



Trilogy Enhanced Income Fund

This report has been prepared for financial advisers
and wholesale clients only



Superior

January 2025

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

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Report Date: 28 January 2025

Star Rating**	Description	Definition	
4½ stars and above	Outstanding	Highly suitable for inclusion on APLs <i>SQM Research believes the Fund has substantial potential to outperform over the medium-to-long term. Past returns have typically been very strong. Product disclosure statement (PDS) compliance processes are high-calibre. There are no corporate governance concerns. Management is extremely experienced, highly skilled and has access to significant resources.</i>	Highest Investment Grade
4¼ stars	Superior	Suitable for inclusion on most APLs <i>SQM Research considers the Fund has considerable 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 material 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, however they may not be yet fully tested. As a result the manager/product may have higher risks attached compared to peers.</i>	Investment Grade
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 uncertain. Historical performance has tended to be modest or patchy. Management is generally experienced and displays investment-grade quality, however they may not be yet fully tested. As a result the manager/product may have higher risks attached compared to peers. SQM Research has identified material weaknesses which need addressing in order to improve confidence in the Manager. There might be some corporate governance concerns.</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 potentially substandard. There might be material corporate governance concerns. Management quality is not of investment-grade standard.</i>	
3 stars	Strong Caution Required	Not suitable for APL inclusion <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 could be material corporate governance concerns. SQM Research has a number of concerns regarding management.</i>	
Below 3 stars	Avoid or Redeem	Not suitable for APL inclusion <i>SQM Research has multiple material concerns surrounding the Fund.</i>	
Event-driven Rating		Definition	
Withdrawn		<i>The rating is no longer applicable. Significant issues have arisen since the last report was issued, and investors should avoid or redeem units in the fund. The manager, after agreeing to be reviewed, has pulled out of the process and/or has not responded to our questionnaire.</i>	
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. Dealer groups should not be making further investments into this fund until SQM has completed its additional investigations.</i>	

* It is strongly recommended advisers conduct additional due diligence over and above base requirements when considering such rated funds.

** 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 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
Responsible Entity	Trilogy Funds Management Limited
Fund Information	
Fund Inception Date	November 2016
Fund Size	\$75.17 million as of Nov 2024
Return Objective (per PDS)	"To provide a regular and stable income from the Fund through investing primarily in a range of cash, cash-style investments and other financial assets..." and "The target benchmark for the Fund is the Official Cash Rate plus 1.50%p.a. assuming reinvestment of distributions but before fees and expenses and taxes, over a rolling 12 months 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
Portfolio 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)	Total Fees (TCR) is 0.74% p.a. for Platform and adviser-assisted investors
Buy Spread	Nil
Sell Spread	Nil
Performance Fee Rate	Not Applicable
Minimum Application	\$5,000
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	PDS does not specify. Suggested short to medium-term (3 months to 3 years)
Currency Hedging Policy	Nil

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:

- **Cash, cash-style investments and other fixed income assets:** 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.
- **Mortgage 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 - **FIIG 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, also known as a 'managed fund', 'pooled investment', or a 'collective investment'.

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 Jan 2024)

SQM Research's Review & Key Observations

About the Manager

Trilogy Financing Pty Ltd ("Trilogy") was founded in 1998 by Mr Philip Ryan 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 Nov 2024, Trilogy (and its underlying entities) had an AUM of approximately \$1.55 billion.

Trilogy Funds has more than 60 team members with broad experience across investment products, property acquisition, management and development, loan and portfolio management, investor relations, treasury, marketing, finance, operations and human resources.

The teams are based in **Brisbane, Sydney, Melbourne and Perth**.

Trilogy Funds has established a Treasury Committee to monitor the Fund's liquidity, including the inflows, outflows and other investments made to supplement the portfolio's returns.

In addition, a Compliance Committee monitors Trilogy Fund's compliance with the Constitution, the Compliance Plan and the Corporations Act. Under the law, a majority of the members of the Compliance Committee must be, and are, external members.

Trilogy Funds has also established a Lending Committee which considers all loan applications for the Trilogy Monthly Income Trust, in which the Fund invests, in accordance with Trilogy Funds' lending policy guidelines and monitors the loan portfolio on an ongoing basis.

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.

The Portfolio Manager (Henry Elgood) and the Investment Analyst are responsible for the day-to-day management of the Fund. The Investment Analyst executes trades to balance asset allocations as determined by the Portfolio Manager and approved by the Treasury Committee. The analyst is additionally responsible for processing investor redemptions as strategised by the Portfolio Manager and approved by the Treasury Committee.

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.'**

1. 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.

Philosophy / Process / 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/macro-economic 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.

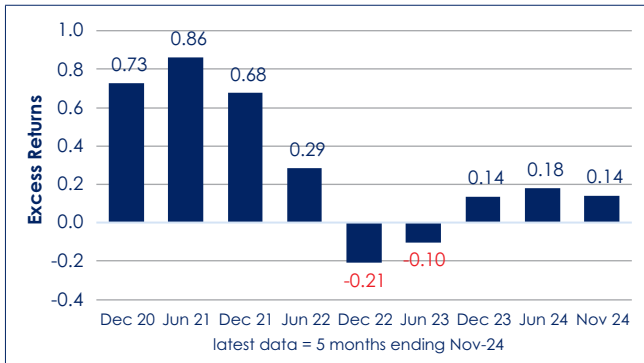
The portfolio is constructed in such a way that diversification, return profile and liquidity are prioritised. Position weightings are determined at the Treasury Committee level.

2. Performance & Risk

Return Objective

The return objective stated in the PDS is: "The Fund aims to provide a regular and stable income from the Fund through investing primarily in a range of cash, cash-style investments and other financial assets....." and "The target benchmark for the Fund is the Official Cash Rate plus 1.50%p.a. assuming reinvestment of distributions but before fees and expenses and taxes, over a rolling 12 months period..."

The Fund's benchmark, as stated in the PDS, is "Official Cash Rate plus 1.50%p.a. assuming reinvestment of distributions but before fees and 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 7.5 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.

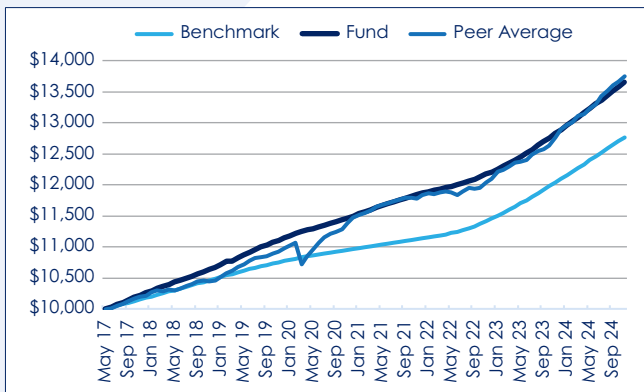
It should be noted that the risk profile of the underlying TMIT (Mortgages) component is not captured by the traditional volatility measure.

Fund Performance to 30 November 2024 (% p.a.)

Total Return	1-Month	3-Month	6-Month	1-Year	3-Year	5-Year	Inception
Fund	0.52	1.56	3.19	6.42	4.86	4.21	4.24
Benchmark	0.49	1.48	3.00	6.08	4.69	3.50	3.31
Peer Average	0.62	1.64	3.92	7.68	5.06	4.03	3.22
Alpha	0.03	0.08	0.20	0.33	0.18	0.72	0.93

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

Benchmark: RBA Cash Rate + 1.5% p.a.

Growth of \$10,000**Strengths**

- 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 over long-terms

- 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

- 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 TCR compared to the peer group whilst noting a different mix of underlying investments (via TMIT)
- The Fund has slightly underperformed against its peers over 3-years and shorter periods

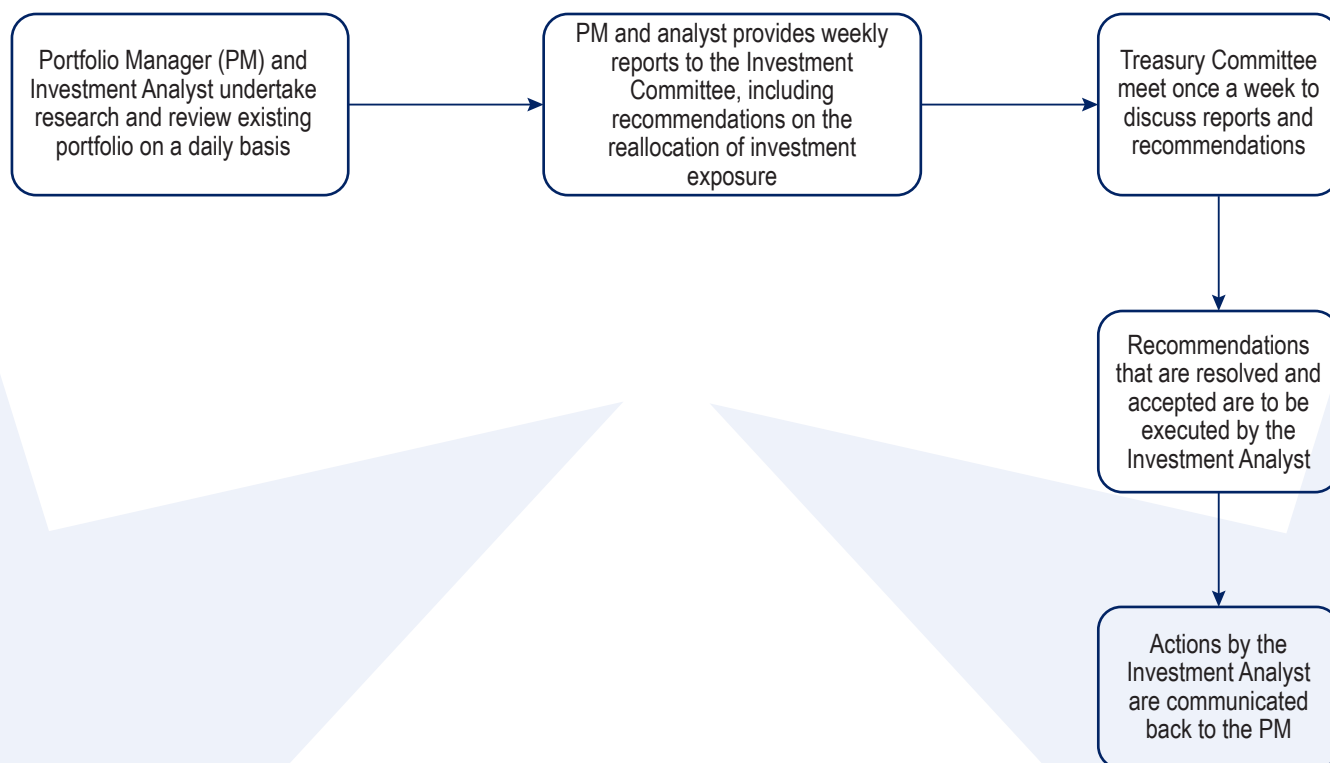
Other Considerations

- 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 2024):
 - 124 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 51.55%, 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 3.41% of the book
 - 5 loans are in default in the TMIT. The LVRs of 2 of the default loans are an average of about 132%, and 2 are above 75%
- The Fund's FUM has been steady in the last 12 months but decreased overall in the last 2 years
- Monthly liquidity

Key Changes Since the Last Review

- No changes to the investment process since the previous review

Investment Process Diagram



Process Description

Investment Process	
Research and Portfolio Construction Process	Idea Generation <p>The idea generation process involves the portfolio manager and investment analyst reviewing the current underlying managers and portfolio composition, looking at how</p> <ol style="list-style-type: none"> 1. A manager has performed relative to expectations 2. The performance profile of the manager has deviated from that of the Fund itself or other managers 3. A sub-asset class exposure that could be obtained through a new investment opportunity could benefit the overall fund return and diversification profile
	Screening <p>The Manager allocates towards what they believe are “best-in-breed” managers within each of their respective areas of focus. The Fund prefers securities and sectors that offer attractive risk-adjusted returns while maintaining capital stability and sufficient liquidity to meet fund obligations.</p>

Investment Process

Research and Portfolio Construction Process*...continued*

The Fund is currently exposed to government and bank debt markets as they provide characteristics that align with the Fund's strategy. The Fund has avoided corporate bonds outside of financials as the risk-adjusted returns and capital volatility in this space have not been compelling enough to broaden the mandate and exposures. Non-investment grade securities are also avoided based on the lack of liquidity in Australian markets, especially in times of market dislocation.

Research

The analysis includes market and macroeconomic research undertaken by both the Portfolio Manager and Investment Analyst in-house or referencing economic reports, product-specific reports, etc. Thomson Reuters is the primary research source for the team's cash and cash-style investments. In addition to due diligence conducted by the team, Thomson Reuters provides data for quantitative analysis of investments.

Neither the Treasury Committee nor consultants are actively used in the research process. There may be consultation with certain members throughout the week. However, no active research is undertaken by the Committee as a whole.

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.

Portfolio Construction

Investment ideas/recommendations, research, and portfolio construction are driven by the PM, with the oversight of the Treasury Committee.

The portfolio is constructed in such a way that diversification, return profile and liquidity are prioritised. This is monitored and reported on by the Portfolio Manager and Investment Analyst. The Portfolio Manager reports to the Treasury Committee on all investment and portfolio management matters during weekly meetings.

Further, the Investment Analyst provides daily updates on portfolio movements to the committee.

Trilogy uses models to monitor portfolio performance and risk of underlying holdings. These models provide a foundation for assessing portfolio optimisation and construction on a risk-adjusted basis. Thomson Reuters PORT function is also used to monitor daily movements of underlying holdings and provide timely risk assessment.

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.

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.

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.

Material Risks

Material risks which are associated with the Fund include:

Capital Risk: Few investments guarantee the maintenance of capital invested. The Fund is no different. Even though the application price and withdrawal price are fixed at \$1.00, should the underlying investments of the Fund reduce in value, then investors may suffer a capital loss.

Legal & Regulatory Risk: Changes to the regulatory environment relating to financial services, taxation, and other regimes affecting the Fund's operations may affect the Fund's portfolio and performance.

Counterparty Risk: The Fund may enter into legal agreements regarding aspects of the Fund's operations with counterparties who may fail to perform adequately.

Income Distribution Rate Risk: Income distributions to investors of the Fund may be volatile as they depend upon the return that the Fund receives from its investments. Income distributions are not guaranteed, either in terms of timing or amount.

Liquidity Risk: Many investments carry a risk that there may be insufficient liquidity to enable investors to redeem or otherwise realise their investment. In the context of the Fund, there is the risk of a delay in redemption.

Interest Rate Risk: Changes in interest rates can have a negative impact, both direct and indirect, on the value and returns of investments. Interest rate risk occurs for a variety of reasons, including inflation, economic activity and the RBA rate decisions.

Investment Process**Research
and Portfolio
Construction
Process***...continued***Portfolio Characteristics****Portfolio Turnover and Active Share**

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

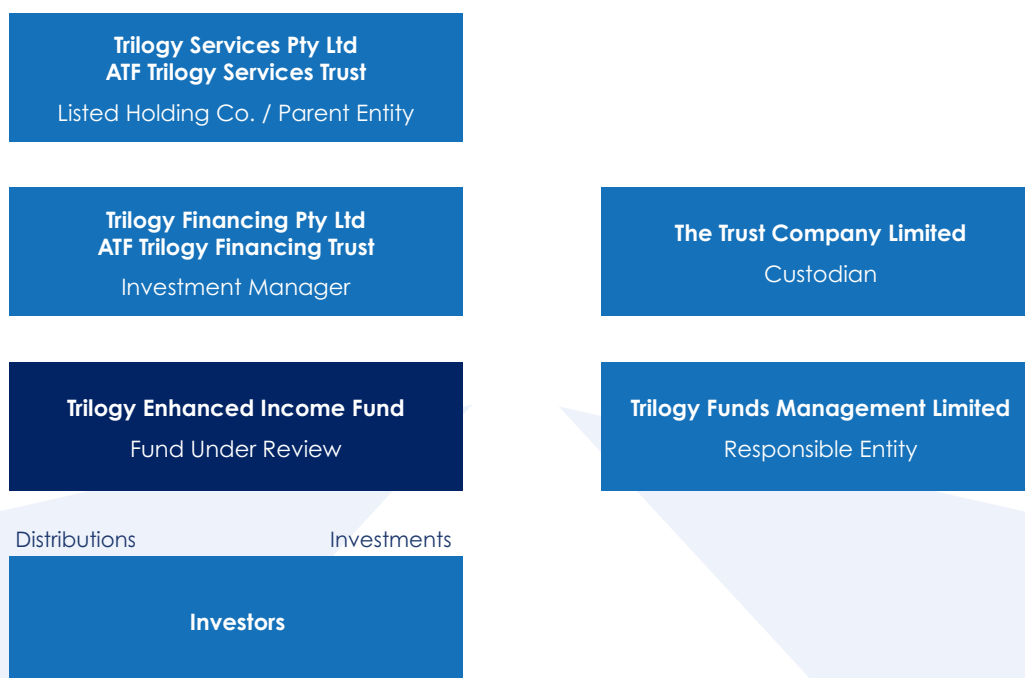
The Portfolio provides a relatively good level of liquidity as 65% of the portfolio is allocated to cash, bank deposits and other Funds that invest in similar cash-style products.

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).

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.

Investment Manager

Trilogy Financing Pty Ltd is the Investment Manager of the Fund.

Trilogy Funds has established a Treasury Committee to monitor the Fund's liquidity, including the inflows, outflows and other investments made to supplement the portfolio's returns.

In addition, a Compliance Committee monitors Trilogy Fund's compliance with the Constitution, the Compliance

Plan and the Corporations Act. Under the law, a majority of the members of the Compliance Committee must be, and are, external members.

Trilogy Funds has also established a Lending Committee which considers all loan applications for the Trilogy Monthly Income Trust, in which the Fund invests, in accordance with Trilogy Funds' lending policy guidelines and monitors the loan portfolio on an ongoing basis.

Trilogy Funds is a specialist in property investment with a long track record, particularly in mortgage and property trusts. The experience is grounded in the disciplines of accounting, law, financial services, mortgage management, investment portfolio investment and property lending. In a practical sense, it covers all elements of the property development and investment process, from sourcing and negotiating assets, ongoing management of property, property development and construction projects, lending against property, transaction management at all levels, and capital structuring and liquidity management.

Investment portfolio management includes, but is not limited to, asset allocation, liquidity management, research, due diligence, and ongoing active review of underlying investments and investment managers.

Governance

Responsible Entity

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.

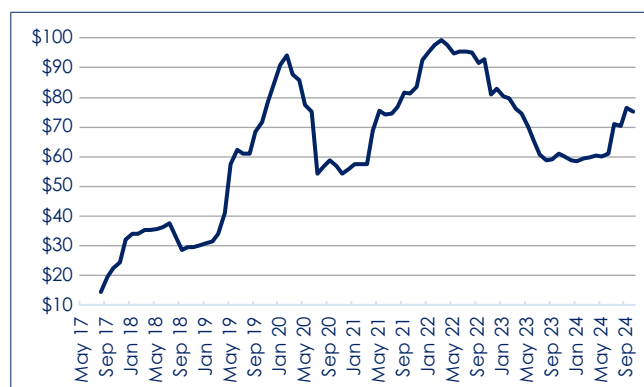
Management Risk

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 on a monthly basis, subject to the availability of distributable income. 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-24	0.50
Feb-24	0.48
Mar-24	0.51
Apr-24	0.50
May-24	0.52
Jun-24	0.50
Jul-24	0.52
Aug-24	0.51
Sep-24	0.49

Name	Responsibility / Position	Location	Years at Firm	Years in Industry	Qualifications
Henry Elgood	Executive Director - Institutional Capital & Chief Risk Officer	Sydney	8.0	11.0	MAICD
John Barry	Executive Director	Sydney	25.0	49.0	BA, FCA
Philip Ryan	Managing Director	Brisbane	25.0	36.0	LLB, Graduate Diploma of Legal Practice, F Fin
Justin Smart	Executive Director & Chief Operating Officer	Brisbane	17.0	25.0	BA Com, CPA
Clinton Arentz	Executive Director - Lending & Property Assets	Brisbane	6.0	31.0	MBA

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.

The Portfolio Manager (Henry Elgood) and the Investment Analyst are responsible for the day-to-day management of the Fund. The Investment Analyst executes trades to balance asset allocations as determined by the Portfolio Manager and approved by the Treasury Committee.

The analyst is additionally responsible for processing investor redemptions as strategised by the Portfolio Manager and approved by the Treasury Committee.

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	Agenda	Frequency	Participants
Treasury meeting	Presentation of securities research, asset allocation, risk management, performance review and determining of distribution rates to investors	Weekly	Portfolio Manager Investment Analyst Various members of the Treasury committee

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
01-Dec-23	Aidan Brassil	Investment Analyst

Additions / Hires		
Date	Name	New Responsibility
01-Jan-24	Timothy Munro	Transactions Analyst
01-Jan-24	Jeen Yeoh	Investment Analyst

SQM Research observes that the levels of investment experience and company tenure are strong across the investment team. The size and nature of staff turnover are not an issue of concern, in SQM's view.

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 act 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 and Costs	Fund	Peer Avg**
Management Fee % p.a.	0.35%	0.65%
Expense Recovery/Other Costs % p.a.	0.39%	–
Performance Fee %	0.00%	2.03%
Total Cost Ratio TCR % p.a.	0.74%	0.72%
Buy Spread %*	0.00%	0.06%
Sell Spread %*	0.00%	0.06%

* This spread is the difference between the Fund's application price and withdrawal price and reflects transaction costs relating to the underlying assets.

** Peer average is based on data provided by SQM's data provider. SQM is not responsible for any errors or omissions.

The TCR or ICR is 0.74% 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 Fee

The management fee includes GST and is net of any applicable Reduced Input Tax Credits (RITC). The Management Fee includes the Responsible Entity fees as well as the investment manager fees.

Performance Fee

The Fund does not charge a performance fee

SQM Research observes that:

- The Fund management fee is 0.35% p.a., which is 30 basis points lower than the peer group average of 0.65% p.a.**
- The Total Cost Ratio (TCR) is 0.74% p.a., which is 2 basis points higher than the peer group average of 0.72% p.a.**

Risk/Return Data to 30 November 2024							
Total Return	1-Month	3-Month	6-Month	1-Year	3-Year	5-Year	Inception
Fund	0.52	1.56	3.19	6.42	4.86	4.21	4.24
Benchmark	0.49	1.48	3.00	6.08	4.69	3.50	3.31
Peer Average	0.62	1.64	3.92	7.68	5.06	4.03	3.22
Alpha	0.03	0.08	0.20	0.33	0.18	0.72	0.93
Metrics				1-Year	3-Year	5-Year	Inception
Tracking Error (% p.a.) - Fund				0.06	0.13	0.22	0.28
Tracking Error (% p.a.) - Peer Average				1.49	2.20	3.01	2.70
Information Ratio - Fund				5.49	1.37	3.24	3.34
Information Ratio - Peer Average				17.13	7.27	8.08	0.20
Sharpe Ratio - Fund				43.28	3.91	5.38	6.04
Sharpe Ratio - Peer Average				30.61	3.41	3.96	5.00
Volatility - Fund (% p.a.)				0.05	0.46	0.43	0.39
Volatility - Peer Average (% p.a.)				1.50	2.34	3.09	2.72
Volatility - Benchmark (% p.a.)				0.03	0.47	0.55	0.45
Beta based on stated Benchmark				-0.53	0.94	0.72	0.69

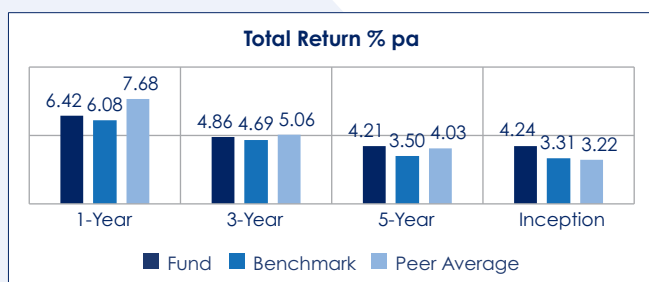
Distributions reinvested. Returns beyond one year are annualised. Return history starts Jun-2017

Benchmark: RBA Cash Rate + 1.5% p.a.

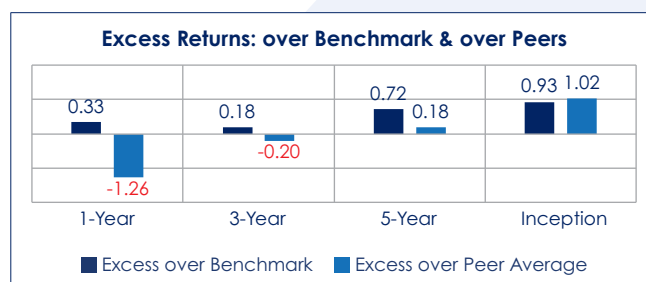
Quantitative Insight¹

Note: Unless otherwise stated, all return and risk data reported in this section are **after-fees** and for **periods ending Nov 2024**.

Returns



Excess Returns (Alpha)



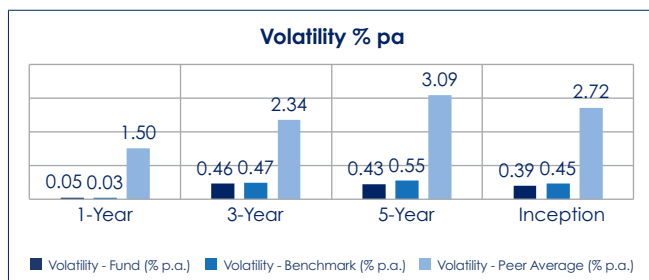
The Fund has displayed good performance when compared with the benchmark. The Fund has slightly underperformed its peers over 3-year and shorter periods. However, it modestly outperformed peers in 5-year and since inception basis.

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 consistent with 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	–	–	-1.77%
Number	0	0	8
Smallest	+0.00%	+0.00%	-0.05%
Largest	+0.00%	+0.00%	-6.79%
Length of Drawdown (in months)			
	Fund	Bench	Peers
Average	–	–	6.7

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.

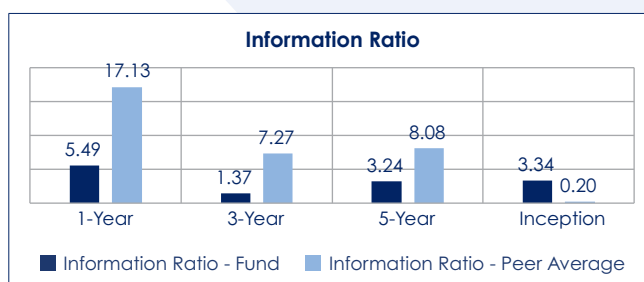
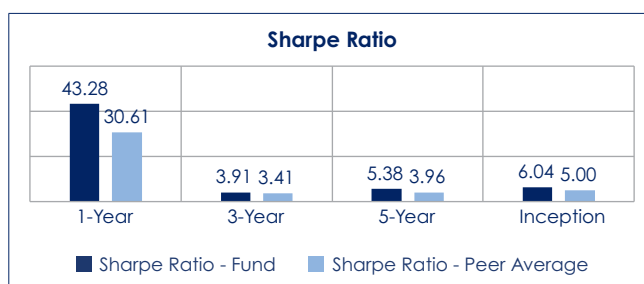
The benchmark has had zero drawdowns as expected from inflation or cash-based indexes.

Upside/Downside Capture

	Downside Capture		Upside Capture	
	3 years	Inception	3 years	Inception
Fund	.	.	103.7%	127.4%
Peer Average	.	.	110.3%	98.0%

for a cash benchmark, downside capture is not valid

Risk-Adjusted Returns



The Fund's risk-adjusted returns (as measured by Sharpe ratios) have been better than the peer average in all periods. However, the Information ratios have been lower than the peers in all periods (except since inception basis).

Correlation of Fund to Asset Classes

Market	3 years	Inception	Market Indexes
Aust Bonds	+28.3%	+15.4%	Bloomberg AusBond Composite 0+Y TR
Aust Equity	+12.4%	+4.3%	S&P/ASX 300 TR
Global Bonds	+38.8%	+17.7%	Bloomberg Global Aggregate Hdg AUD
Global Equity	+36.2%	+16.6%	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

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-24		
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.

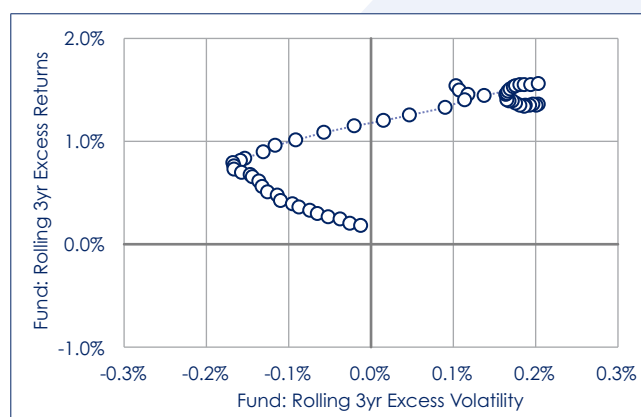
There are 55 observations in total.

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	26	29	55
Lo-Return	0	0	0
Total	26	29	55

55 rolling 3-year observations

% of Total	Lo-Vol	Hi-Vol	Total
Hi-Return	47.3%	52.7%	100.0%
Lo-Return	0.0%	0.0%	0.0%
Total	47.3%	52.7%	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.

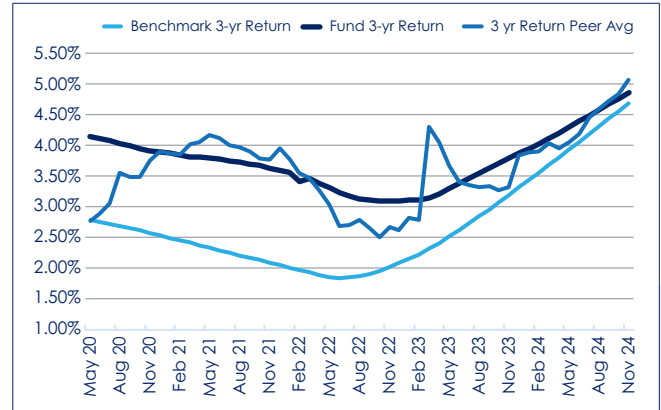
Annual Returns

Year	Fund	Benchmark	Peer Avg	vs. Bench	vs. Peers
2018	+4.05	+3.05	+2.32	+1.00	+1.73
2019	+4.40	+2.71	+4.99	+1.69	-0.59
2020	+3.23	+1.83	+4.52	+1.40	-1.29
2021	+3.16	+1.60	+3.21	+1.56	-0.05
2022	+2.90	+2.82	+2.13	+0.08	+0.77
2023	+5.59	+5.56	+6.60	+0.03	-1.01
Nov-24	+5.89	+5.56	+6.61	+0.33	-0.73

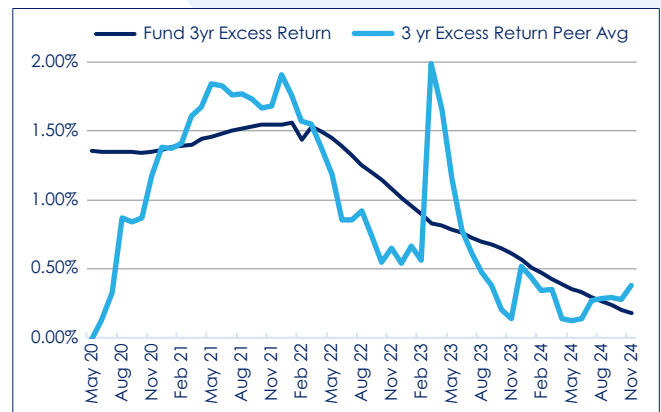
2024 data = 11 months ending Nov-24

Return and Risk

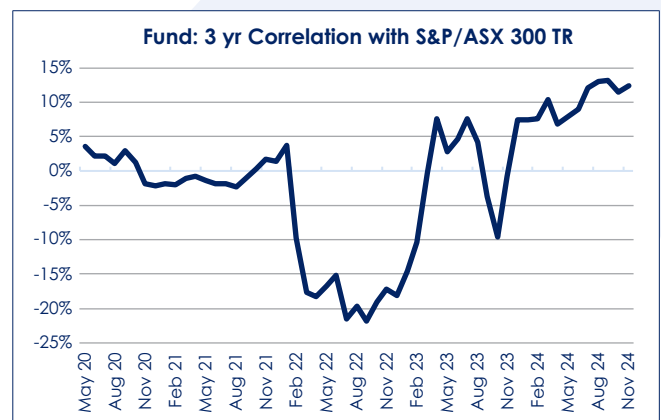
Rolling Returns



Rolling Excess Returns

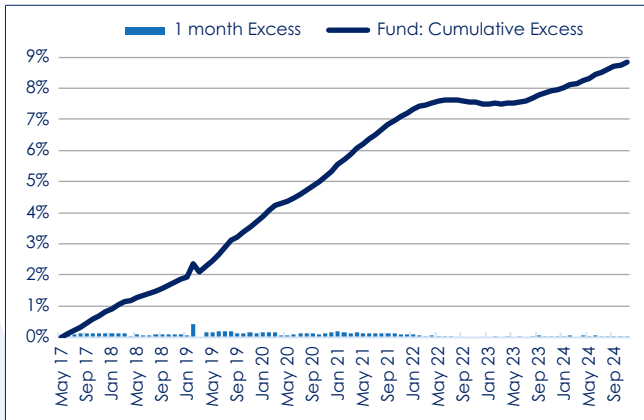


Rolling Correlation

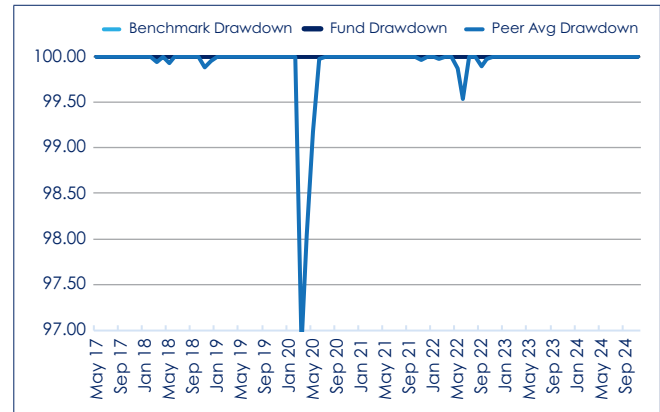


Return and Risk

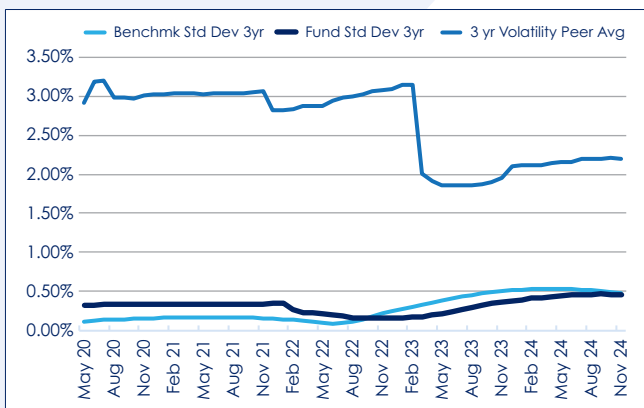
Cumulative Excess Returns



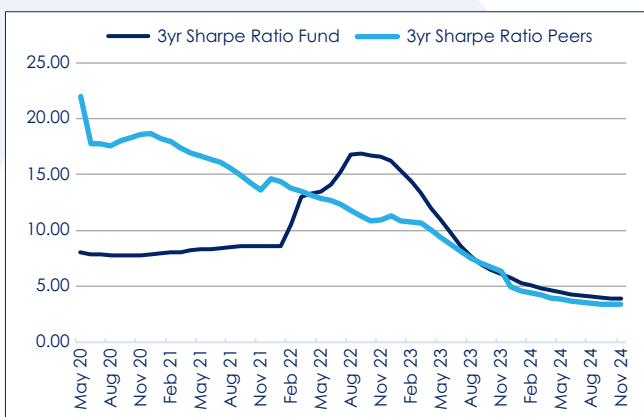
Drawdowns



Rolling Volatility



Rolling Sharpe Ratio



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
Other Constraints	
Maximum exposure to single-security	No constraints on exposure to single-borrower
Maximum exposure to single stock/company	N/A
Maximum exposure to a single sector	N/A
Maximum exposure to a single country	100.00%
Maximum exposure to geographic region	100.00%
Limit for Holdings Not in Benchmark	N/A

Top 5 Holdings*

Top 5 Issues by Ranked Weight (% of Fund)	
Name	Weight
Trilogy Monthly Income Trust	30.80%
FIIG FRN Mandate	42.65%
FIIG ABS Mandate	19.01%
Cash / Term Deposits	8.27%

* As reported to SQM on the return of the RFI – holdings will change over time.

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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