



Hello Investor

This is the 102nd Newsletter since the establishment of the Balmain Opportunity Trust (**BOT**).

AUGUST 2026 DISTRIBUTIONS*

Class A Units returns, **net of all fees**, for the period ending 31 August 2026 are as follows:

	THIS MONTH (AUG 26)	LAST MONTH (JUL 26)
Monthly	9.05%	9.05%
Monthly Annualised	9.46%	9.46%
Last 12 Months	9.68%	9.49%
Since Inception	8.66%	8.74%

**calculated on a 'distribution re-invested' basis*

GENERAL UPDATE

The CEO lets off steam

Having read the coverage of recent weeks about Bathla and “private credit”, I sense that the narrative being driven by the press has drifted way off beam.

So, I think it is appropriate that I share my thoughts on Balmain's position in the private credit environment and how I see our industry.

Why the narrative is about private credit

My first point is one of arithmetic, not personal opinion. If a residential developer gets into trouble in Australia in 2026, it will almost certainly have been funded by a private credit lender. Not because private credit is reckless, not because private credit is inexperienced, but because private credit is the principal industry participant supporting the construction of Australian homes.

Where are the major trading banks? Many of you will recall the calamitous position that the trading banks found themselves in after the GFC in 2007/8, principally as a result of the abysmal performance of their commercial lending divisions. So bad was their position that Balmain and its capital partners bought some of their ailing portfolios, including the entire loan portfolios of Bank of Scotland (\$2.54bn in 2011/12), Banksia Securities (\$0.30bn in 2013), Suncorp (\$2.05bn in 2014) and GE Capital (\$2.50bn in 2016). Balmain was solely responsible for managing these acquired portfolios.

To ‘save and protect’ the banks, rightly or wrongly, two things happened. Firstly (and immediately), the government had to guarantee bank deposits to restore confidence to deposit holders. Secondly, APRA effectively prevented the banks from making the same mistakes again by raising capital adequacy requirements pertaining to commercial loans with an outright prohibition on growing their commercial lending portfolios. This was the start of the banks becoming deposit-taking home loan providers.

To put form to this, under APRA's prudential standard APS 112 (current version from January 2023), land acquisition, development and construction lending attracts a 100–150% capital risk weighting compared with 20–35% for a standard ‘mum & dad’ home loan. In practice, this means that banks allocate up to seven times *more* capital for construction loans than they do for home loans.

It is APRA's capital charge regime that has determined the banks' collective appetite for construction loans for nearly 20 years, not their credit officers nor their risk appetite.

The consequences are visible in the aggregate data. Australian banks have roughly halved their commercial real estate exposure from about 10% of total assets in 2009 to around 5% today. The Reserve Bank's own February 2026 Bulletin noted that Australian private credit has supported construction activity that would not otherwise have happened.

In a consultation package released on 29 June this year, APRA proposed cutting the banks' qualifying pre-sales requirement from 100% of total debt to 50%, a standard long since adopted by private credit lenders. APRA has effectively acknowledged that the settings were too tight. We welcome that. But it comes a decade too late to change who funded Australia's construction loans for the last 20 years.

Balmain's knowledge and experience

So Australian private credit has been driving the delivery of housing stock to Australians for nearly 20 years. Balmain has been doing it for 40 years. Those bad loans we bought for \$9bn? We recovered \$14bn for our IB investors. We also learned a lot; knowledge that we have retained.

But I need to be measured about this, because there are homebuyers and subcontractors caught up in the Bathla situation and they don't need my bravado. However, in terms of credit complexity, what we are dealing with here is well within our normal operating range. Bathla has real assets and we have real security that will enable us to recover our loans in full.

‘Collecting-out’ is a well-learned Balmain skill and we put it to use when it's needed. Distressed loan workouts are not an emergency for us. They are but one part of the business that we have built.

What actually happened to Bathla?

Bathla claimed that they were caught in a perfect storm of softening sales, tax changes and higher construction costs. Really? All of those things occurred well after Bathla's troubles began. The true origin of their demise was over-stretching their management teams across too many jobs. Court filings put Bathla at 219 active construction projects, 45 of them in the construction phase with roughly 2,000 homes under construction and some 13,000 more in the pipeline. A ‘perfect storm’ is something that happens to you. The scale of Bathla's development pipeline was their own choice and their own downfall.

By comparison, every developer in this country faced the same interest rate challenges, the same trade shortages, the same changes to CGT and negative gearing and the same 40% lift in construction costs since 2020. Almost all of them are still standing. The distinguishing feature here was the number of Bathla's simultaneous development fronts and the meagre management resources spread thinly across them. Balance sheets don't fail because a market moves; they fail because there was no slack left when it did.

State of the housing market

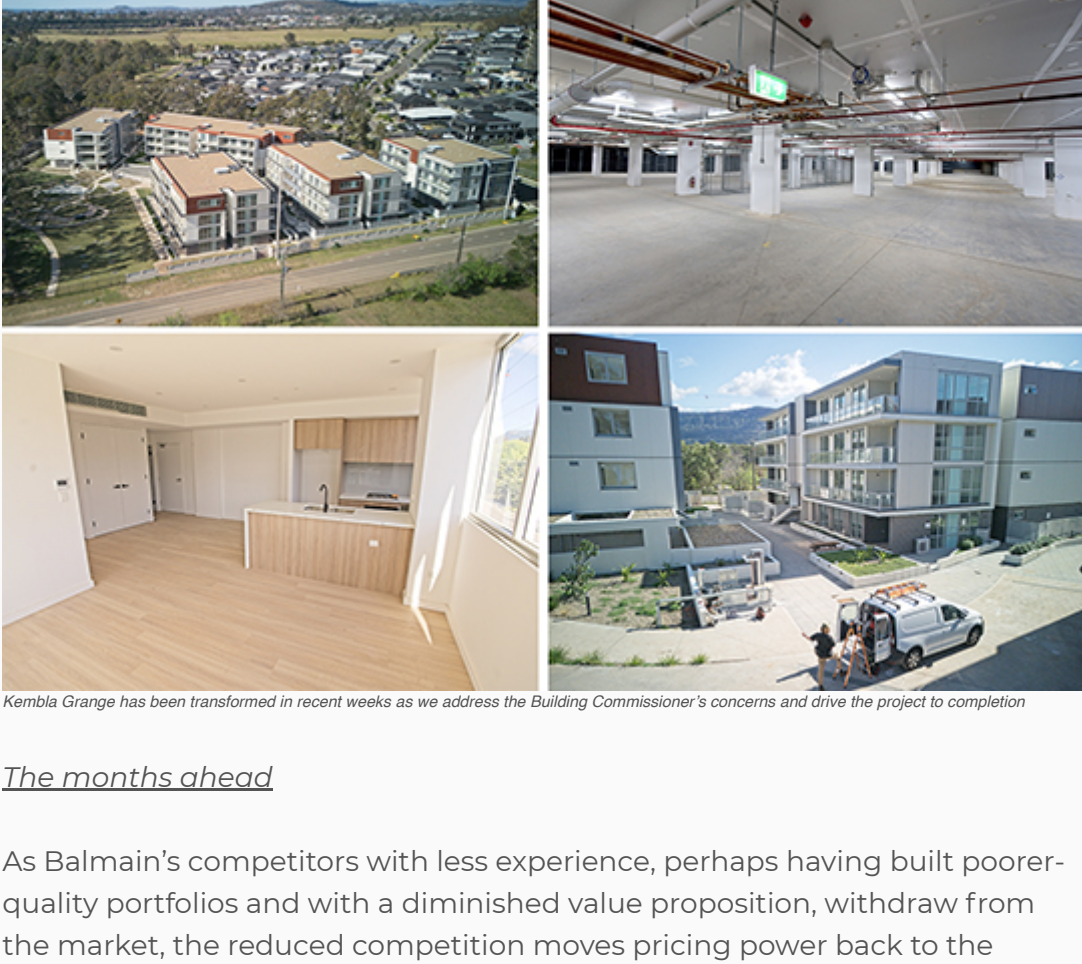
Cotality recorded a 0.9% decline in national house prices in August, leaving dwelling values around 3.6% below their March peak — but on very thin volumes.

Underneath that, the supply shortfall is structural. Only 173,400 homes were completed in the year to March 2026 against the 240,000 annual run-rate the National Housing Accord requires. Twenty-one months in, Australia is 112,365 dwellings behind schedule. The National Housing Supply and Affordability Council estimates underlying demand at around 287,000 dwellings over the Accord's first 18 months, against roughly 232,000 net new completions.

You cannot have a durable price correction in a market that is not building enough homes for the people already here. The cash rate is 4.35% and inflation hasn't yet done what the Reserve Bank needs it to do — so I won't put a date on the turn. But when inflation settles and rates stabilise, this market will re-rate home prices quickly, because the shortage will still be sitting there waiting.

Recovery in full

At the risk of persistent reiteration (so I will be brief), BOT will not lose any money on its Bathla loans. Pre-sales have reached 80% at Kembla Grange and we continue to complete works and sales ahead of our admittedly conservative projections. The Bathla exposures represent ~2% of BOT's portfolio.



Kembla Grange has been transformed in recent weeks as we address the Building Commissioner's concerns and drive the project to completion

The months ahead

As Balmain's competitors with less experience, perhaps having built poorer-quality portfolios and with a diminished value proposition, withdraw from the market, the reduced competition moves pricing power back to the lenders who remain ... like Balmain ... and away from borrowers. This means we can get better security, at lower gearing, with more restrictive lending covenants. For disciplined investors like Balmain and its managed funds, the vintage being written now should be one of the strongest in a decade.

Important Updates: BEST Releases

You will receive written invitations next week to invest in the two new BESTs as follows:

BEST Name:	BEST #4: Acre
Issue Date:	7 September 2026
Loan Type:	Multiple draw construction advance, interest capitalised
Limit:	\$20MM
Term:	12 months
Distribution Rate:	11.5% pa (on a distribution re-invested basis)
LVR:	68% (reducing to 43% after pre-sales settle)

and,

BEST Name:	BEST #5: Gateway
Issue Date:	10 September 2026
Loan Type:	Single draw advance, interest pre-paid
Amount:	\$30MM
Term:	7 months
Distribution Rate:	11.2% pa (on a distribution re-invested basis)
LVR:	75% (reducing to 55% by month 4)

TRUST UPDATE

Inflows and new originations remain well-matched and distributions remain unchanged from last month. Liquidity sits at a healthy ~10% with funds under management of \$2.94bn.

We have separately allocated funds to satisfy the redemptions requested for the September 2026 redemption window which were in line with our expectations. These redemptions will be paid in full on/ before 15 September 2026.

Whilst we continue to expect an excess return from the Bathla loans, we are not bringing this additional income to account at this stage.

You are now able to see performance matrix for the Balmain Opportunity Trust at <https://www.balmainopportunitytrust.com.au/history>. We have also emailed all investors with the login details for the investor portal which I encourage you to use.

If you have any difficulty in accessing the portal please give the Balmain Investments Team a call on 02 9232 8888.

ACMC Control Account- Class A: Monthly Distributions

We confirm that the amount of \$76.86 in respect of income referable to August 2026 will be paid to you / reinvested in your account in accordance with your nominated Distribution Method election on **Monday, 07 September 2026**.

ACMC Control Account- Class A: Status of Investment

We also confirm that as at 31 August 2026, ACMC Control Account- Class A's investment in Class A Units in the Balmain Opportunity Trust stood at \$10,000.00 (you will receive multiple emails if you have multiple investment entities).

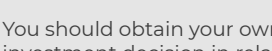
Please note that this balance does not include:

- any investment or redemption made after that date; or
- the August 2026 distribution re-investment (if applicable).

Should you have any questions or queries please do not hesitate to contact the writer or Tom Sherston.

Warmest regards,

Andrew Griffin



02 9232 8888

[balmainopportunitytrust.com.au](https://www.balmainopportunitytrust.com.au)

This email has been sent by Australian Commercial Mortgage Corporation Limited ACN 109 865 590 as trustee of the Balmain Opportunity Trust ABN 36 679 393 508 (Trustee) and issuer of the Balmain Opportunity Trust information memorandum dated 1 November 2020 (IM).

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Each person should obtain a copy of the IM and read and consider the IM in full before making any investment decision. A copy of the IM can be obtained from the Trustee by contacting our Balmain Investments Team on 02 9232 8888.

Investment in the Balmain Opportunity Trust is subject to investment risk, including possible delays in payment and loss of income and principal invested. Refer to sections 8, 9 and 10 of the IM for more information on the key risks associated with an investment in the Balmain Opportunity Trust. The Trustee and its respective associates, officers, related entities and directors do not give any guarantee as to the performance of the Balmain Opportunity Trust or the repayment of monies invested. Past performance is not a reliable indicator of future performance.

You should obtain your own personal financial advice from a qualified financial advisor before making any investment decision in relation to the Balmain Opportunity Trust.

Balmain Opportunity Trust ABN 36 679 393 508