehensive income for the year		30,627,644
Transactions with unitholders in their capacity as owners:		
Applications		287,017,816
Redemptions		(175,277,737)
Units issued upon reinvestment of distributions		7,528,754
Adviser fees paid from capital		(21,153)
Distributions paid/payable	5	(31,192,008)
Balance at 30 June 2022		**644,106,680**
Balance at 1 July 2022		**644,106,680**
Comprehensive income:		
Profit for the year		**46,026,339**
Other comprehensive income for the year		**-**
Total comprehensive income for the year		**46,026,339**
Transactions with unitholders in their capacity as owners:		
Applications		**201,670,381**
Redemptions		**(209,313,514)**
Units issued upon reinvestment of distributions		**9,903,702**
Adviser fees paid from capital		**(8,613)**
Distributions paid/payable	5	**(45,919,384)**
Balance at 30 June 2023		**646,465,591**

The statement of changes in net assets attributable to unitholders should be read in conjunction with the accompanying notes

Trilogy Monthly Income Trust
Statement of cash flows
For the year ended 30 June 2023

	Note	2023 $	2022 $
Cash flows from operating activities			
Interest received - mortgage loans		**48,747,961**	32,924,180
Distributions received - investments		**1,031,080**	3,478,103
Borrower fees received		**21,510,366**	22,158,703
Mortgage loan funds advanced		**(452,513,549)**	(557,776,714)
Mortgage loan funds repaid		**375,182,901**	349,687,662
Fees paid to the Responsible Entity		**(24,602,180)**	(25,588,580)
Net GST received/(paid)		**38,995**	(28)
Net cash used in operating activities	13	**(30,604,426)**	(175,116,674)
Cash flows from investing activities			
Investments in MIS and fixed income instruments		**(21,004,601)**	(116,935,209)
Disposals of MIS and fixed income instruments		**69,941,600**	219,110,802
Net cash provided by investing activities		**48,936,999**	102,175,593
Cash flows from financing activities			
Payments for redemption of units		**(208,783,472)**	(175,298,890)
Distributions paid to unitholders		**(44,256,038)**	(30,922,035)
Receipts from issue of units		**210,395,195**	294,546,570
Receipts to be refunded		**105,192**	973,209
Net cash (used in)/provided by financing activities		**(42,539,123)**	89,298,854
Net (decrease)/increase in cash and cash equivalents		**(24,206,550)**	16,357,773
Cash at beginning of the reporting period		**37,573,509**	21,215,736
Cash and cash equivalents at end of year	7	**13,366,959**	37,573,509

The statement of cash flows should be read in conjunction with the accompanying notes

Note 1 Reporting entity

Trilogy Monthly Income Trust (Scheme) is a registered managed investment scheme (MIS) under the Corporations Act 2001 (Act), and is an Attribution Managed Investment Trust (AMIT) under the Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016. The financial statements of the Scheme are for the year ended 30 June 2023. As stipulated by the Scheme's constitution, the life of the Scheme is limited to a period of not more than 80 years from the anniversary of the commencement of the Scheme. At this time, the Scheme is to realise the assets and distribute all surplus funds to unitholders. The Scheme is a for-profit entity.

Note 2 Basis of preparation

(a) Statement of compliance

The financial statements are a general purpose financial report which has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial statements of the Scheme comply with International Financial Reporting Standards and interpretations in their entirety.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified where applicable, by the measurement at fair value of financial assets. Assets and liabilities have been presented in decreasing order of liquidity, providing more reliable and more relevant information, due to the nature of activities of the Scheme.

The financial statements were approved by the Board of Directors of Trilogy Funds Management Limited (Responsible Entity) on 21 September 2023.

(b) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Scheme's functional currency.

(c) Key assumptions and sources of estimation

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised are disclosed in:

- Note 8: Impairment losses (interest receivable);
- Note 9: Impairment losses (mortgage loans); and
- Note 15(a): Financial risk management (credit risk).

Note 3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. The Scheme has not early adopted any accounting standard.

(a) Cash and cash equivalents

Cash and cash equivalents include deposits at call with financial institutions and other highly liquid investments with periods of maturity of 90 days or less which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value on conversion.

Note 3 Significant accounting policies (continued)

(b) Financial instruments

(i) Classification

• The Scheme classifies its investments based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. A financial asset is measured at amortised cost if it meets the following conditions;

• It is held within a business model whose objective is to hold assets and collect contractual cash flows;

• Its contractual term give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding; and

• It is not designated at fair value through profit or loss (FVTPL).

A majority of the Scheme's assets, within the scope of AASB 9 Financial Instruments, are loans secured by first mortgages. These loans and receivables are held at amortised cost.

The majority of Scheme's portfolio of financial assets are loans secured by first mortgages and they are held to contractual cashflows at a specified date therefore the loans meet the solely payments of principal and interest on interest requirement and are measured at amortised cost. Loans managed and its performance is evaluated on amortised cost basis in accordance with the Scheme's documented investment strategy.

Equity securities, investments in unlisted managed investment Schemes and derivatives are measured at fair value through profit or loss.

For debt securities, the contractual cash flows are solely payments of principal and interest, however they are neither held for collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Scheme's business model's objective. Consequently, the debt securities are measured at fair value through profit or loss.

(ii) Recognition

The Scheme recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

Financial assets are recognised using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

(iii) Measurement

Financial instruments are measured initially at fair value plus transaction costs except where the instrument is classed at fair value through profit or loss in which the transaction costs are expensed immediately. Transaction costs on financial assets and financial liabilities are amortised over the life of the asset or liability using the effective interest method.

Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective interest rate.

Note 3 Significant accounting policies (continued)

(b) Financial instruments (continued)

(iv) Impairment
The Scheme measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit loss (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument purchased or originated credit impaired financial asset. If the credit risk on a financial instrument has not increased significantly since initial recognition, the Scheme is required to measure the loss allowance for that financial instrument at an amount equal to the 12-month ECL.

The Scheme has applied a three-stage model based on the change in credit risk since initial recognition to determine the loss allowance of its loan receivables.

Stage 1: 12-month ECL
On initial recognition, ECL is collectively assessed and measured by classes of loan receivables, with the same level of credit risk as a product of the probability of default (PD) within the next 12 months and the loss given defaults (LGDs). In doing so consideration is given to forward looking economic indicators. Loss allowance for loan receivables are deducted from the gross carrying amount of the loan receivables.

Stage 2: Lifetime ECL
When the Scheme determines that there has been a significant increase in credit risks since initial recognition but not considered to be credit impaired, the Scheme recognised a lifetime ECL for the remaining lifetime of the financial asset. In doing so consideration is given to forward looking economic indicators. Similar to stage 1 loss allowances for loan receivables, the lifetime ECL amounts are deducted from the gross carrying amount of the loan receivables.

Stage 3: Lifetime ECL - credit impaired
At each reporting date, the Scheme assess whether loan receivables are credit impaired. A financial asset is credit impaired when one or more events that have a determination impact on the estimated future cash flows of the financial asset have occurred. For loan receivables that have been assessed as credit impaired, a lifetime ECL is recognised as a specific provision, and interest revenue is calculated by applying the effective interest rate to the amortised cost instead of the carrying amount.

A loan receivable balance is fully impaired when the borrower is unlikely to pay their obligation and the Scheme determines there is no reasonable expectation of recovery. In assessing whether reasonable expectation of recovery exists, multiple factors are considered including days past due without repayment, recourse available to the Scheme such as realisability of security, insurance payout and other related factors.

(v) Derecognition
The Scheme derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with AASB 9 *Financial instruments.*

The Scheme uses the weighted average method to determine realised gains and losses on derecognition of financial assets.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Note 3 Significant accounting policies (continued)

(b) Financial instruments (continued)

(vi) Specific instruments - cash and cash equivalents
Cash comprises of current deposits with ADIs (Authorised Deposit-Taking Institutions). Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(c) Revenue and income recognition
(i) Interest revenue - mortgage loans
Revenue is recognised as the interest accrues (using the effective interest rate method) to the gross carrying amount of the financial asset except for impaired financial assets. All revenue is stated net of the amount of goods and services tax (GST).

(ii) Changes in the fair value of investments
Net gains or losses on investments are fair valued through profit or loss and calculated as the difference between the fair value at sale, or at year end, and the fair value at the previous valuation point. This includes both realised and unrealised gains and losses, but does not include interest or dividend revenue.

(iii) Amortisation of application fees
In accordance with *AASB 9 Financial Instruments,* the Scheme recognises the revenue derived from loan applications over the term of the loan period.

(iv) Administration and monitoring fees
The Scheme charges a set percentage for each loan as agreed at the time of entering into the loan agreement as administration and monitoring fees. These fees are set on drawn loan amount or the limit of the loan facility.

(d) Expenses
All expenses, including management fees, are recognised in the statement of profit or loss and other comprehensive income on an accruals basis.

(e) Taxation
Under current legislation the Scheme is not subject to income tax as its taxable income including assessable realised capital gains is distributed in full to the unitholders. The Scheme fully distributes its distributable income, calculated in accordance with the Scheme's constitution and applicable taxation legislation, to the unitholders who are presently entitled to the income under the constitution.

Realised capital losses are not distributed to unitholders but are retained in the Scheme to be offset against any future realised capital gains. If realised capital gains exceeds realised capital losses the excess is distributed to the unitholders.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised that portion of the gain that is subject to capital gains tax will be distributed so that the Scheme is not subject to capital gains tax.

Note 3 Significant accounting policies (continued)

(f) Unit prices
The unit price is based on unit price accounting outlined in the Scheme's Constitution and Product Disclosure Statement (PDS).

Units are classified as equity when they satisfy the following criteria under AASB 132 *Financial Instruments: Presentation:*
(i) the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund's liquidation.

(ii) the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical.

(iii) the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Fund, and it is not a contract settled in the Fund's own equity instruments; and

(iv) the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

(g) Distributions to unitholders
Distributions to unitholders on units issued are recognised in the Statement of changes in equity as distributions paid/payable. Distributions unpaid at the end of the financial year are recognised in the Statement of financial position as a financial liability. Distributions paid to unitholders are included in cash flows from financing activities in the Statement of cash flows.

(h) Applications and redemptions
Applications received for units in the Scheme are recorded net of any entry fees payable prior to the issue of units in the Scheme. Redemptions from the Scheme are recorded gross of any exit fees payable after the cancellation of units redeemed.

The application and redemption prices are determined as the net asset value of the Scheme per the Constitution adjusted for the estimated transaction costs, divided by the number of units on issue on the date of the application or redemption.

(i) Terms and conditions of units on issue
The Scheme holds assets consisting of mortgages and fixed income investment products. Unitholders are issued units based on the application price at the time of investment.

Each unit confers upon the unitholder an equal interest in the Scheme and is of equal value. A unit does not confer an interest in any particular asset or investment of the Scheme. Unitholders have various rights under the Constitution and the Corporations Act 2001, including the right to:

- have their units redeemed;
- receive income and capital distributions where the Scheme has distributable income;
- attend and vote at meetings of unitholders; and
- participate in the termination and winding up of the Scheme.

(j) Finance costs
Interest expense includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the interest-bearing financial liability and its amount at maturity calculated on an effective interest rate basis.

Note 3 Significant accounting policies (continued)

(k) Trade and other receivables

Receivables are recorded at amortised cost less impairment and may include amounts for distributions and interest. Distributions are accrued when the right to receive payment is established. Interest is accrued at the reporting date from the time of last payment. Amounts are generally received within 30 days of being recorded as receivables.

(l) Goods and services tax

Management fees and other expenses are recognised net of the amount of GST recoverable from the Australian Taxation Office (ATO) as a reduced input tax credit (RITC). Payables are stated with the amount of GST included.

The GST recoverable from the ATO is included in trade and other receivables, while GST payable to the ATO is included in trade and other payables, both of which are presented in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis.

(m) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Scheme during the reporting period, which remains unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(n) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current year.

Note 4 Revenue from operations

	2023	2022
	$	$
Interest from mortgage loans		
Interest from mortgage loans	**48,747,961**	32,923,892
	48,747,961	32,923,892
Distribution revenue from investments		
Interest on cash and cash equivalents	**851,213**	68,670
MIS (i)	**1,522,379**	2,115,127
Other income (ii)	**20,532**	1,013,717
	2,394,124	3,197,514

(i) MIS represents investments held in unlisted managed investment schemes.

(ii) Other income is comprised of funds recovered from previously discharged loans.

Note 4 Revenue from operations (continued)

	2023	2022
	$	$
Borrower fees received		
Application and extension fees	**9,274,640**	10,709,488
Variation fees	**558,656**	161,705
Exit and release fees	**304,635**	934,529
Progress draw fees	**205,869**	153,363
Administration and monitoring fees	**11,166,566**	10,199,618
	21,510,366	22,158,703

Note 5 Distributions to unitholders

	2023		2022	
	$	**Cents/unit**	$	Cents/unit
Ordinary units				
Distribution paid during the year	**41,468,895**	**6.67**	28,406,355	5.07
Distribution payable at year end	**4,450,489**	**8.00**	2,785,653	5.01
Total distributions to unitholders	**45,919,384**	**6.78**	31,192,008	5.06

Note 6 Auditor's remuneration

During the year the following fees were paid or payable for services provided by the auditor of the Scheme, BDO Audit Pty Ltd (i):

	2023	2022
	$	$
Audit and other assurance services		
• Audit and review of the financial statements	**84,000**	76,850
• Audit of the compliance plan	**22,500**	20,700
Total remuneration for audit and other services	**106,500**	97,550

(i) Auditor's remuneration is paid by The Trustee for the Trilogy Financing Trust, a related entity to the Responsible Entity, not by the Scheme (refer Note 14(c)(i)).

Note 7 Cash and cash equivalents

	2023	2022
	$	$
Cash and cash equivalents	**13,366,959**	37,573,509
	13,366,959	37,573,509

Note 8 Trade and other receivables

	2023	2022
	$	$
Distributions and redemptions receivable - MIS	**54,192**	160,554
Deferred loan management fees	**3,029,397**	5,263,836
Mortgage loan funds receivable on discharged loans	**-**	8,492
GST receivable	**153,704**	192,699
Receivable from related entities (i)	**4,726**	1,055,779
Other receivables	**-**	118
	3,242,019	6,681,478

Note 8 Trade and other receivables (continued)

(i) Related entity receivables is comprised of distributions receivable from a related party, see Note 14(c)(ii)

(a) Impairments

The Scheme assesses on a forward-looking basis the expected credit loss associated with its financial instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables the scheme applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Management has determined that assessment of expected credit loss associated with trade receivables is not material.

(b) Collateral pledged

No collateral is held over trade and other receivables.

Note 9 Mortgage loans

	2023	2022
	$	$
Held directly		
Pooled mortgage loans	**632,897,139**	555,561,188
Less: Allowance for impairment losses	**(1,073,843)**	(1,180,798)
	631,823,296	554,380,390

Movement in allowance for impairment losses

	Opening balance	**Increase / (reduction) in provision**	**Closing balance**	**Increase / (reduction) in provision**	**Realised Impairment**	**Impairment expense**
	$	**$**	**$**	**$**	**$**	**$**
30 June 2023	**1,180,798**	**(106,955)**	**1,073,843**	**(106,955)**	**-**	**(106,955)**
30 June 2022	616,434	564,364	1,180,798	564,364	-	564,364

The Scheme holds a pool of registered first mortgage loans, with funds being provided for the purchase, development, construction or re-financing of Australian property.

(i) Impairment provision

Using the explicit "probability of default" approach the Scheme applies the following formula to all loans:

- Loan balance x probability of default (%) x loss given default (%)

2023

Ranking	Probability of default	Loss given default	AxB	Exposure at default	ECL Provision
	A	B	C	D	CxD=E
Platinum	1.00%	5.00%	0.05%	18,270,000	9,135
Gold	1.50%	5.00%	0.08%	342,261,714	256,696
Silver	2.00%	7.50%	0.15%	501,696,663	752,545
Bronze	3.00%	10.00%	0.30%	18,489,136	55,467
				880,717,513	1,073,843

Note 9 Mortgage loans (continued)

(i) Impairment provision (continued)

2022

Ranking	Probability of default	Loss given default	AxB	Exposure at default	ECL Provision
	A	B	C	D	CxD=E
Platinum	1.00%	10.00%	0.10%	Approved value of loan per category	-
Gold	1.50%	10.00%	0.15%		152,886
Silver	2.00%	10.00%	0.20%		952,142
Bronze	5.00%	10.00%	0.50%		75,770
					1,180,798

The Scheme applies a probability of default based on historical performance of loans and the expected performance of loans based on the future economic environment that impacts the loans.

Exposure at default relates to Approved value of the each loan per category.

Expected credit loss factors

AASB 9 Financial Instruments requires the expected credit loss model to determine whether the reported loan balances are impaired. Loan portfolio managers assess the credit quality of each loan by way of a scoring system out of 200 points based on key factors that effect the risk of a loan, listed as follows:

2023
- LVR (higher of approved vs drawn);
- Type of Instrument;
- Risk of builder failure;
- Stage of completion;
- Stage of sell-down;
- Strength of borrower;
- Length of loan; and
- Market conditions.

2022
- LVR (higher of approved vs drawn);
- Type of Instrument;
- Risk of builder failure;
- Stage of completion;
- Stage of sell-down;
- Strength of borrower;
- Length of loan; and
- Market conditions.
- Loan performance status

The following total scores determine which category the loan is placed:

Categor	Score
Platinum	181, plus
Gold	between 131 and 180
Silver	between 81 and 130
Bronze	80 or less

Quality classification definitions

- 'Platinum' exposures demonstrates a very strong capacity to meet financial commitments, with negligible probability of default.
- 'Gold' exposures demonstrates a good capacity to meet financial commitments, with negligible to low default risk.
- 'Silver' exposures require closer monitoring but have an expected capacity to meet financial commitments, with low default risk.
- 'Bronze' exposures have a higher propensity to default risk.

Note 9 Mortgage loans (continued)

(i) Impairment provision (continued)

In determining the probability of default history, all loans over a period of 3 years were reviewed. Management considers that adopting a probability of default rate of 3% for 'Bronze' loans based on loan approved values to be a conservative estimate. The value of loans in default (based on approved value) for the year ended 30 June 2023 represents 2.89% of the loan portfolio (2022: 2.35%).

Management applied its experience and judgement in determining the probability of a Platinum, Gold, Silver or Bronze loan going into default. Consideration was applied to the collateral held over the assets. All loans are secured by registered first mortgages, as well as personal guarantees provided by directors or controlling parties related to the borrower. The Scheme also obtains a guarantee from a related entity for loans that are credit impaired at the reporting date.

	Number of loans	Weighted average approved LVR	Loans approved balance $	Loans drawn balance $	ECL - collective provision $	ECL - specific provision $
2023						
Platinum	**1**	**59%**	**18,270,000**	**16,728,367**	**9,135**	**-**
Gold	**39**	**58%**	**342,093,849**	**246,884,198**	**256,696**	**-**
Silver	**84**	**64%**	**500,334,147**	**332,195,833**	**752,545**	**-**
Bronze	**7**	**75%**	**37,641,754**	**37,088,741**	**55,467**	**1,591,564**
	131		**898,339,750**	**632,897,139**	**1,073,843**	**1,591,564**

	Number of loans	Weighted average approved LVR	Loans approved balance $	Loans drawn balance $	ECL - collective provision $	ECL - specific provision $
2022						
Platinum	0	0%	-	-	-	-
Gold	27	58%	174,060,108	120,168,992	152,886	-
Silver	125	63%	643,695,945	419,442,755	952,142	125,707
Bronze	5	65%	22,593,971	15,949,441	75,770	35,692
	157		840,350,024	555,561,188	1,180,798	161,399

	2023	2022
	$	$
Three Stage Model		
Stage 1 12-Month ECL	**1,018,376**	1,105,028
Stage 2 Lifetime ECL	**55,467**	75,770
	1,073,843	1,180,798
Stage 3 Lifetime ECL - credit impaired	**1,591,564**	161,399

Note 9 Mortgage loans (continued)

(i) Impairment provision (continued)

LVR range	Loans	%	ECL General Provision	Loans	%	ECL General Provision
	2023			2022		
Less than 50%	**9**	**7%**	**27,165**	15	10%	29,275
51-60%	**24**	**18%**	**219,812**	23	15%	132,627
61-65%	**55**	**42%**	**498,978**	76	47%	670,026
66-70%	**39**	**30%**	**320,056**	41	26%	348,870
71-100%	**4**	**3%**	**7,832**	2	2%	-
	131	**100%**	**1,073,843**	157	100%	1,180,798

(ii) Specific provision
Discounted cash flows were prepared for loans which the Lending Committee noted had exhibited impairment indicators, which are discounted at the current interest rate as per the loan agreement. The discounted net returns from the sale of all security is compared against the balance advanced on the loan as at the reporting date in order to determine impairments. The value of the specific provision as at 30 June 2023 was $1,591,564 (2022: $161,399). No specific provision is recognised in the financial statements as financial support has been provided by an entity associated with the Responsible Entity.

(iii) LVR
The following tables identify credit exposures from loans by using ranges of LVR. LVR is calculated as the ratio of the approved amount of the loan against the value of the security on either an "as is" or "as if complete" basis as determined by an external valuer. The valuation of the security excludes any costs associated with its disposal.

	Loan Drawn Balance			
	2023		2022	
	$	**%**	$	%
Current LVR				
50% and less	**21,852,086**	**3%**	57,428,664	10%
50-60%	**162,517,729**	**26%**	94,468,329	17%
60-65%	**279,681,668**	**44%**	251,909,004	46%
65-70%	**146,163,847**	**23%**	140,399,250	25%
Above 70%	**22,681,809**	**4%**	11,355,941	2%
	632,897,139	**100%**	555,561,188	100%

	ECL - Collective Provision			
	2023		2022	
	$	**%**	$	%
Expected credit loss on loans				
50% and less	**27,165**	**3%**	29,275	2%
50-60%	**219,812**	**20%**	132,627	11%
60-65%	**498,978**	**47%**	670,026	57%
65-70%	**320,056**	**30%**	348,870	30%
Above 70%	**7,832**	**-**	-	-
	1,073,843	**100%**	1,180,798	100%

Note 10 Financial assets

	2023	2022
	$	$
Fair value through profit or loss		
Investments in unlisted managed investment schemes (MIS) (i)	**7,377,493**	53,025,243
Investments in short term bank deposits (ii)	**-**	3,009,925
	7,377,493	56,035,168

(i) MIS includes a direct investment amount in Trilogy Enhanced Income Fund (TEIF), an unlisted Managed Investment Scheme also operated by the Responsible Entity, which in turn maintains an investment of approximately 65% of its net assets in cash and cash style products, with the balance invested in the Scheme. The Scheme's investment in TEIF is carried at cost, which is also equivalent to fair value. This also includes investments in management investment portfolios that the Scheme provides a mandate for.

(ii) Current deposits with Authorised Deposit-Taking Institutions.

The Scheme also invests its surplus liquidity in unlisted managed investment schemes, and directly held debt instruments. The Scheme's investment in these financial instruments are held at fair value, with movements recorded at FVTPL.

	2023	2022
	$	$
Balance at beginning of year	**56,035,168**	161,564,539
Investment/(disposal) in TEIF	**(14,050,000)**	-
Investment/(disposal) in Mutual Income Fund	**-**	(26,464,027)
Investment/(disposal) in Ardea	**-**	(34,890,801)
Investment/(disposal) in Mutual Credit Fund	**-**	(44,834,818)
Investment/(disposal) in Jamieson Coote Bonds	**-**	(14,582,070)
Investment/(disposal) in Qualitas Real Estate Income Fund	**(321,892)**	7,000,000
Investment/(disposal) in Alceon Group Senior Class A Notes	**(10,000,000)**	10,000,000
Investment/(disposal) in short term bank deposits	**(3,009,925)**	509,925
Investment/(disposal) in debt instruments	**(21,555,182)**	1,086,198
Fair value gain/(loss) on investments	**279,324**	(3,353,778)
Balance at end of year	**7,377,493**	56,035,168

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair value of the Scheme's investment in unlisted managed investment schemes. To provide an indication about the reliability of the inputs used in determining fair value, the Scheme has classified its investments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

	Level 1	Level 2	Level 3	Total
	$	$	$	$
2023				
Investments in unlisted MIS	**-**	**7,377,493**	**-**	**7,377,493**
Investments in direct holdings	**-**	**-**	**-**	**-**
	-	**7,377,493**	**-**	**7,377,493**

Note 10 Financial assets (continued)

	Level 1	Level 2	Level 3	Total
	$	$	$	$
2022				
Investments in unlisted MIS	-	31,065,625	-	31,065,625
Investments in direct holdings	-	24,969,543	-	24,969,543
	-	56,035,168	-	56,035,168

There were no transfers between levels 1, 2 or 3 during the year.

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level in the fair value measurement hierarchy as follows:

Level 1: the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: a valuation technique is used using inputs other than quoted prices within level 1 that are observable for the financial instrument, either directly (i.e. as prices), or indirectly (i.e. derived from prices); and

Level 3: a valuation technique is used using inputs that are not observable based on observable market data (unobservable inputs).

(ii) Valuation techniques used to determine level 2 fair values
The fair value of financial instruments not traded in an active market (investments in unlisted managed investment schemes) is determined using published net asset value. The fair value of investments in unlisted managed investment schemes is equal to net asset value of the unit in the unlisted managed scheme. The fair value of the portfolio of directly held corporate bonds is equivalent to the sum of the market value at any point in time of each individual bond in the portfolio.

Note 11 Trade and other payables

	2023	2022
	$	$
Loan management fees	**1,056,277**	1,177,971
Deferred application fee liability	**3,029,397**	5,263,836
Responsible Entity management fees and costs	**353,458**	334,796
Other payables (i)	**454,555**	1,001,609
	4,893,687	7,778,212

(i) Primarily represents incomplete investor application monies.

Note 12 Net assets attributable to unitholders (audited non IFRS disclosure)

Movements in the number of units and net assets attributable to unitholders during the year were as follows:

	2023		2022	
	Ordinary units No	**Contributed capital $**	Ordinary units No	Contributed capital $
Balance - 1 July	**645,287,478**	**644,106,680**	526,039,798	525,423,364
Units issued	**201,670,381**	**201,670,381**	287,017,816	287,017,816
Units issued upon reinvestment of distributions	**9,903,702**	**9,903,702**	7,528,754	7,528,754
Units redeemed	**(209,313,514)**	**(209,313,514)**	(175,277,737)	(175,277,737)
Adviser fees paid from capital	**(8,613)**	**(8,613)**	(21,153)	(21,153)
Distributions paid and payable	**-**	**(45,919,384)**	-	(31,192,008)
Profit/(loss) for the year	**-**	**46,026,339**	-	30,627,644
Balance - 30 June	**647,539,434**	**646,465,591**	645,287,478	644,106,680

Note 13 Reconciliation of cash flows from operating activities

	2023	2022
	2023	2022
	$	$
Profit for the year attributable to unitholders	**46,026,339**	30,627,644
Adjustments for:		
Impairment loss expense/(recovery)	**(106,955)**	564,364
Net (increase)/decrease movement in fair value of financial instruments	**(279,324)**	3,353,778
Changes in operating assets and liabilities:		
Mortgage loan funds advanced	**(452,513,549)**	(557,776,714)
Mortgage loan funds repaid	**375,182,901**	349,687,662
(Increase)/decrease in trade and other receivables	**3,439,459**	(2,179,024)
Increase/(decrease) in trade and other payables	**(2,884,525)**	1,782,927
(Increase)/decrease in trade and other receivables: investing activities	**(5,304)**	(201,732)
Increase/(decrease) in trade and other payables: financing activities	**536,532**	(975,579)
Net cash used in operating activities	**(30,604,426)**	(175,116,674)

Note 14 Related party transactions

(a) Responsible Entity
The Responsible Entity of the Trilogy Monthly Income Trust is Trilogy Funds Management Limited ABN 59 080 383 679.

(b) Key management personnel
The Scheme does not employ personnel in its own right. However it is required to have an incorporated Responsible Entity to manage the activities of the Scheme. The Executive Directors of the Responsible Entity are key personnel of that entity and their names are John C Barry, Philip A Ryan, Justin J Smart, Henry F Elgood and Clinton B Arentz. The Responsible Entity also has three Non-Executive Directors being Rodger I Bacon, Robert M Willcocks and Rohan C Butcher.

Note 14 Related party transactions (continued)

(b) Key management personnel (continued)

The Responsible Entity is entitled to a management fee which is determined on a daily basis, calculated on the total value of units on issue in the Scheme.

No compensation is paid to the Directors of the Responsible Entity or to the key management personnel of the Responsible Entity by the Scheme.

(c) Transactions with related parties
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

i. Transactions recorded in the statement of profit or loss and other comprehensive income

	2023 $	2022 $
Fees paid directly by the Scheme		
Responsible Entity management fees (i)	**6,212,776**	5,581,553
Responsible Entity management fees rebated	**(2,225,599)**	(1,910,267)
	3,987,177	3,671,286
Other expenses (ii)	**(1,020,524)**	-
Mortgage investment management fees (iii)(iv)	**22,004,690**	20,063,037
	24,971,343	23,734,323

	2023 $	2022 $
Fees not paid directly by the Scheme (iv)		
Audit and other assurance services (refer Note 6)	**106,500**	97,550
Compliance fees	**13,511**	3,119
Custodian fees	**198,067**	217,365
Legal fees	**7,126**	36,616
Marketing costs	**803,311**	512,597
Platform fees	**5,582**	2,689
Registry fees	**214,846**	179,404
Research fees	**38,500**	15,500
Taxation fees	**23,269**	14,468
	1,410,712	1,079,308

ii. Balances recorded in the statement of financial position

	2023 $	2022 $
Receivables		
Trade and other receivables - distributions receivable (v)	**4,726**	35,254
Trade and other receivables - indemnity guarantee (ii)	**-**	1,020,524
	4,726	1,055,778
Payables		
Trade and other payables (i)(iii)	**1,409,734**	1,512,767

Note 14 Related party transactions (continued)

(c) Transactions with related parties (continued)

ii. Balances recorded in the statement of financial position (continued)

(i) The Responsible Entity is entitled to a management fee of 0.96% p.a. (plus GST). These fees are calculated on the total gross value of units held by the Scheme.

(ii) A limited indemnity was provided by a related party to the Scheme to compensate losses incurred from investments in financial assets. This indemnity was provided as required to meet distribution payments. The indemnity was fully repaid in the 2023 financial year.

(iii) The Responsible Entity or a related party to it is entitled to receive various fees on mortgage investments made by the Scheme including application, exit and release fees as stipulated in the borrower's loan agreement. These fees are subsequently recovered from the borrowers by the Scheme.

(iv) Costs are paid for by the Responsible Entity, or a related party to it, on behalf of the Scheme.

(v) Receivable distributions from related parties are accrued on a monthly basis.

(d) Related party investments held by the Scheme

	Fair value of investments		**Interest held**		**Distributions received (i)**	
	2023	2022	**2023**	2022	**2023**	2022
	$	$	**%**	%	**$**	$
TEIF	**1,000,000**	15,050,000	**1.54**	15.80	**304,210**	390,933

(i) As at 30 June 2023, $4,726 of distributions are receivable from TEIF (30 Jun 2022: $35,254).

(e) Units in the Scheme held by other related parties

Details of holdings in the Scheme by the Responsible Entity, other schemes operated by the Responsible Entity and entities associated with Directors of the Responsible Entity are as follows:

	Unitholding $	**Interest held %**	**Units issued No.**	**Units redeemed No.**	**Distributions paid and/or payable $**
2023					
TEIF	**24,258,912**	**3.75**	**-**	**12,074,456**	**2,478,918**
TWIF (i)	**9,535,534**	**1.47**	**2,829,088**	**7,863,285**	**1,185,136**
TIPT (ii)	**-**	**-**	**-**	**3,500,000**	**54,722**
Rojacan Pty Ltd	**82,500**	**0.01**	**-**	**-**	**6,386**
Aimwin Pty Ltd Super Fund	**10,000**	**0.00**	**-**	**-**	**774**
Clarebrook Superannuation Fund	**140,268**	**0.02**	**8,830**	**-**	**10,516**
The Bacon Family Trust	**25,000**	**0.00**	**-**	**-**	**1,935**
Wengen Capital Pty Ltd	**10,000**	**0.00**	**10,000**	**-**	**27**
	34,062,214	**5.26**	**2,847,918**	**23,437,741**	**3,738,414**

Note 14 Related party transactions (continued)

(e) Units in the Scheme held by other related parties (continued)

2022					
TEIF	36,333,368	5.63	45,060,264	35,687,974	2,029,298
TWIF (i)	14,569,731	2.26	6,276,078	13,656,318	874,640
TIPT (ii)	3,500,000	0.54	18,500,000	15,000,000	286,900
Rojacan Pty Ltd	82,500	0.01	-	-	4,975
Aimwin Pty Ltd Super Fund	10,000	0.00	-	-	603
Clarebrook Superannuation Fund	131,438	0.02	72,555	-	6,021
The Bacon Family Trust	25,000	0.00	-	-	1,508
	54,652,037	8.47	69,908,897	64,344,292	3,203,945

(i) Trilogy Wholesale Income Fund, and
(ii) Trilogy Industrial Property Trust.

(f) Key management personnel loan disclosures
The Scheme has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

(g) Other transactions within the Scheme
No Director has entered into a material contract with the Scheme from inception to the end of the financial year and there were no material contracts involving Directors' interests subsisting at year end.

Note 15 Financial risk management

Overview
The Scheme's assets principally consist of investments in cash and in loans secured by registered mortgages over real property. It holds these investment assets at the discretion of the Responsible Entity in accordance with the Scheme's constitution and PDS.

Specific financial risk exposures and management
The main risks the Scheme is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rate risk.

The nature and extent of the financial instruments employed by the Scheme are discussed below. This note presents information about the Scheme's exposure to each of the above risks, the Scheme's objectives, policies and processes for measuring and managing risk.

The Board of Directors of the Responsible Entity has overall responsibility for the establishment and oversight of the Scheme's risk management framework.

The Board is responsible for developing and monitoring the Scheme's risk management policies. The Responsible Entity's risk management policies are established to identify and analyse the risks faced by the Scheme, including those risks managed by the Responsible Entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Scheme's activities.

Note 15 Financial risk management (continued)

Specific financial risk exposures and management (continued)

The Responsible Entity's Compliance Committee and its Audit & Risk Committee oversees how management monitors compliance with the Scheme's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Scheme.

Changes to the regulatory environment relating to financial services, taxation and other regimes may adversely affect investors in the Scheme. Government policies can affect the Scheme in a number of ways that could be detrimental or beneficial to investors. Similarly, changes in the health or social environment can impact the Scheme and cause short term or long term market disruption to investments made by the Scheme that would be detrimental to investors. The general economic, health, social and political climates in which the Scheme operates or other like events are outside the control of Responsible Entity. Note 9 includes further detail of how these risks are provisioned as at 30 June 2023.

(a) Credit risk
Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Scheme and cause a loss. The Responsible Entity manages the exposure to credit risk on an ongoing basis.

The carrying amount of the Scheme's financial assets represents the maximum credit exposure. A reduction in the value of an investment may be from a political, social or economic events. The Scheme's maximum exposure to credit risk at the reporting date is as follows:

	Note	**2023**	2022
		$	$
Mortgage assets			
Mortgage loans	9	**631,823,296**	554,380,390
Total mortgage assets		**631,823,296**	554,380,390
Financial assets			
Investments in unlisted MIS	10	**7,377,493**	31,065,625
Investments in direct holdings	10	**-**	24,969,543
Total financial assets		**7,377,493**	56,035,168

All cash held by the Scheme is invested with major Australian financial institutions.

Mortgage assets
The Scheme's mortgage assets consist of construction and development loans which require a high degree of experience in their assessment and management. The Responsible Entity has a specialised management team which focuses on each proposed loan and the credentials of the borrower and associated entities. The Responsible Entity primarily relies on an external valuation of the underlying security property for its loans. This risk is minimised by prudent assessment of loans and valuations of each security property by independent approved valuers from the Responsible Entity's panel of valuers.

Pursuant to the Scheme's investment strategy, loans to borrowers are limited to a maximum loan amount of $40 million (2022: $40 million) per loan.

The Scheme's exposure to credit risk for mortgage loans at the reporting date by geographical location, is as follows (including impairments):

Note 15 Financial risk management (continued)

(a) Credit risk (continued)

	2023			2022		
		Drawn			Drawn	
	Loans	**balance**	**Total**	Loans	balance	Total
Location	**No.**	**$**	**%**	No.	$	%
QLD	**31**	**187,465,844**	**29.62**	55	211,577,475	38.08
NSW	**53**	**260,687,536**	**41.19**	46	174,031,207	31.33
VIC	**44**	**175,410,301**	**27.72**	53	164,808,514	29.67
TAS	**2**	**6,588,456**	**1.04**	2	2,692,852	0.48
SA	**1**	**2,745,002**	**0.43**	1	2,451,140	0.44
	131	**632,897,139**	**100.00**	157	555,561,188	100.00

The Scheme's exposure to credit risk for mortgage loans at the reporting date by loan type, is as follows:

	2023			2022		
		Drawn			Drawn	
	Loans	**balance**	**Total**	Loans	balance	Total
Loan type	**No.**	**$**	**%**	No.	$	%
CRD (i)	**-**	**-**	**-**	1	960,035	0.17
CRL (ii)	**-**	**-**	**-**	-	-	-
LDR (iii)	**41**	**187,742,758**	**29.66**	38	154,598,837	27.83
RDD (iv)	**75**	**360,588,168**	**56.98**	96	312,059,015	56.17
ICD (v)	**15**	**84,566,213**	**13.36**	22	87,943,301	15.83
	131	**632,897,139**	**100.00**	157	555,561,188	100.00

(i) CRD = Completed Residential Dwellings
(ii) CRL = Completed Residential Land
(iii) LDR = Land Development Residential
(iv) RDD = Residential Dwellings Development
(v) ICD = Industrial Commercial Development

Financial assets
The Scheme's financial assets consist of investments in short and medium term fixed income products that are predominately investment grade assets. These may be held directly or indirectly through listed and unlisted mortgage investment schemes and other investment vehicles. Investments held directly are operated under an investment mandate with a specialised manager of fixed income securities.

Risks associated with fluctuations in the fair value of the Scheme's fixed income investments are mitigated by daily monitoring of performance of investment products and the utilisation of a specialised manager of fixed income securities. This is in conjunction with continual management oversight to ensure the financial assets remain in line with the investment strategy. This includes robust internal risk management liquidity forecasts to ensure the Scheme's contractual liquidity requirements are always able to be met.

Investment grade assets are assets that are graded as BBB- or higher using industry standard credit rating scores. The Scheme's deemed credit risk for its financial assets are as follows:

Note 15 Financial risk management (continued)

(a) Credit risk (continued)

	2023			2022		
	Amount $	**Total %**	**Credit rating weighted avg**	Amount $	Total %	Credit rating weighted avg
TEIF (i)	**1,000,000**	**13.55**	**N/A (iii)**	15,050,000	28.38	N/A (iii)
QRI (i)	**6,180,868**	**83.78**	**N/A (iii)**	6,015,625	11.34	N/A (iii)
Alceon (i)	**-**	**-**	**N/A (iv)**	10,000,000	18.86	N/A (iv)
Directly held (ii)	**196,625**	**2.67**	**BBB+**	21,959,618	41.41	BBB+
	7,377,493	**100.00**		53,025,243	100.00	

(i) Investments in unlisted managed investment schemes;
(ii) Directly held corporate bonds are operated by an investment manager under a mandate to trade investment grade assets;
(iii) The managed investment scheme held non-rated assets, sufficient that a weighted average credit rating would not be reflective of the asset's credit risk.

(b) Liquidity risk
Liquidity risk arises from the possibility that the Scheme might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Scheme manages this risk through the following mechanisms:

- Preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities;
- Monitoring undrawn credit facilities;
- Maintaining a reputable credit profile;
- Managing credit risk related to financial assets;
- Only investing surplus cash with major financial institutions; and
- Comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The following table summaries the undrawn loan commitments which represent the balance of loans approved and not in default but not fully drawn, as well as the maturity profile of loans approved.

	2023			2022		
Maturity	**Loans No.**	**Undrawn balance $**	**Total %**	Loans No.	Undrawn balance $	Total %
< 3 months	**64**	**87,256,862**	32.87	58	35,994,623	12.64
4 to 6 months	**30**	**28,881,298**	10.88	39	51,413,309	18.05
7 to 11 months	**15**	**39,735,637**	14.97	29	83,000,359	29.14
> 1 year	**22**	**109,568,814**	41.28	31	114,380,545	40.17
	131	**265,442,611**	100.00	157	284,788,836	100.00

No maturity analysis of contractual cash flows has been presented as all obligations are predominantly due within twelve months and therefore are not discounted.

Note 15 Financial risk management (continued)

(b) Liquidity risk (continued)

Given that the predominate underlying assets of the Scheme are real property mortgages which are relatively illiquid, risk management guidelines adopted by the Responsible Entity, as detailed in the note, are designed to minimise liquidity and cash flow risk.

The timing of cash flows presented in the table below to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities.

	Carrying amount	Contractual cash flows	< 6 months	6-12 months	On call (i)
	$	$	$	$	$
2023					
Financial liabilities					
Distributions payable	**4,450,489**	**4,450,489**	**4,450,489**	**-**	**-**
Unitholder funds	**647,539,434**	**647,539,434**	**-**	**-**	**647,539,434**
Trade and other payables	**4,893,687**	**4,893,687**	**4,893,687**	**-**	**-**
	656,883,610	**656,883,610**	**9,344,176**	**-**	**647,539,434**
2022					
Financial liabilities					
Distributions payable	2,785,653	2,785,653	2,785,653	-	-
Unitholder funds	645,287,478	645,287,478	-	-	645,287,478
Trade and other payables	7,778,212	7,778,212	7,778,212	-	-
	655,851,343	655,851,343	10,563,865	-	645,287,478

(i) Subject to terms and conditions of the Scheme's PDS.

(c) Capital management
The Scheme's capital management strategy seeks to maximise unitholder value through optimising the level and use of capital resources and the mix of debt funding.

The Scheme's capital management objectives aim to:
- Ensure that the Scheme complies with capital and distribution requirements of its Constitutions and PDS;
- Ensure sufficient capital resources to support the Scheme's operational requirements;
- Continue to support the scheme's credit worthiness; and
- Safeguard the Scheme's ability to continue as a going concern.

In a stable economic environment the Scheme is generally able to alter its capital mix by adjusting distributions paid to unitholders.

(d) Market risk
Market risk is the risk that changes in market prices, such as interest rates, will affect the Scheme's income or the value of its holdings of financial instruments. Market risk embodies the potential for both loss and gains. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Note 15 Financial risk management (continued)

(d) Market risk (continued)

i. Interest rate risk

The majority of the Scheme's financial assets are interest-bearing. Interest bearing financial assets and interest bearing financial liabilities are subject to both fixed and variable interest rates. The Scheme is subject to limited exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates. The Scheme's interest rate risk is managed on a daily basis by management in accordance with policies and procedures in place.

Interest rate sensitivity analysis

An increase or decrease of 100 basis points in interest rates as at the reporting date would have no effect on the net assets attributable to unitholders and operating results. This is due to the fact that interest revenue earned on the Scheme's financial assets is paid to unitholders as a monthly distribution (net of fees paid to the Responsible Entity) and consequently any increase or decrease in interest rates would be inversely reflected in the value of distributions paid by the Scheme.

ii. Property value risk

All of the Scheme's financial assets (with the exception of cash and cash equivalents and receivables) are secured by registered mortgages over real property in Australia. As a result, the Scheme is subject to property value risk in the prevailing levels of market property values. Property value risk is managed on a regular basis by the Responsible Entity in accordance with policies and procedures in place, including but not limited to:

- The adoption of maximum loan to valuation ratios of 70.00% for new loans (2022: 70.00%); and
- Regular valuations of security properties by registered valuers.

Property value sensitivity analysis

Due to the relatively short term nature of the loans originated by the Responsible Entity on behalf of the Scheme, the Scheme is not overtly exposed to fluctuations in property values.

(e) Fair value estimation

The fair values of financial assets and liabilities approximate their carrying value. No financial assets or liabilities are readily traded on organised markets in standardised form. The aggregate fair values and carrying amounts of financial assets and liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

Note 16 Custodian of the Scheme

The Scheme's custodian is The Trust Company (Australia) Limited. The custodian holds title to the assets of the Scheme in its name on behalf of the Scheme. The net value of assets held by the custodian at cost as at 30 June 2023 totals $646,465,591 (2022: $644,106,680).

The custodian is entitled to an annual administration fee of 3bps (plus GST) of total assets with a minimum of $15,000 (2022: 3bps of total assets, minimum $15,000) (plus GST). These fees are paid by the Responsible Entity.

The relationship between the custodian and Responsible Entity is set out in the Custodial Agreement.

Note 17 Litigation and contingent liabilities

There are no contingent liabilities or contingent assets at 30 June 2023 (2022: nil).

Note 18 Events subsequent to reporting date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Responsible Entity, to affect significantly the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme, in future financial years.

Trilogy Monthly Income Trust
Directors' declaration

In the opinion of the Directors of Trilogy Funds Management Limited (Responsible Entity), the Responsible Entity of Trilogy Monthly Income Trust (Scheme):

(a) The financial statements and notes, as set out on pages 7 to 33 are in accordance with the Corporations Act 2001,

(i) giving a true and fair view of the Scheme's financial position as at 30 June 2023 and of its performance, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) the financial report also complies with International Financial Reporting Standards and interpretations as disclosed in Note 2; and

(c) There are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors of the Responsible Entity.

Philip A Ryan
Managing Director

21 September 2023
Brisbane

Justin J Smart
Executive Director

21 September 2023
Brisbane

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INDEPENDENT AUDITOR'S REPORT

To the members of Trilogy Monthly Income Trust

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Trilogy Monthly Income Trust (the Registered Scheme), which comprises the statement of financial position as at 30 June 2023, the statement of profit or loss and other comprehensive income, the statement of changes in net assets attributable to unitholders and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration of Trilogy Funds Management Limited as Responsible Entity of Trilogy Monthly Income Trust.

In our opinion the accompanying financial report of Trilogy Monthly Income Trust, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Registered Scheme's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Registered Scheme in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Trilogy Funds Management Limited as Responsible Entity of Trilogy Monthly Income Trust, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors of Trilogy Funds Management Limited as Responsible Entity of Trilogy Monthly Income Trust are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Registered Scheme's Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of Trilogy Funds Management Limited as Responsible Entity of Trilogy Monthly Income Trust are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Registered Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Registered Scheme or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our auditor's report.

BDO Audit Pty Ltd

BDO

Tim Kendall

T J Kendall
Director

Brisbane, 21 September 2023

Find out more.

Start a conversation with us today.
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