



SQM
RESEARCH

Trilogy Enhanced Income Fund

This report has been prepared for financial advisers only



Superior

January 2024

INTRODUCTION

Key Principles

SQM Research considers (but is not restricted to) the following key review elements within its assessment:

1. Business profile - product strategies and future direction
2. Marketing strategies and capabilities, market access
3. Executive Management / Oversight of the investment management firm
4. Corporate Governance / fund compliance / risk management
5. Investment team and investment process
6. Fund performance, investment style, market conditions, investment market outlook
7. Recent material portfolio changes
8. Investment liquidity
9. Investment risks
10. Fund/Trust fees and expenses

Currency of Reports

This Research Report is current as at the date on the report until it is replaced, updated or withdrawn. SQM Research reports are generally valid for a term of approximately 12 months but may be replaced, withdrawn or changed at any time as judged appropriate by SQM Research.

Star Rating*

Investment products are awarded a star rating out of a possible five stars and placed on the following website:
www.sqmresearch.com.au

Star Rating*	Description	Definition	
4½ stars and above	Outstanding	Highly suitable for inclusion on APLs <i>SQM Research believes the Fund has considerable potential to outperform over the medium-to-long term. Past returns have typically been quite strong. Product disclosure statement (PDS) compliance processes are of a high-calibre. There are no corporate governance concerns. Management is extremely experienced, highly skilled and has access to significant resources.</i>	High Investment grade
4¼ stars	Superior	Suitable for inclusion on most APLs <i>SQM Research considers the Fund has substantial potential to outperform over the medium-to-long term. Past returns have tended to be strong. PDS compliance processes are high-quality. There are no material corporate governance concerns. Management is of a very high calibre.</i>	High Investment grade
4 stars	Superior	Suitable for inclusion on most APLs <i>In SQM Research's view, the Fund has an appreciable potential to outperform over the medium-to-long term. Historical performance has tended to be meaningful. PDS compliance processes are strong. There are very little to no corporate governance concerns. Management is of a high calibre.</i>	High Investment grade
3¾ stars	Favourable	Consider for APL inclusion <i>SQM Research concludes the Fund has a moderate potential to outperform over the medium-to-long term. Past performance has tended to be reasonable. Management is experienced and displays investment-grade quality. There are no corporate governance concerns, or they are of a minor nature.</i>	Approved
3½ stars	Acceptable	Consider for APL inclusion <i>In SQM Research's view, the potential for future outperformance in the medium-to-long term is somewhat uncertain. Historical performance has tended to be modest or patchy. Management is generally experienced and capable. SQM Research has identified weaknesses which need addressing in order to improve confidence in the Manager.</i>	Low Investment grade
3¼ stars	Caution Required	Not suitable for most APLs <i>In SQM Research's opinion, the potential for future outperformance in the medium-to-long term is very uncertain. Historical returns have tended to be disappointing or materially below expectations. PDS compliance processes are potential substandard. There are possible corporate governance concerns. Management quality is not of investment-grade standard.</i>	Unapproved
3 stars	Strong Caution Required	Not suitable for most APLs <i>In SQM Research's opinion, the potential for future outperformance in the medium-to-long term is unlikely. Historical performance has tended to be unacceptable. There may be some material corporate governance concerns. SQM Research has a number of concerns regarding management.</i>	Unapproved
Below 3 stars	Avoid or redeem	Not suitable for most APL inclusion	Unapproved

Event-driven Rating	Definition
Hold	<i>Rating is suspended until SQM Research receives further information. A rating is typically put on hold for a period of two days to four weeks.</i>
Withdrawn	<i>Rating no longer applies. Significant issues have arisen since the last report date. Investors should consider avoiding or redeeming units in the fund.</i>

* The definitions in the table above are not all encompassing and not all individual items mentioned will necessarily be relevant to the rated Fund. Users should read the current rating report for a comprehensive assessment.

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SQM Research has received a fee from the fund manager for this report and rating.

General Financial Product Advice

This advice will not take into account you, or your clients, objectives, financial situation or needs and will not be provided in respect of any other financial products. Accordingly, it is up to you and your clients to consider whether specific financial products are suitable for your objectives, financial situations or needs.

Report Date: 17 January 2024

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SQM Rating ★★★★★

Superior. Suitable for inclusion on most APLs.

Fund Description	
Fund Name	Trilogy Enhanced Income Fund (formerly Enhanced Cash Trust)
APIR code	TGY9789AU
Asset Class	Fixed Income
Management and Service Providers	
Fund Manager	Trilogy Financing Pty Ltd ATF Trilogy Financing Trust
Responsible Entity	Trilogy Funds Management Limited
Fund Information	
Fund Inception Date	Inception in November 2016 / Launch to market in April 2017
Fund Size	\$60 million as of Nov 2023
Return Objective (as per PDS)	To outperform the benchmark over a 12-month period
Internal Return Objective	Not Applicable
Risk Level (per PDS)	Not mentioned in the PDS
Internal Risk Objective	Not Applicable
Benchmark	RBA Cash Rate + 1.50% (before fees, expenses, and taxes)
Number of stocks/positions	4-5 Managed Investment Schemes (MISs) / Funds and circa 20-30 Bonds held directly under an investment mandate with an external manager
Fund Leverage	Not Applicable
Turnover	Not Applicable
Top 10 Holdings Weight	Not Applicable (Multiple Funds)
Investor Information	
Management Fee	Management Fee is 0.35% p.a.
TCR (Total Cost Ratio)	1.04 % p.a. (0.35% Management Fee & 0.69% Indirect Costs) for Direct investors; Total Fees (TCR) is 0.96% p.a. for Platform and adviser-assisted investors.
Buy Spread	Nil
Sell Spread	Nil
Performance Fee Rate	Not Applicable
Minimum Application	\$5,000 (and no minimum for additional investment)
Redemption Policy	Aims to pay redemptions within 30 days (Note: longer is allowed under the Constitution, and refer to PDS for details)
Distribution Frequency	Monthly
Investment Horizon (per PDS)	PDS does not specify. Suggested short to medium-term (3 months to 3 years)
Currency Hedging Policy	Not Applicable

SUMMARY

Fund Summary

Description

The **Trilogy Enhanced Income Fund** (the "Fund") aims to provide returns that are above the average returns of traditional Cash Funds/Trusts by investing in a range of investments, including cash/fixed interest investments and mortgage securities.

The Fund's investments consist of 2 components:

- Approximately **65%** allocation to cash and cash-style investments such as a range of short to medium-term bank term deposits, bills of exchange, promissory notes, bonds, fixed or floating-rate debt securities, as well as income securities. These may be direct or indirect investments.
- Approximately **35%** allocation to the **Trilogy Monthly Income Trust (TMIT)** is a registered pooled Mortgage Fund that makes loans secured by registered first mortgages. The underlying real estate assets include residential, commercial, retail and industrial properties in Australia.

The Fund's current investments include multiple underlying Funds (and Fund Managers): **4-5 Managed Investment Schemes** and circa **20-30 bonds** (almost all Investment Grade Bank Bonds) held directly under an investment mandate with an external manager - FIG Securities.

The target benchmark for the Fund is the **RBA Cash Rate plus 1.50% p.a.**, assuming reinvestment of distributions but before fees, expenses, and taxes over a rolling 12-month period.

The Fund is structured as an open-ended, unlisted registered Managed Investment Scheme.

Fund Rating

The Fund has achieved the following rating:

Star Rating	Description	Definition	Investment Grading
4.00 stars	Superior	Suitable for inclusion on most APLs	High Investment Grade

Previous Rating: 4.00 stars (Issued November 2022)

SQM Research's Review & Key Observations

1. People and Resources

About the Fund Manager

Trilogy was founded in 1998 and holds an Australian Financial Services Licence (261425) that authorises it to operate the Trust. Its principal business is to act as the responsible entity and manager of various registered schemes. The investments consist of mortgages, direct real property, and financial assets (which include cash assets).

As of **Sep 2023**, Trilogy (and its underlying entities) had an AUM of approximately **\$1.05 billion**. Trilogy has about 65 employees, with offices in Brisbane (Head Office), Sydney and Melbourne.

Investment Team

Trilogy's investment team is highly experienced. The Treasury Committee is the key decision-making body, and the voting members are Mr Philip Ryan, Mr Rodger Bacon, Mr John Barry, Mr Justin Smart and Mr Henry Elgood. Mr Henry Elgood is the Head of Investments – Fixed Income and Portfolio Manager of the Fund and the Chief Risk Officer. His time is split in roughly a 40% to 60% ratio, respectively.

Mr Elgood reports to the Treasury Committee. Changes to investment allocations are determined at the Treasury Committee level. After consultation between the Committee and the Portfolio Manager, changes to asset allocations are implemented by an Analyst.

Considering the lower complexity in this asset class, the multi-manager structure/investment process, and the team's size, SQM Research is of the opinion that the Key Person risk is 'low.'

2. Investment Philosophy and Process

Investable Universe

The investable universe consists of two parts: **65%** of the portfolio is allocated to cash and cash-style investments such as a range of short to medium-term bank term deposits, bills of exchange, promissory notes, bonds, fixed or floating-rate debt securities, as well as income securities. These may be direct or indirect investments. The remaining **35%** of the Trust's funds are invested into Trilogy's Monthly Income Trust (TMIT), which enhances the cash returns. The principal assets of TMIT are loans secured by first-registered mortgages.

Process / Philosophy / Style

As the Investment Manager, Trilogy aims to provide investors with regular monthly income and returns in excess of the returns of traditional cash products (via an investment in a pooled mortgage Fund). Allocations of the **65%** cash portion of the Trust between bank securities/term deposits and the approved fund managers are determined by the Treasury Committee along with the investment team / PM.

Analysis undertaken by the team / PM includes in-house market/macroeconomic research and external research, including independent research reports. They also use literature, analysis and reviews provided by current/potential investment managers to look at their portfolios and risk/return profiles. The PM meets all their underlying funds/managers at least once a year, in addition to several discussions throughout the period to discuss the investment markets/environment.

Investment ideas/recommendations, research, and portfolio construction are driven by the PM, with the oversight of the Treasury Committee. The Idea generation/research process involves the PM reviewing the current underlying managers and the portfolio composition to assess if i) a manager has consistently underperformed expectations, ii) the performance profile of the manager has deviated significantly from that of the Fund, or another manager, or iii) a sub-asset class exposure could be obtained through a new investment opportunity could benefit the overall fund return and diversification profile.

Investment allocations are made to credit-focused managers with a general duration-agnostic stance. Those funds/managers may have positions within their portfolios that minimise/maximise interest rate or yield curve exposure, depending on their investment thesis at the time. Within Trilogy's investment mandate with FIIG Securities, they want to keep the duration short and investment quality high. Therefore, they have restricted their investable universe to ADIs and other major financial institutions' FRNs. They have had a predisposition to high-quality, investment-grade major bank debt both directly and indirectly.

The portfolio is constructed in such a way that diversification, return profile and liquidity are prioritised. Position weightings are determined at the Treasury Committee level.

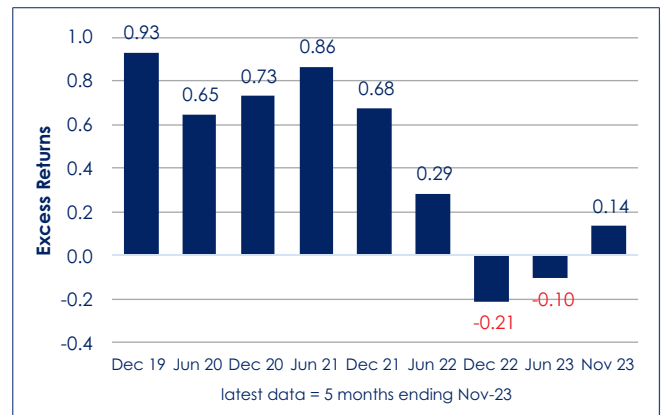
3. Performance & Risk

Return Objective & Performance

The return objective stated in the PDS is: The Fund aims "to outperform the benchmark over a 12-month period".

As stated in the PDS, the Fund's benchmark is RBA Cash Rate + 1.50% (assuming reinvestment of distributions but before fees, expenses, and taxes over a rolling 12-month period).

Fund Excess Returns %: Half-yearly (net of fees)



Length of Track Record

The Trilogy Enhanced Income Fund has a history of 6.5 years. Observations and analysis of returns will have a *material* statistical meaning due to the sample size of observations.

Risk Objective

The Fund's PDS **does not** specify the risk level of the Fund.

It should be noted that the risk profile of the underlying TMIT (Mortgages) component is not captured by the traditional volatility measure.

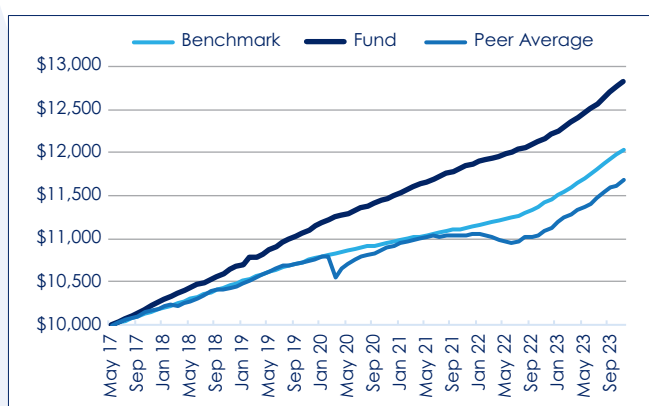
Performance

Fund Performance to 30 November 2023 (% p.a.)							
Total Return	1-Month	3-Month	6-Month	1-Year	3-Year	5-Year	Inception
Fund	0.52	1.54	3.02	5.42	3.80	3.82	3.91
Benchmark	0.48	1.43	2.88	5.44	3.19	2.85	2.89
Peer Average	0.60	1.28	2.89	5.38	2.36	2.30	2.43
Alpha	0.03	0.10	0.14	-0.03	0.61	0.97	1.01

With dividends reinvested. Returns beyond one year are annualised. Return history starts Jun-2017

Benchmark: RBA Cash Rate + 1.5%

Growth of \$10,000



Strengths of the Fund

- Trilogy has a track record of over 20 years in the Mortgage and Property Funds Management industry.
- The Fund is managed by an experienced, knowledgeable, and professional team that is well-versed in managing registered Managed Investment Schemes/Managed Funds.
- The Fund has provided higher returns than the benchmark and the peers.
- The use of external Fund Managers adds to the investment expertise and diversification. The underlying investments within the Cash/Cash-like component of the Fund are generally short-term in nature and intended to be liquid.
- The Fund distributes monthly, which is a positive for income-focused investors.

Weaknesses of the Fund

- The Fund has a higher risk profile compared to most of the vanilla Cash/Fixed Income peers. The allocation to TMIT (a pooled Mortgage Fund), whilst providing an opportunity for higher returns, brings in some liquidity risk and credit risk.

- Compared to the Cash component of the Fund, the liquidity profile of the 35% allocation in TMIT is different.
- Higher Fees compared to the peer group whilst noting a different mix of underlying investments (via TMIT).

Other Considerations

- Some of the Key Portfolio Metrics of the Fund are:
 - The Fund's current investments include multiple underlying funds (and fund managers): **4-6** Managed Investment Schemes (including TMIT, Mutual Income Fund and Ardea Real Outcome Fund) and circa **20-30** Bonds (almost all Investment Grade Bank Bonds) held directly under an investment mandate with an external manager - FIIG Investment Management Limited.
 - Some of the Key Metrics of the underlying **TMIT** Fund include (as of **30 Nov 2023**) about 130 loans; 100% of the book is invested in First mortgages, and all are Full-doc loans; all the loans are to businesses/companies (rather than individuals); Weighted Average LVR is about 62.90%, on an 'as if complete' basis; Loan maturity: almost 100% of the book has a loan maturity of <2 years; Non-performing loans (NPL) are about 2.88% of the book.
- The Fund's FUM has decreased by circa 26% from November 2022 to November 2023.
- Monthly liquidity.

Key Changes Since the Last Review

- No material changes to the investment process since the previous review.

Process Description

Investment Process

Research and Portfolio Construction Process

The Investment Manager aims to provide investors with regular monthly income and returns in excess of traditional cash products' returns via an investment in a pooled mortgage fund. Allocations of the **65%** cash portion of the Trust between term deposits and these approved fund managers are determined by the Treasury Committee along with the Investment team / PM.

Analysis undertaken by the team / PM includes in-house markets and macroeconomic research undertaken by the PM, along with external research, including independent research reports. They also use literature, analysis and reviews provided by current/potential investment managers to look at their portfolios and risk/return profiles. The PM meets all their underlying funds/managers at least once a year, in addition to several discussions throughout the period to discuss the investment markets/environment.

Investment ideas/recommendations, research, and portfolio construction are driven by the PM, with the oversight of the Treasury Committee. The Idea generation/research process involves the PM reviewing the current underlying managers and the portfolio composition to assess if i) a manager has consistently underperformed expectations, ii) the performance profile of the manager has deviated significantly from that of the Fund, or another manager, or iii) a sub-asset class exposure could be obtained through a new investment opportunity could benefit the overall fund return and diversification profile.

Investment allocations are made to credit-focused managers with a general duration-agnostic stance. Those funds/managers may have positions within their portfolios that minimise/maximise interest rate or yield curve exposure, depending on their investment thesis at the time. Within Trilogy's investment mandate with FIIG Securities, they want to keep the duration short and investment quality high. This is why they have restricted their investable universe to ADIs and other major financial institutions' FRNs. They have had a predisposition to high-quality, investment-grade major bank debt both directly and indirectly.

The portfolio is constructed in such a way that diversification, return profile and liquidity are prioritised. Position weightings are determined at the Treasury Committee level.

Research

Research is prioritised in line with discussions at the Treasury Committee level. While the investment strategy at the Fund level does not require constant new avenues of research being explored, the PM and Investment Analyst are constantly assessing peer performance against Fund performance, general market conditions, risk-on and risk-off catalysts, etc.

Risk Management

The Fund has developed protocols and policies for managing risks. This is governed by the Constitution of the investments, which mandates how the investments will be operated and audited in line with the law. The Treasury Committee defines what an acceptable level of risk is.

The Fund aims to minimise concentration risk by diversifying its investments across managers. It also aims to minimise investment risk by using 'best of breed' funds/managers, focusing not just on performance but also on risk management by those managers.

Investment Process**Research and Portfolio Construction Process***...continued***Sell Discipline**

Decisions to reduce positions or re-allocate capital towards new opportunities are driven by the Portfolio Manager's recommendations and research. A report is tabled to the Treasury Committee on a weekly basis which outlines recommendations. Should one of these recommendations propose to amend the current allocation or look to remove a position, discussions will be had at the Treasury Committee level with input by the Portfolio Manager and an explanation around the rationale. Supporting material will be tabled for discussion and analysis.

Discussions may then be had with Treasury Committee members individually in the following days and weeks as deliberations and discussions continue. Final action will be taken by the Investment Analyst with the approval of the Treasury Committee.

Portfolio Characteristics**Portfolio Turnover**

Portfolio turnover is expected to be low given that the investments are in cash, cash type/ fixed-income investments and the rest in the TMIT.

Liquidity

The Portfolio provides a relatively good level of liquidity as **65%** of the portfolio is allocated to cash, bank deposits and other Funds that invest in similar cash-style products. The liquidity profile of the remaining **35%** in TMIT (a pooled Mortgage Fund) is different and carries a higher level of liquidity risk than cash-style products.

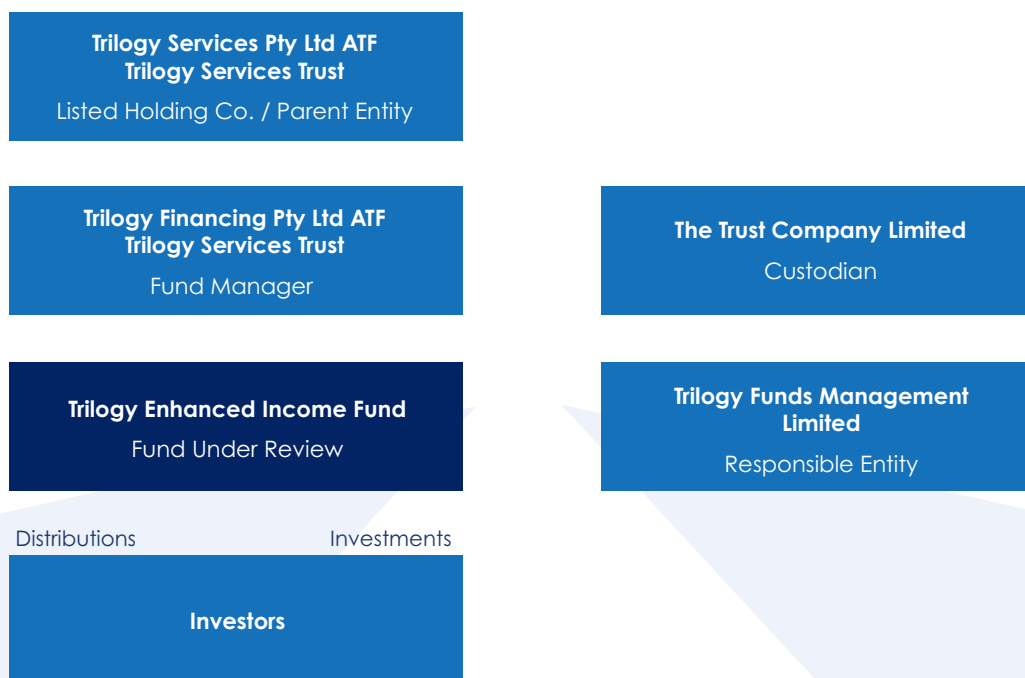
Leverage

This Fund does not employ direct leverage (through borrowing by the Fund) **or** economic leverage (through the use of derivatives).

Hedging & Derivatives

Not applicable.

Key Counterparties



Parent Company

Trilogy Group Holdings Trust is the holding Trust for the Trilogy Funds Group (TFG), owned by executives of the company. TFG can trace its origins back to 1998 when a Brisbane law firm where Philip Ryan was a partner commenced a funds management business. This led to the formation of TFG in 2004, when Mr Bacon, Mr Barry and Mr Hogan resigned from their senior positions at Challenger following the merger of Challenger and CPH Investment Corporations.

TFG is headquartered in Brisbane, with an office also in Sydney.

Responsible Entity and Trust Manager

The Board of Directors of the Responsible Entity (Trilogy Funds Management Ltd) consists of 8 directors, 2 of whom are independent. SQM Research prefers the inclusion of independent members on the Board of Directors – it is a meaningful way to enhance governance and oversight. Board members have an average of 26.4 years of industry experience.

The Responsible Entity's Compliance Committee is composed of 3 members, 2 of whom are independent. The Chair is independent. SQM Research views independence in an RE oversight body such as the

Compliance Committee as a strong and favourable factor in Fund governance. Compliance Committee members have an average of 30 years of industry experience.

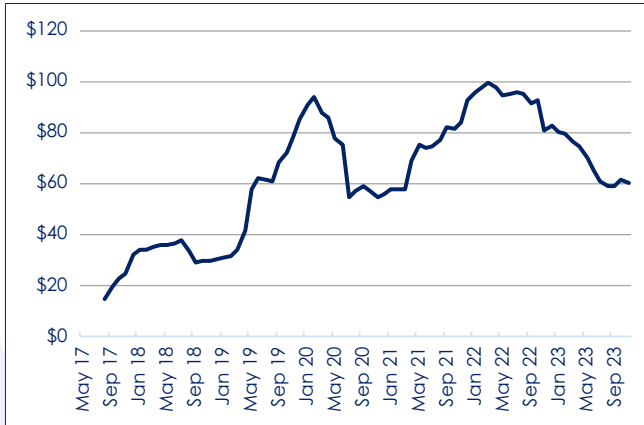
Management Risk

Funds management businesses rely on the operational capabilities of key counterparties. A critical element is the ability of the Responsible Entity to monitor operational performance and to meet the regulatory and statutory responsibilities required. For any investment fund, there is a risk that a weak financial position or management performance deterioration of key counterparties could temporarily or permanently compromise their performance and competency. This can adversely affect financial or regulatory outcomes for the Fund or associated entities.

Based on the materials reviewed, SQM Research believes that Trilogy Funds Management Ltd. and associated key counterparties are appropriately qualified to carry out their assigned responsibilities. Management risk is rated as 'low'.

Funds under Management (FUM)

FUM for Fund under Review (\$mill)



Distributions

Distributions occur **monthly**, subject to the availability of distributable income. As a general rule, in a scenario where the Fund's realised losses and expenses exceed income in a distribution period, the Fund may elect not to make a distribution during that time.

Distribution Date	Distribution CPU
Jan-23	0.59
Feb-23	0.55
Mar-23	0.61
Apr-23	0.62
May-23	0.66
Jun-23	0.66
Jul-23	0.68
Aug-23	0.68
Sep-23	0.66
Oct - 23	0.68
Nov - 23	0.66
Dec - 23	0.68

Name	Responsibility / Position	Location	Years at Firm	Years in Industry
Henry Elgood	Portfolio Manager & Chief Risk Officer	Brisbane	8	10
John Barry	Executive Director	Sydney	20	49
Phil Ryan	Managing Director	Brisbane	25	36
Rodger Bacon	Executive Deputy Chairman	Sydney	20	45
Justin Smart	Chief Operating Officer	Brisbane	17	25
Aidan Brassil	Investment Analyst	Brisbane	3	3
Jeen Yeoh	Investment Analyst	Brisbane	1	11

Investment Team

Trilogy's investment team is highly experienced. The Treasury Committee is the key decision-making body, and the voting members are Mr Philip Ryan, Mr Rodger Bacon, Mr John Barry, Mr Justin Smart and Mr Henry Elgood. Mr Henry Elgood is the Head of Investments – Fixed Income and Portfolio Manager of the Fund and the Chief Risk Officer. His time is split in roughly a 40% to 60% ratio, respectively.

Mr Elgood reports to the Treasury Committee. Changes to investment allocations are determined at the Treasury Committee level. After consultation between the Committee and the Portfolio Manager, changes to asset allocations are implemented by an Analyst.

Considering the lower complexity in this asset class, the multi-manager structure/investment process, and the team's size, SQM Research is of the opinion that the Key Person risk is 'low.'

Meeting Schedule

The table below shows regular meetings that form an essential part of the overall process.

Meeting	Purpose	Frequency	Participants
Treasury Meeting	Portfolio allocation/update on existing holds/ recommendations by PM as to change to allocations	Weekly	- Treasury Committee - Portfolio Manager
Executive Risk Meeting	Review of key risk items across the business in each department, including investment risks associated with the Fund	Monthly	- Managing Director - Chief Operating Officer - Heads of Departments (circa 7)

SQM Research believes the practice of constant communication and the broad-based inclusion of team members in decision-making is a vital ingredient to the success of the process. Interactive peer review and collaboration across a tightly knit group of experienced investors will likely make the best use of their combined intellectual property and shared history.

Staffing Changes

Departures			
Date	Name	Responsibility	Reason for Departure
24-Dec-20	Heidi Yu	Investment Analyst	Personal Reasons
11-Dec-20	Adam Somerville	Financial Controller	Other opportunities
01-Oct-21	Mitchell Molloy	Investment Analyst	Other opportunities
14-Jul-23	Rafferty Parer	Investment Analyst	Team restructure
15-Dec -23	Aidan Brassil	Investment Analyst	Other opportunities

Additions / Hires			
Date	Name	New Responsibility	Previous Position / Employer
9-1-24	Jeen Yeoh	Investment Analyst	Transaction Analyst, CBA
14-Dec-20	Tyler Appleby	Financial Controller	Finance Manager
04-Sep-21	Aidan Brassil	Investment Analyst	Student
15-Sep-21	Rafferty Parer	Investment Analyst	Investor Relations

SQM Research observes that the levels of investment experience and company tenure are strong across the investment team, especially the senior management team. In SQM's view, the size and nature of the Fund-related investment staff turnover, whilst higher than average, are not an issue of concern.

Remuneration and Incentives

Trilogy's remuneration structure is based on a fixed base salary, with certain staff paid bonuses for performance on a balanced scorecard approach or as grandfathered under the FOFA legislation. Additionally, a staff incentive plan is in place.

Trilogy Funds encourages long-term staff development through regular training and development, including interdepartmental training designed to give staff members a broad overview of the business and exposure to wider career opportunities within the business. Training is supplemented by annual staff reviews to ensure ongoing monitoring and assessment.

SQM Research believes remuneration in the form of firm equity and client-focused performance bonuses function as strong incentives for optimising staff engagement, retention, and productivity. The intention (and SQM believes the effect) is to align staff performance with client and shareholder objectives. It focuses on the customers' needs and medium to long-term results.

Fees

Fees and Costs	Fund	Peer Avg
Management Fee (% p.a.)	0.35%	0.33%
Expense Recovery / Indirect Costs (% p.a.)	0.61%	–
Performance Fee (%)	–	–
Total Cost Ratio TCR (% p.a.)	0.96%	0.33%
Buy Spread (%)	0.00%	0.06%
Sell Spread (%)	0.00%	0.06%

The TCR or ICR is 0.96% p.a. for Platform and adviser-assisted investors. The TCR or ICR for direct investors is 1.04% p.a., comprised of 0.35% Responsible Entity/Management Fee and 0.69% Indirect Costs (approximately).

Management Fees

The management fee includes GST and is net of any applicable Reduced Input Tax Credits (RITC).

Performance Fees

The Fund does not charge a performance fee.

SQM Research observes that:

- *The Fund's total fee (TCR or ICR) is 63 basis points higher than the peer group average.*
- *The management fee is 2 basis points higher than the peer group average.*

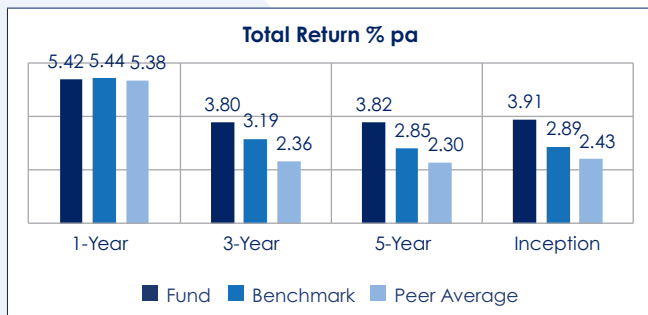
Risk/Return Data to 30 November 2023							
Total Return	1-Month	3-Month	6-Month	1-Year	3-Year	5-Year	Inception
Fund	0.52	1.54	3.02	5.42	3.80	3.82	3.91
Benchmark	0.48	1.43	2.88	5.44	3.19	2.85	2.89
Peer Average	0.60	1.28	2.89	5.38	2.36	2.30	2.43
Alpha	0.03	0.10	0.14	-0.03	0.61	0.97	1.01
Metrics				1-Year	3-Year	5-Year	Inception
Tracking Error (% p.a.) - Fund				0.12	0.24	0.32	0.29
Tracking Error (% p.a.) - Peer Average				0.63	0.66	1.41	1.26
Information Ratio - Fund				-0.23	2.53	3.00	3.52
Information Ratio - Peer Average				-1.91	-2.93	-1.21	-0.19
Sharpe Ratio - Fund				7.15	6.08	6.51	7.23
Sharpe Ratio - Peer Average				3.70	0.58	0.64	0.71
Volatility - Fund (% p.a.)				0.23	0.36	0.38	0.34
Volatility - Peer Average (% p.a.)				0.63	0.97	1.53	1.37
Volatility - Benchmark (% p.a.)				0.13	0.50	0.41	0.36
Beta based on stated Benchmark				1.57	0.65	0.61	0.62

Distributions reinvested. Returns beyond one year are annualised. Return history starts Jun-2017
 Benchmark: RBA Cash Rate + 1.5%

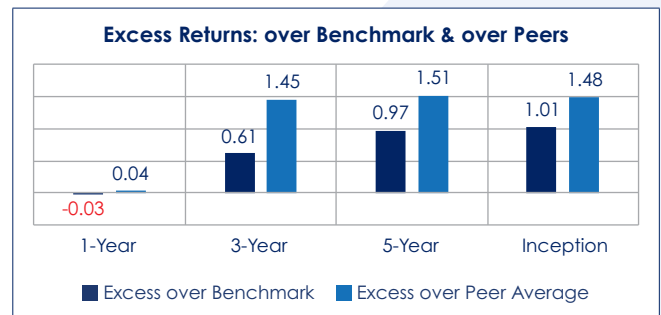
Quantitative Insight¹

Note: Unless otherwise stated, all return and risk data reported in this section are **after-fees** and for **periods ending Nov-2023**.

Returns



Excess Returns (Alpha)



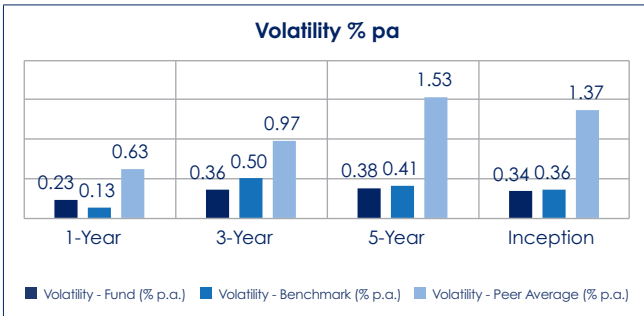
The Fund has displayed good performance when compared with the benchmark and its peers.

SQM Research comment: Of relevance to this observation is the fact that the Fund has a **35%** exposure to TMIT, which results in a higher risk / higher return profile compared to the vanilla Cash / Fixed Income peers.

The **return outcomes**, as described above, are above the PDS objective over the medium to long term and are in line with SQM's expectations for the Fund relative to its fee level and volatility.

¹ Note: Sharpe and Information Ratios are not reliable comparison tools in periods where both the Fund and its peers/benchmark record a negative result

Risk



The Fund's **volatility** (annualised standard deviation of monthly returns) has tended to be *similar to* the benchmark and *materially lower* than the peers. The benchmark, being a Cash (or Cash-plus) benchmark, has low volatility.

SQM Research comment: As noted above, the Fund has a **35%** exposure to TMIT, which results in a higher risk-higher return profile compared to the vanilla Cash / Fixed Income peers. It should be noted that the risk profile of the TMIT (and most Mortgage Funds in general) component is not captured by the traditional volatility measure.

The **risk outcomes**, as described above regarding volatility and tracking error, are in line with the PDS statements about risk and are in line with SQM's expectations for this Fund.

Drawdowns

Drawdown Summary			
Drawdown Size (peak-to-trough)			
	Fund	Bench	Peers
Average	-	-	-0.83%
Number	0	0	6
Smallest	+0.00%	+0.00%	-0.22%
Largest	+0.00%	+0.00%	-2.48%
Length of Drawdown (in months)			
	Fund	Bench	Peers
Average	-	-	6.3

Length of Drawdown = time from peak to trough and back to the previous peak level

Average drawdowns have been similar to the benchmark and better than the peer average.

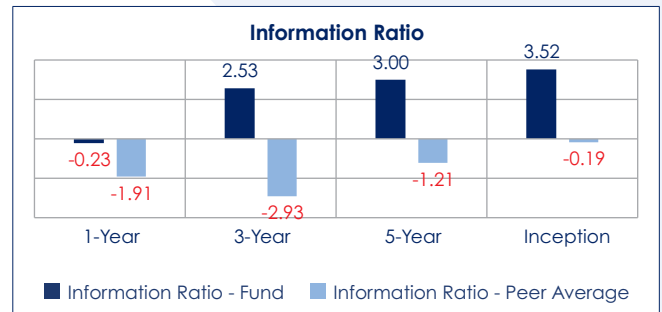
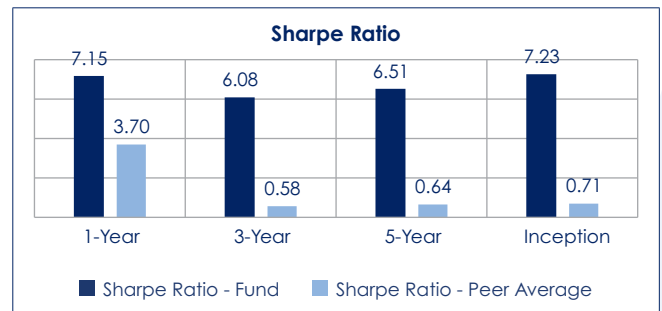
The benchmark has had zero drawdowns as expected from inflation or cash-based indexes.

Upside/Downside Capture

	Downside Capture		Upside Capture	
	3 years	Inception	3 years	Inception
Fund	.	.	118.9%	134.4%
Peer Average	.	.	74.1%	84.4%

for a cash benchmark, downside capture is not valid

Risk-Adjusted Returns



The Fund's risk-adjusted returns (as measured by Sharpe and Information ratios) have been better than the peer average.

Correlation of Fund to Asset Classes

Market	3 years	Inception	Market Indexes
Aust Bonds	+16.8%	+14.1%	Bloomberg AusBond Composite 0+Y TR
Aust Equity	-0.7%	-0.8%	S&P/ASX 300 TR
Global Bonds	+24.9%	+14.1%	Bloomberg Global Aggregate Hdg AUD
Global Equity	+17.6%	+12.0%	MSCI World Ex Australia NR AUD

Correlation Key

Low	High	Description
0%	20%	low, weak
20%	40%	modest, moderate
40%	70%	significant, material
70%	90%	strong, high
90%	100%	substantial

QUANTITATIVE ANALYSIS

Tail Risk

(The analysis in the table below looks at the **tail risk performance relationship of the Fund to the ASX300**, a practice that SQM has set as common across asset classes in Fund reviews. This approach recognises that for the large bulk of financial planner clients, their key traditional asset class **risk** regarding **size** and **volatility** is to Australian equities. Exploring that relationship is useful regardless of the asset class of the Fund itself, as it is helpful to understand how a Fund has acted in times of Australian equity market stress in terms of softening or exaggerating the negative performance experienced at such times.)

The table below details the **largest negative monthly returns** for the ASX 300 **since the inception of the Fund**. This is compared to the Fund's performance over the same months.

Extreme Market Returns vs Fund Return Same Month				
Index: S&P/ASX 300 TR		From Jun-17 to Nov-23		
Rank	Date	Market	Fund	Difference
1	Mar-20	-20.83%	+0.31%	+21.14%
2	Jun-22	-8.97%	+0.20%	+9.17%
3	Feb-20	-7.76%	+0.35%	+8.11%
4	Jan-22	-6.45%	+0.23%	+6.68%
5	Sep-22	-6.29%	+0.27%	+6.57%
6	Oct-18	-6.16%	+0.33%	+6.49%
7	Oct-23	-3.80%	+0.50%	+4.30%
8	Mar-18	-3.73%	+0.36%	+4.09%
9	Sep-20	-3.59%	+0.26%	+3.86%
10	Dec-22	-3.29%	+0.33%	+3.62%
Totals		-70.88%	+3.14%	+74.02%

	No. of Months		
Correlation	+21.4%	Positive Return	10
Capture	-4.4%	Outperform	10

Tail Risk Observations:

The data in the table above indicate that the Fund displays material **defensive characteristics** in the face of extreme Australian equity tail risk.

Snail Trail

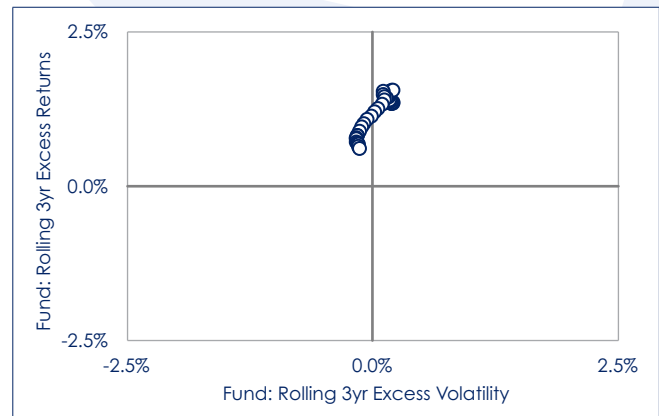
The snail trail chart and tables below show the combination of the Fund's rolling 3-year excess returns and volatility.

There are 43 observations in total.

The two tables below display the distribution of these observations and their overall frequency across the risk/return quadrants.

Snail Trail Distribution			
Frequency	Lo-Vol	Hi-Vol	Total
Hi-Return	14	29	43
Lo-Return	0	0	0
Total	14	29	43

43 rolling 3-year observations			
% of Total	Lo-Vol	Hi-Vol	Total
Hi-Return	32.6%	67.4%	100.0%
Lo-Return	0.0%	0.0%	0.0%
Total	32.6%	67.4%	100.0%



In assessing a snail trail it is important to note the following:

Q1 upper left-hand quadrant - higher return than the Fund's market index with lower volatility (less risk). This is the optimal position.

Q2 upper right-hand quadrant - higher return than the Fund's market index with higher volatility (more risk). This can often be a desirable position depending on the attractiveness of the Sharpe ratios produced in this zone. It is important to note that in the case of inflation or cash-style benchmarks, the Q1 top left-hand quadrant is unachievable as it is not possible to deliver lower volatility than what is virtually zero for the benchmark. In such cases, the Q2 zone is the optimal position.

Q3 lower left-hand quadrant - lower return than the Fund's market index with lower volatility (less risk). Less than ideal, and Sharpe ratios can assist in assessing the risk/return trade-off in this zone.

Q4 lower right-hand quadrant - lower return than the Fund's market index with higher volatility (more risk). The least desirable outcome.

Consistency

The more "bunched together" the cluster of dots, the more consistent is the performance. A second indicator of consistency is the trail's nomadic nature. Trails that roam across multiple quadrants over time are indicating **low consistency** in the Fund's risk-return profile. The quadrant that **contains the bulk** of the Fund's snail trail is likely to be more representative of the Fund's risk/return characteristics and identity.

Annual Returns

Year	Fund	Benchmark	Peer Avg	vs. Bench	vs. Peers
2018	+4.05	+3.05	+2.51	+1.00	+1.54
2019	+4.40	+2.71	+3.04	+1.69	+1.36
2020	+3.23	+1.83	+1.46	+1.40	+1.76
2021	+3.16	+1.60	+1.19	+1.56	+1.97
2022	+2.90	+2.82	+0.72	+0.08	+2.18
Nov-23	+5.07	+5.04	+4.99	+0.03	+0.07

2023 data = 11 months ending Nov-23

The table below outlines limits on the Fund's asset allocation and other risk parameters:

Fund Constraints and Risk Limits	Permitted Range or Limit
Constraint or Risk Limit 1	~35% allocation to the Trilogy Monthly Income Trust
Constraint or Risk Limit 2	~65% allocation to cash and cash-style investments
Constraint or Risk Limit 3	RMBS & ABS rated Investment Grade or higher

Top 5 Issues by Ranked Weight (% of Fund)	
Name	Weight
Trilogy Monthly Income Trust	38.80%
FIIG FRN Mandate	36.90%
FIIG ABS Mandate	11.80%
Ardea Real Outcome Fund	3.30%
Term Deposits	2.10%

* As reported to SQM, as of 30 Sep 2023 – holdings will change over time.

For more details, please refer to the Fund's PDS and the latest Fund updates.

Name	Weight	Currency
Trilogy Monthly Income Trust	38.80%	AUD
FIIG FRN Mandate	36.90%	AUD
FIIG ABS Mandate	11.80%	AUD
Ardea Real Outcome Fund	3.30%	AUD
Term Deposits	2.10%	AUD

Drawdown

A drawdown tracks the path of the Fund's accumulated NAV (with dividends reinvested). It is measured over the period of a peak-to-trough decline and the subsequent recovery back to that previous peak level. The total return over that entire period is, of course, zero. The metric of interest, the drawdown itself, is quoted as the percentage change between the peak and the trough over that period. Funds typically have multiple drawdowns of varying size and length over their lifetime. The table above shows how many drawdowns have occurred and their average peak-to-trough size.

Alpha

SQM defines **Alpha** as the excess return compared to the Benchmark and is calculated as

$$\text{Alpha} = \text{Fund Return} - \text{Benchmark Return}$$

A General Note on Distributions for Managed Funds

The Responsible Entity of a Managed Fund will provide for a regular schedule of distributions, such as monthly/quarterly/semi-annual or annual. This is subject to the Fund having a sufficient distributable income. The official total distributable income available to pay to investors is determined for the period of that Fund's financial year. By distributing the net taxable income of the Fund to investors each year, a Fund itself should not be liable for tax on its net earnings.

If a Fund makes distributions more frequently than once over the financial year, those distributions will be based on estimates of the distributable income for that distribution period. The final total amount of distributable income available for passing on to investors can only be calculated after the close of the financial year, based on the Fund's taxable income for that year.

If the total distributions a Fund pays out exceed total taxable income for that particular financial year, the excess amount may be treated as a return of capital rather than income. This will possibly have tax implications for the investor.

Due to the considerations outlined above, there may be periods in which no distributions are made, or a Fund may make additional distributions.

A Fund's ability to distribute income is determined by the performance of the Fund and general market conditions. Accordingly, there is no guarantee that a Fund will make a distribution in any distribution period.

Total Cost Ratio (TCR)

Managed Investment Schemes: The TCR for Managed Investment Schemes, Exchange Traded Products, and Investment Bond funds is an addition of the Investment Management Fees and Costs (including admin fees), Performance Fee Costs, and the impact of dollar-based fees.

Superannuation funds: The TCR for Superannuation and Pension funds is an addition of the Investment Management Fees and Costs (including admin fees), Performance Fee Costs, Administration Fees and Costs, the impact of dollar-based fees and a deduction of Super OTC Derivative Costs.

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