TRILOGY MONTHLY INCOME TRUST

November 2023

Foresight Analytics

Investment Rating Report

Foresight Investment Rating: **VERY STRONG**
Foresight Complexity Indicator: **COMPLEX**

Fund Details
Investment Manager: Trilogy Funds Management Ltd., ABN 59 080 383 679
Investment Structure: Australian unit trust
Wholesale/Retail: Retail & wholesale
Category: Mortgage trust
Investment Style: Active management of mortgages over Australian property
Inception: February 2007
Management Fee: 0.96% retail
Platform & Adviser Assisted: 0.46%
Responsible Entity: Trilogy Funds Management Ltd. ABN 59 080 383 679, AFSL 261425
Investment Objective: To provide investors a monthly income stream by investing in a portfolio of loans, secured by registered first mortgages, on Australian properties.

Performance 30 September 2023

Period	Return
1 month	0.66%
6 months	3.96%
1 year	7.38%
5 years	6.55%
Since Inception (Feb 2007)	7.45%

Review Summary

The Trilogy Monthly Income Trust ('TMIT' or 'the Fund') is a pooled mortgage trust established in February 2007 managed by Trilogy Funds Management Ltd ('the Manager'). The underlying investments are loans secured by registered first mortgages on property development, land development and refinancing of completed stock. The Fund is effectively a floating interest rate investment strategy.

The Fund sits at the more conservative end of the spectrum in the mortgage trust segment: it is first mortgage only, portfolio LVR is usually circa 63%, and the Manager's preferred loan profile is for developments in the middle ring area of cities on the Australian eastern seaboard.

The team at Trilogy is very experienced, having been in this sector since before the GFC (Global Financial Crisis). They have built a diversified, risk-averse portfolio of mortgages, which continues to drive strong, stable returns.

Annualised monthly distributions bottomed at 4.75% p.a. in March 2022 due to the impact of the RBA's interest rate easing policy and issues in the construction sector leading to relatively high cash levels (cash drag). Subsequently, annualised monthly distributions have increased to 8.05%p.a. as at September 2023. On the balance, we see little downside risk to these levels over the next 12 – 18 months for reasons explained in the report.

We note that since its inception in 2007, the Manager has never recorded a loss-given-default impacting unitholders. This is an impressive track-record given the longevity of the Fund (multiple economic cycles).

Foresight Investment Rating & 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 **COMPLEX** product indicates that the underlying assets require specialist investment skills to acquire and monitor. In addition, a large proportion of the Trust's assets are illiquid, and investors should have a good understanding of the investment time horizon as well as the distribution characteristics of this type of fund.

Fund Details

Fund Name	Trilogy Monthly Income Trust
Dominant Strategy	Investment in mortgage-secured property loans, including construction loans
Investment Structure	Australian unit trust
Investment Manager	Trilogy Funds Management Ltd.
Responsible Entity	Trilogy Funds Management Ltd.
KEY FEATURES	**DESCRIPTION**
Fund Inception	February 2007
Domicile	Australia
Legal Form	Registered Managed Investment Scheme
Geographic Mandate	Australia
Open	Yes
Lock-up	2 months for initial investments
Management Costs: Direct	0.96% of total FUM
Management Costs: Platform Class and Adviser Assisted	0.46% of total FUM
Performance Fee	Nil
Target Return	Trilogy does not specify a benchmark for this Trust
Distributions	Distributions are paid monthly in arrears
Fund Size	$678 million as at 30 September 2023
Minimum Subscription	$10,000
Subsequent Subscription	$1,000
Withdrawals	Quarterly. There is a minimum holding period of 2 months. After this, withdrawal requests are accepted daily and can take up to 4 months to process. Platform Units Requests for withdrawal must be received by 11.00 am on the day that is at least 7 business days prior to the last calendar day of the month. The 2-month minimum holding period does not apply to Platform Units.
Liquidity	In certain circumstances, Trilogy may be entitled to delay or suspend withdrawals due to a lack of liquidity.
Entry Fee	Nil
Exit Fee	Nil
Fund Term	An investment time horizon of 3 years or more is recommended
PRIMARY CONTACT	
Name and Title	Wyatt Leonard – Head of Distribution
Email Address	w.leonard@trilogyfunds.com.au
Telephone Number	07 3039 2828
Address	Level 26, 10 Eagle Street, Brisbane Queensland 4001
Website	www.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, such as Justin Smart, Phillip Ryan and John Barry.

The Fund is a pooled mortgage trust that was established in February 2007. The underlying investments are loans secured by first mortgages on property development, construction, and refinancing of completed stock. Since its inception in 2007, the Fund has paid a distribution every month, has honoured all withdrawal requests and maintained a stable unit price of $1.00.

The 5 years after the GFC were difficult for pooled mortgage funds, with almost all pooled mortgage funds closing or in distress. During this time, Trilogy (at the request of investors) managed the sale of assets from an external fund, the City Pacific First Mortgage Fund. It also acted as the Responsible Entity (RE) for another external pooled mortgage-related fund.

Over the last 12-months, the Manager has introduced a new platform class of the Fund. Importantly, in order not to disadvantage unitholders in the existing classes from a liquidity perspective, there is an ability to pro-rata redemption requests in order to provide an informal gating mechanism. Furthermore, the Manager has the ability to service and limit redemptions based upon the liquidity the Manager deems available for the platform unit class. Additionally, this can be determined on a platform by platform basis. Currently approximately 10% of total FUM represents platform class units. However, much of this money has come from advisors switching over from the ordinary class units in the Fund. That is, it is not expected to, for whatever reason, lead to a change in historic redemption patterns.

OBJECTIVE

The Fund seeks to provide investors with a monthly income stream by investing in a portfolio of loans on Australian property, primarily on the Eastern seaboard. All loans in the portfolio are secured by first mortgages. The strategy is to lend for the purposes of property development, construction, and refinancing completed stock.

FUNDS UNDER MANAGEMENT

The Fund had funds under management of circa $678M as at 30 September 2023. In total, as at 30 September 20223 Trilogy managed approximately AU$1.06 billion in assets under management. This is spread across our mortgage fund, a diversified income fund, an alternative fixed income fund and a number of property trusts.

Exhibit 1: TMIT FUM Timeline (30 Sept. 2023)

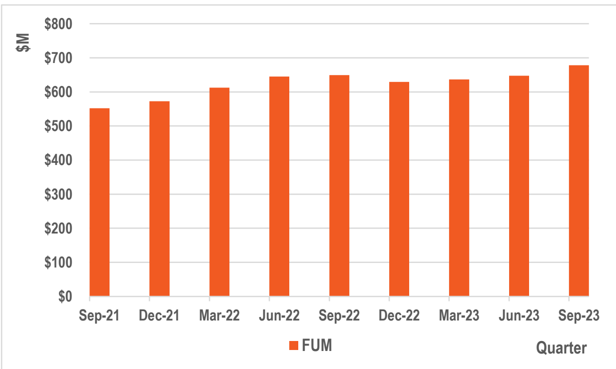
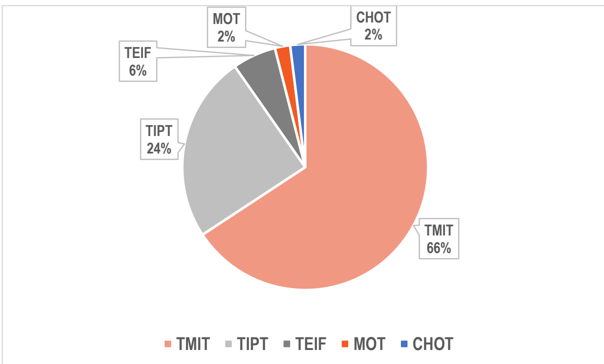


Exhibit 2: Trilogy Total FUM (30 Sept. 2023)



Source: Trilogy Financing Pty. Ltd., Foresight

INVESTMENT UNIVERSE

The Fund invests in loans of up to $40M on properties located in capital cities and regional town centres. The type of property may be residential, commercial, development, retail or industrial. Trilogy typically advances loans to small subdivision projects located in Southeast Queensland, Sydney, Melbourne, Hobart, Adelaide and regional coastal areas located within 2 hours of a capital city.

All loans must be secured with registered first mortgages with a maximum loan-to-value (as complete) ratio of 70%, as well as guarantees and security measures deemed relevant by Trilogy. The Fund may also invest in cash-style assets and other unlisted managed investment schemes to optimise liquidity in the Fund. Trilogy does not lend to related parties.

Investment Philosophy

Trilogy's investment philosophy is to provide a stable monthly income stream by investing in a diverse portfolio of short-term property loans secured by registered first mortgages. Trilogy uses diversification as a key risk-mitigation tool by capping loans at $40M. As at 30 September 2023, the portfolio contained 134 loans.

Trilogy's view is that this type of lending has and will continue to become increasingly reliant on private investment as the major banks retreat from certain lending segments due to increased regulation following the GFC and COVID crises. Less capital available from the major banks leads to a more competitively-priced loan market. Through its continued FUM growth and natural recycling of capital, the Manager has developed the ability to be a consistent and steady supplier of loan capital to the eligible lender market which has served to build and maintain key broker, developer and builder relationships.

The Manager assesses loan suitability based on geography, property sub-segment and builder/developer experience. The Manager's 'sweet spot' is 4-to-10-pack townhouse style developments in the inner-city ring of major metropolitan cities. Over time, the Manager has organically diversified the portfolio by geography and property sub-segment. The latter has involved loans to the NDIS, childcare, healthcare and petrol station segments, all underpinned by tenant contracts.

As noted, the Fund is strictly a first mortgage debt provider. The Manager prides itself on the fact that it has never erred from this philosophy of retaining the highest position in the capital stack to underpin capital stability.

Investment Strategy

The investment strategy for the Fund is to provide a portfolio with a stable unit price of $1.00 through good risk/return performance and significant diversification. The loans in the portfolio will have a maximum loan-to-value ratio (LVR) of 70% to provide strong downside protection. The Manager is currently targeting small loans of between $5M and $15M to provide sufficient diversification, but can look for loan sizes up to $40M. To increase liquidity, initial loan terms are capped at a maximum of 2 years.
Below are the key strategic parameters for diversification and mitigation of risk:

Borrowers Valuers	▪ Borrowers and guarantors must be credit-worthy and satisfy the requirements under the Anti-Money Laundering and Counter-Terrorism Act. ▪ Exposure to borrowers is closely monitored, with exposure to any single borrower limited. ▪ The Trust appoints an independent valuer, and the valuation must be reviewed before funding. ▪ The Trust will not lend to any related parties of Trilogy Funds.	
Portfolio/ Loan Profile	▪ The Manager is targeting a diverse range of borrowers with loans capped at $40M. ▪ The Manager uses co-investment to improve Fund diversification. ▪ The maximum loan term is 2 years.	
Property Location	Lending is for properties on the eastern seaboard of Australia. The property must be located in a capital city, a regional city, or a significant town within 2 hours of a capital city. Targets: Queensland 20%-50%; New South Wales 10%-50%; Victoria 10%-40%; ACT 10%-20%; South Australia <10%; Tasmania <10%	
Sector as % of Portfolio	▪ Construction and Development Residential 20%-70% Commercial 0%-30%	▪ Land (typically a sub-division) 20%-50% ▪ Investment Loans: Residential 0%-50%; Commercial 0%-20%
Liquidity	Formal target liquidity of 5%-20%. Liquidity is monitored on a 12-month projection basis with stress-tested models.	
Loan-to-Value Ratio	All loans approved for inclusion in the portfolio must be under a maximum loan-to-value ratio (LVR) of 70%, with the valuation being no older than 4 months. For a property development or construction loan (development loan), the LVR is measured using the 'as if complete' valuation.	

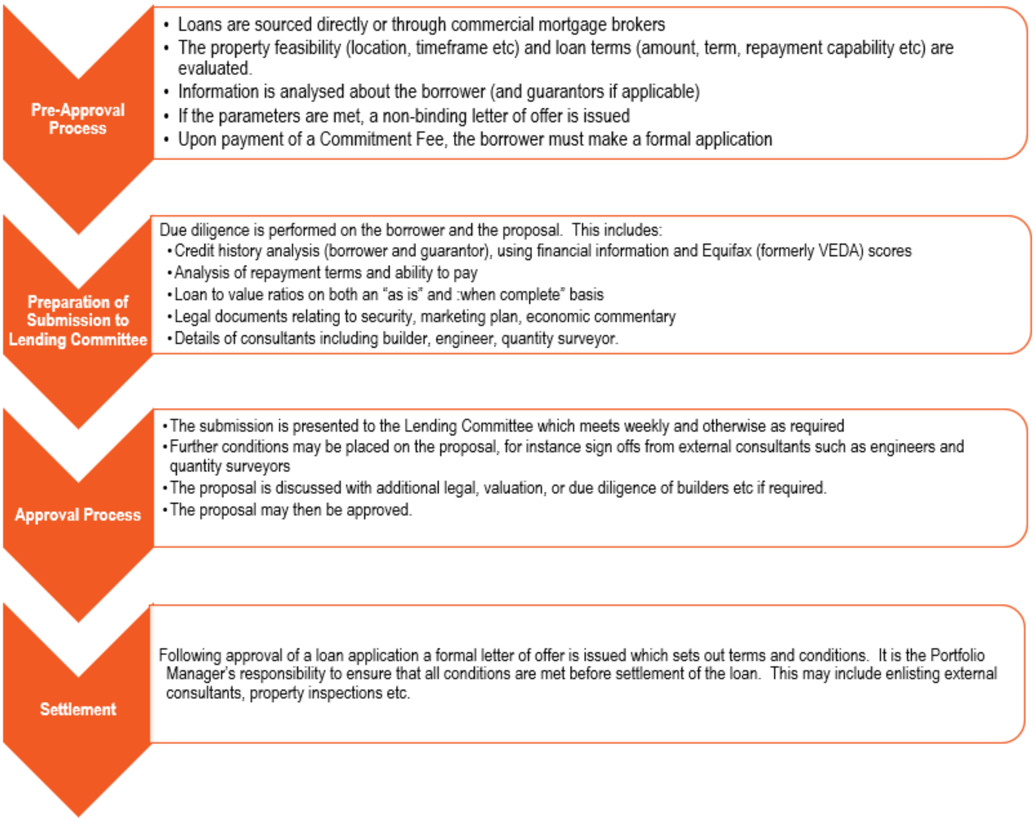
Investment Process

The investment team consists of 7 portfolio managers who analyse potential loans for inclusion in the portfolio. Once a loan is deemed in line with the Fund's strategy, the loan application must go through many stages of due diligence and meet the appropriate conditions before it is approved by the Lending Committee.

The investment team makes use of consultants in its due diligence and ongoing monitoring:

- All external valuations must be performed by a qualified valuer on Trilogy's approved panel. The valuer must be independent of both Trilogy and the borrower.
- Quantity surveyors are used in both due diligence and the ongoing stages of the loan.

Process Steps



Ongoing Monitoring

Loans are monitored through ARM, the portfolio management system. For construction projects, a quantity surveyor makes periodic (usually monthly) reports and signs off on periodic drawdowns. Drawdowns also need to be signed off by the Portfolio Manager and 2 other signatories, including a member of the executive team.

The Trilogy Operations team is responsible for initially gathering reports from the quantity surveyor or borrower and communicating any proposed amendments to them. If the details meet those approved by the Lending Committee, they will be uploaded to the lending system, and documentation for the transaction will be prepared. Once approval is received from the Treasury Committee, Lending Operations is expected to liaise with Trilogy's custodian and internal teams to process the payments. Further, the Operations team works with the Treasury function and Finance function to compile data in the lending system and update the loan models, liquidity forecasting and non-mortgage investments. There is a high level of interaction with borrowers, particularly for development loans.

Monitoring reports are reviewed by the Lending Committee on a weekly basis to ensure timely repayment and adherence to ongoing reporting requirements and loan covenants. Issues such as a delay in having insurance in place or non-adherence to a loan covenant, are generally managed by the Portfolio Manager together with the appropriate consultant. Late repayments in arrears for 7 days or more are followed up by the Portfolio Manager with the assistance of Trilogy's solicitor. If a repayment is more than 30 days in arrears, or at the discretion of the Lending Committee, management of the loan is given to a Work-Out Committee, which reports to the board.

Portfolio Construction

The suitability and diversity of the existing loans in the portfolio is monitored at each stage of the process. The impact of a new loan on portfolio liquidity is also considered.

The geographical spread of the portfolio historically favoured SE Queensland, but is now almost equally spread over the eastern states and has recently expanded to Hobart and Adelaide.

As we mentioned above, the Fund is now also materially involved in developments in the healthcare, NDIS, childcare, and petrol station sectors in addition to small-to-medium-sized townhouse-style developments in the middle ring of cities such as Brisbane, Sydney and Melbourne. Medium-density residential middle ring projects are substantially less volatile than high-density residential projects. Should the Manager need to step in and appoint another developer, it is considerably easier and quicker to do so compared to a high-rise development.

ESG Considerations

Within the context of ESG, the Manager is focused on the social component as evidenced by its investments in NDIS, childcare and healthcare projects. There is an acute shortage in the supply of the first 2 segments currently in Australia and by funding the provision of new housing, the manager is contributing to the solution for the current housing crisis.

Liquidity Management

Liquidity management is a key input to portfolio construction. While this Trust is considered a non-liquid investment, the ability to honour redemptions is an important part of the strategy. We also believe that given the significant withdrawal in liquidity in the global credit markets, it is prudent for all investors to be mindful of the issue/risks.

From a process and structural perspective, the policy of the Trust is to balance the maturity of its assets and liabilities. A 12-month rolling projected cash flow report is produced and stress-tested by the Treasury Committee. The report is tabled for the Treasury Committee regularly and presented to the board on a periodic basis. Liquidity management is further supported by the 4-month redemption notice required as per the Trust rules, but this is reduced to a shorter timeframe for investors in the platform class.

We note that Trilogy engaged an external IT resource – Adaptive Insights (provider of the Workday solution) – to build a customised loan and portfolio forecasting system to replace the previous internal systems. This project is now complete and fully incorporated into current reporting and forecasting models. It is a powerful and comprehensive loan management tool, detailing all key metrics on individual loans and across the portfolio as well as comprehensive cashflow forecasting, including simulated cashflow forecasts should particular new loans were approved and added to the Fund's portfolio.

The Trust's liquidity stems from 3 variables:

1) Loan Net Flows (issuance of loan capital less repayment of loan capital)
2) Investor Net Flows (investor applications less redemptions)
3) The underlying liquidity of the Trust's cash holdings

Since the Manager has very little control over Investor Net Flows, it sensibly maintains a target liquidity range of 5%-20% of FUM.

The 'Monthly Liquidity' chart below displays monthly liquidity levels (as a % of FUM) over the Trust's more recent history. Monthly rates can be quite variable (a function of the variability of loan net flows and investor net flows). We note the Fund has, over the last two quarters, dipped below the lower threshold of the target range (i.e., 5%) for the first time. We note the level of liquidity at 30 September was 2.94%, but as of 31 October 2023 had increased to 8.83%. While the position at 30 September 2023 was on the 'skinny' point, we refer investors to Exhibit 5 below, the loan maturity profile.

The question for investors is how has the Trust managed its liquidity in the past and how much confidence should investors have in the 5-20% target liquidity range. We note historically, over the last 8-year period (i.e., a period during which the Fund had achieved FUM scale), the maximum monthly net outflow was 3.7% recorded in April 2020, and the largest cumulative consecutive monthly net outflow was 11.9% of FUM recorded over the April – August 2020 period. In short, the Trust comfortably covered redemption requests and did so over a period that can be perceived as a 'black swan' event (peak COVID).

The Trust can have a high cash position as a percentage of FUM. This is largely due to the natural recycling of capital and which occurs on a relatively short-dated cycle (as indicated by the current weighted average loan expiry of 7 months). Given this, the Manager needs to be mindful of potential excess cash drag which dampens overall income levels. To manage this, cash is invested in a mix of term deposits, interest-bearing investments (typically floating-rate notes) and other third-party public and private debt investment vehicles. Foresight is satisfied with the integrity of the liquidity of the cash portfolio.

Exhibit 3: Monthly Liquidity (% FUM)

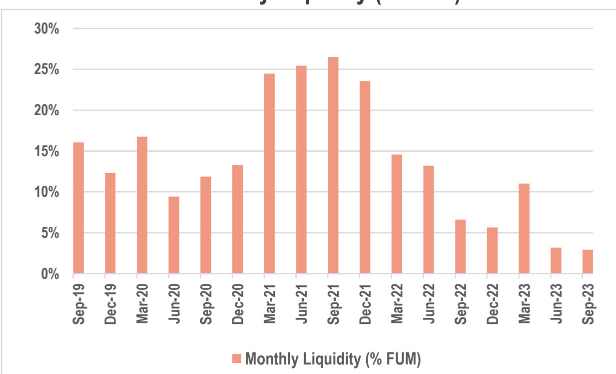
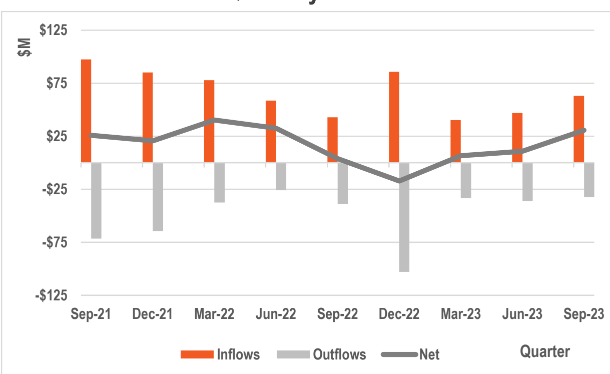
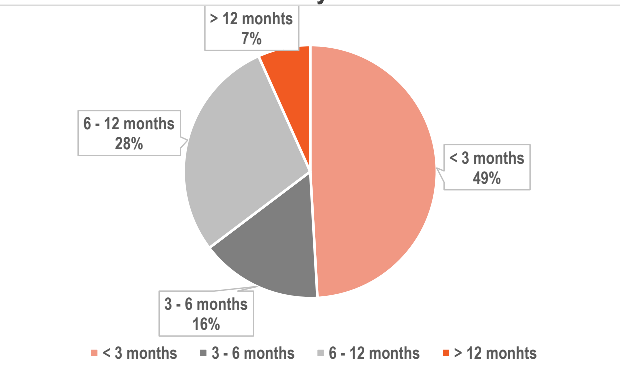


Exhibit 4: Quarterly Net Flows



*Source: Trilogy Financing Pty. Ltd., * Cash defined as entire fixed income portfolio*

Exhibit 5: Loan Maturity Profile



Source: Trilogy Financing Pty. Ltd.

On the topic of black swan events, which we view as the only conceivable situation in which the Trust may come under liquidity stress (short of an idiosyncratic issue specific to the Trust/Manager), investors should bear in mind that there is a natural offsetting liquidity buffer in the Trust's lending activities. Specifically, in such an environment, the lending markets tend to grind to a halt. That is, the Trust would likely record a significant positive loan net flow, with repayments continuing as per loan contracts, yet little in the issuance of new loan capital. In conclusion, we feel comfortable with the liquidity profile of the Fund based on its historical profile.

Investment Team

Trilogy has continued to expand its business from a headcount perspective, now totalling 70 employees across its three offices in Brisbane, Sydney, and Melbourne. The company has recently added a new business development manager (BDM) to the Melbourne office, which now includes 2 PMs and 1 BDM, and partly reflects an initiative to bolster its local presence in the Melbourne area.

The Investment Team is headed by Clinton Arentz, who joined Trilogy in 2017. Clinton has over 25 years of experience gained through project managing medium-density residential, commercial and industrial developments. Clinton Arentz manages a team of 7 Portfolio Managers who are collectively responsible for the loans, due diligence and ongoing management with assistance provided by Assistant Portfolio Managers in each state. The team is supported by the Lending Committee, all of whom are very experienced.

	Experience
Clinton Arentz	Clinton has over 25 years of experience in asset and facilities management, property development, and project delivery. He is responsible for Trilogy Funds' team of Portfolio Managers, overseeing the growth and management of the diverse construction loan portfolio, client and broker liaison and coordination, and new business development. Clinton also oversees the management of Trilogy Funds' property assets, applying his experience in risk management, capital structuring, acquisitions and property syndications. Before joining Trilogy Funds, Clinton provided project structuring and development delivery services on commercial, industrial and residential projects in multiple locations.
Lending Committee	
David Hogan	David Hogan co-founded Trilogy in 2004. David has experience in risk management, capital structuring, ending, acquisitions, and property syndications. Prior to joining Trilogy, he was an Executive Director at Challenger International, playing a significant role in developing its international property portfolio.
Rodger Bacon	Rodger Bacon is the co-founder of Trilogy and is now Executive Deputy-Chairman. Before forming Trilogy, Rodger served as an Executive Director at Challenger International, where he assisted in establishing Challenger Annuities and developing a property portfolio worth more than $2.6b. Rodger also worked for 15 years at the 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.
Philip Ryan	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 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. He was a partner in a Brisbane law firm for 20 years and a founding director of the fund's management entity, which evolved into Trilogy.
Rohan Butcher	Rohan Butcher is the Non-Executive Director of Trilogy and a member of the Lending Committee. Rohan has more than 20 years of experience in construction and property, having worked in quantity surveying, estimating, project administration, development management, planning and project management across both construction and development projects. He has been involved in several major projects within the residential, retail, and commercial property sectors, while undertaking a variety of senior appointments with major public and private companies. Rohan is a member of Master Builders Queensland.
Justin Smart	Justin Smart has been the Chief Operating Officer for Trilogy and Director of several entities in the Trilogy Group of Companies since 2007. He is also a Certified Practising Accountant. Prior to 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.

Mark Lamond	Mark Lamond has qualifications in Quantity Surveying and has 50 years of experience that includes very senior leadership and board level experience in Quantity Surveying, Finance and Construction. He currently undertakes commissions for clients in eastern Australia and in South Australia. He brings a diverse major project experience to the Trilogy team.

PORTFOLIO MANAGERS

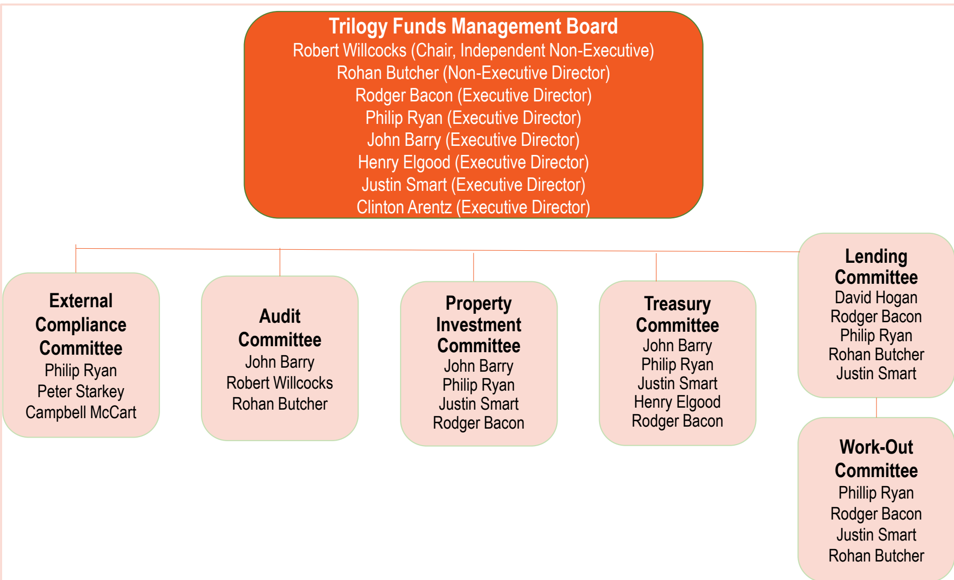
The Portfolio Managers PMs) are located in Brisbane, Sydney and Melbourne. Members of the team and the Lending Committee regularly commute (in non-COVID circumstances) between Sydney, Melbourne and Brisbane, and there is regular communication through teleconferencing. Trilogy has recruited 3 new PMs over the last 2-year period. Each PM is responsible for 15 – 20 loans.

Business Management

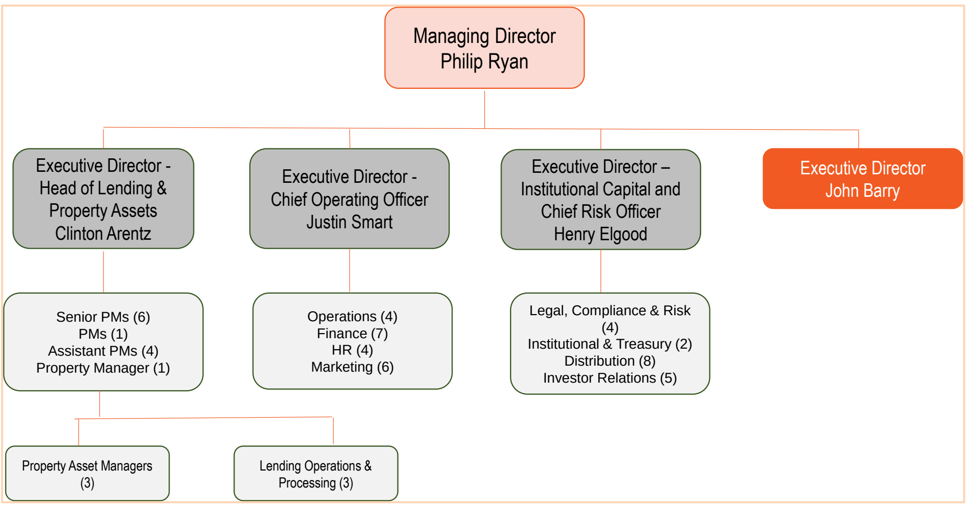
The key executives of Trilogy Funds Management are involved at all levels of management and compliance. 6 functional committees report to the board every month. The Treasury Committee, Property Investment Committee and the Lending Committee meet weekly, and the Executive Risk Committee meets monthly. Monthly updates are provided to the board by the Chief Risk Officer.

More recent changes include Henry Elgood, Justin Smart and Clinton Arentz having been brought onto the Trilogy Funds Management board as executive directors. These appointments represent the first relevant step as part of the future proofing as well as succession planning by the business. A General Counsel, Andrew Kim, has been appointed to cater for the growth and breadth of the business. He will work closely with the existing personnel in the legal, compliance and risk department.

Board and Committees



Operations and Investment



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

Performance

The Fund is designed to have a constant unit price of $1.00. The Trust distributes monthly, with the latter being a function of the weighted average interest rate of the loan book, less all operating costs and the applicable MER. We note that any loss-given-defaults (LGDs) on loans would impact monthly income, but that the Fund has historically never recorded a LGD. Should a LGD occur, investors are compensated by way of a rebate on a necessary portion of the MER. The Fund is truly a LGD-remote investment vehicle. The performance of the Fund is presented below.

NET RETURNS & KEY METRICS as at 30 September 2023

Period	Net Returns (%)	RBA Cash Rate	Excess	Arrears *
3 months	2.02	1.03	0.99	3.17%
6 months	3.96	1.99	1.97	2.85%
1 year	7.38	3.54	3.84	2.52%
3 years (% p.a.)	6.16	1.24	4.74	2.26%
5 years (% p.a.)	6.55	1.22	5.33	2.28%
Since inception	7.45	2,73	4.72	N/A **

*Source: Trilogy Financing Pty. Ltd. * Average over the relevant period ** Historic data provided dates from July 2018*

Exhibit 6: Monthly Distributions (annualised)

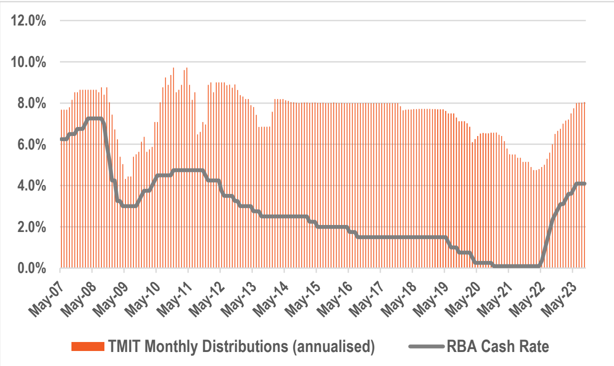
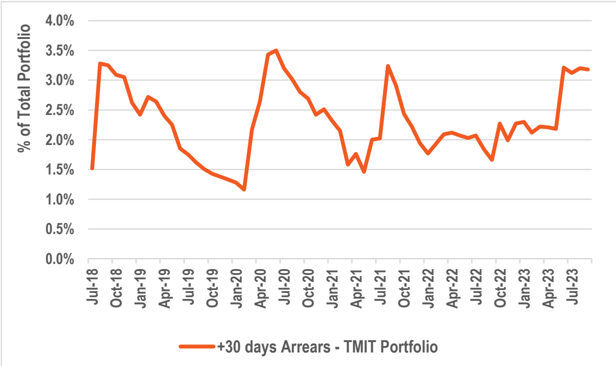


Exhibit 7: +30 Days Arrears



Source: Trilogy Financing Pty. Ltd., Foresight

We make the following key points:

- Returns have picked up markedly over the last 12-months to 7.4% compared to 5.1% in September 2022. There are two key reasons for these. Firstly, obviously the increase in the RBA Cash Rate and the progressively flow through to the total portfolio. Bur, secondly, effectively the removal of the cash drag element that was impacting the Fund over the 2022 period (due to construction sector issues creating loan cashflow forecasting difficulties).
- +30 day arrears remain at low levels, at 3.2% at 30 September 2023. On the topic of defaults, debt is famously referred to as a 'losers' game. What this means is that in listed and unlisted (private) debt, the upside is limited (to the return of loan capital plus cumulative interest coupons), but the downside is unlimited (no repayment of loan capital). Examining the chart above depicting the Trust's +30 days arrears level (the Trust's definition of default) the approximate peak level for the Trust over the period was 3.5% which is considered at the lower end of industry averages.
- We note historically that the Trust has never recorded a loss on a loan in default. This speaks well to the Manager's lending processes, but it also speaks to several key risk mitigants of the Trust, specifically conservative LVRs tied with a very short-dated weighted average loan expiry, which markedly reduces general property-cycle risk. A property would have to incur a circa 38% drop in assessed value over a circa 7-month period for the Trust to incur a LGD, which has never happened in Australia. This means a negative view on the property cycle is not incongruous with a positive investment view in the Trust.
- As at 30 September 2023, the Fund is yielding 8.05% on an annualised basis. The RBA increased the official cash rate by 25 basis point on 7 November 2023 and the market is not forecasting a more than 25 basis point decrease until beyond October 2024. In relation to the latter (when interest rates come off), investors should note that any flow through to a total portfolio basis is a timeline equal to the WALE – i.e. the delay is circa 6-7 months. Additionally, we point investors to the table above – private

debt returns increase at a circa 1:1 correlation with increases in the cash rate, but exhibit a low correlation when cash rates decrease.

Portfolio Positioning

The current and dynamic portfolio positioning of the Fund is presented below. We make the following points:

- From a dynamic allocation basis, there have been really only two notable changes. Firstly, the reduction in cash as previously discussed, meaning less cash drag. Secondly, the Manager has down-weighted its exposure to Victoria (Melbourne). It has done this primarily due to the Manager stating that properties are tending to take longer to sell and the Melbourne market being somewhat softer in terms of property price appreciation.
- There has been no material change in the portfolio LVR over the same time last year (62.9% versus 62.2% in September 2022). We are comfortable the current level.
- The top 10 borrower groups (as distinct to top 10 loans) represents 22.7% of the total portfolio with the largest borrower group representing 3.6%. We do not perceive this as undue concentration risk.

KEY METRICS (as at September 2023)

Metric		Metric	
Total Number of Loans:	134	Weighted Average LVR (as if complete)	62.86%
Value of Loan Book: Approved	$908M	Weighted Average Loan Expiry	4.56 mths
Drawn	$665M	Non-performing Loans > 30 days:	3.18%
Undrawn	$243M	Liquidity	2.01%
Average Loan (Approved)	$6.77M	Top 10 Borrower Group Concentration (% total Portfolio)	
Maximum Loan	$22.31M	Top 10 Loans Concentration (% total Portfolio)	

Source: Trilogy Financing Pty. Ltd.

Exhibit 8: Asset Allocation Timeline

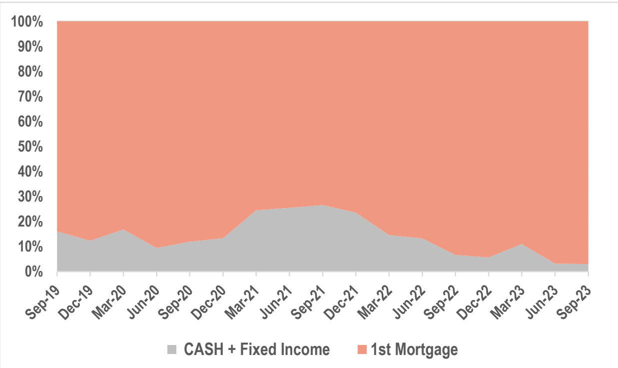
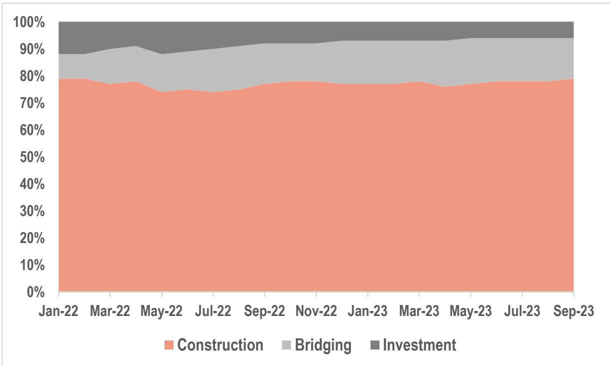


Exhibit 9: Property Loan Type Timeline



*Source: Trilogy Financing Pty. Ltd., * Cash defined as entire fixed income portfolio*

Exhibit 10: Geographical Allocation Timeline

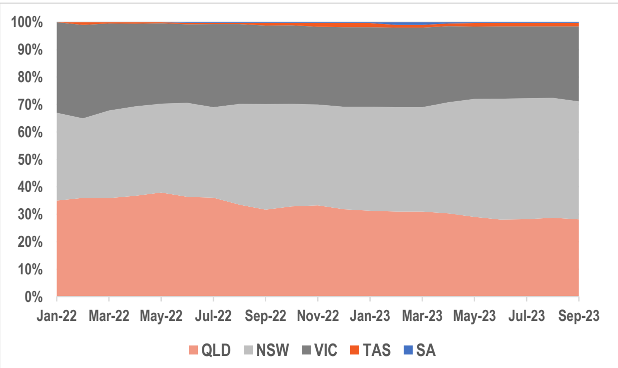
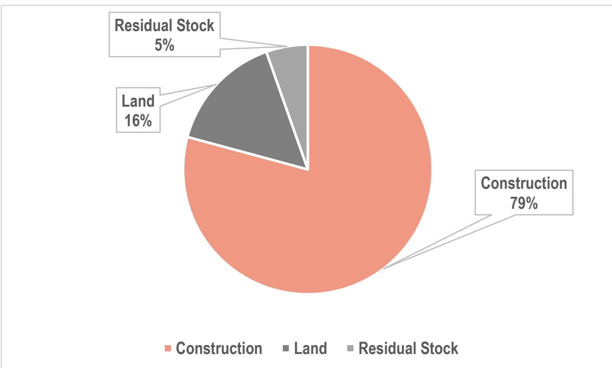


Exhibit 11: Property Loan Type - Current



Source: Trilogy Financing Pty. Ltd., Foresight

Transparency & Reporting

Investors receive monthly reports showing 1-month, 1-year and 5-year net distributions. The reports show liquidity levels, the number and diversification of loans, updated LVR ranges, and the maturity spread of the loans.

In addition, they receive the following:

- A receipt of funds notification
- A monthly distribution statement
- Annual tax statements
- Annual transaction statements
- An annual financial report upon request

Trilogy maintains a website that publishes the current RG45 reports and continuous disclosure information. A new investor portal enables the autonomous collection and review of various documents by investors.

Compliance & Risk

Risk management for the Trilogy Monthly Income Trust is embedded throughout a due diligence process and ongoing monitoring. It is reported through various committees, including the Lending Committee and the Treasury Committee.

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

The Compliance Plan includes provisions to be adopted for

- appointment of agents;
- management of the Trust;
- custody of the assets of the Trust;
- valuations;
- methods for the handling of application money;
- Trust 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 Managing Director and the Chief Risk Officer oversee the compliance function. The internal policy review is driven by the Chief Risk Officer and the Governance & Risk Officer.

THIRD-PARTY & SERVICE ADVISORS

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

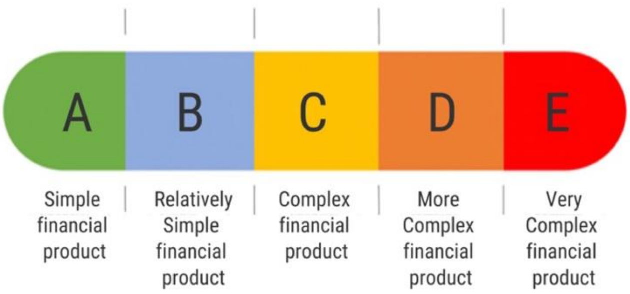
Foresight Investment Rating

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 objectives.
Strong	Indicates our strong conviction that the fund can deliver a risk-adjusted return in line with its investment objectives.
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 (FCI) 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.



Foresight Analytics
Level 2, Suite 208, 33 Lexington Drive, Bella Vista, 2153
Telephone: 02 8883 1369
Web: www.foresight-analytics.com

Rodney Lay
Email: rodney@foresight-analytics.com

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Financial Services Guide

A copy of the Foresight Analytics' Financial Services Guide can be obtained at Financial Services Guide or by calling 02 8883 1369.