

## Project Apple 2 Draft due diligence report

Transaction Services | 17 August 2022

Project Apple 2 | Final due diligence report | 17 August 2022  
This written communication is solely for OAFIT's benefit, and is not intended to be relied upon by any other person or entity.

M&A 

Strictly Private and Confidential



# Important Notice

**This notice must be read by potential investors that are provided with and intend to read a copy of the Deloitte report titled Project Apple 2 – final due diligence report, dated 17 August 2022, which was prepared in connection with the due diligence performed on the Oceana Australian Fixed Income Trust.**

## **The Report must not be provided to anyone else under any circumstances.**

Oceana Australian Fixed Income Trust has asked that we provide you with access to the Report in respect of the Transaction. This notice sets out the terms on which we are prepared to allow you access to the Report. In this letter, “you” refers to recipient of this notice and the Report attached to it.

If you do not agree to the terms of this notice you must not read the Report and must immediately return the Report to Oceana Australian Fixed Income Trust at:

Level 5, 1 York Street, Sydney, NSW 2000, Australia.

You acknowledge that you accept the terms set out in this document by accessing or reading the Report.

We are prepared to allow you access to the Report on the following terms:

### **1. Our work was performed and the Report was prepared:**

- a) for the Client on the Client’s instructions and from information provided by the Client; and,
- b) solely for the Client’s benefit.

### **2. The Report was prepared for the Client’s purposes of internal diligence on Oceana Australian Fixed Income Trust. You may have access to the Report for informational purposes only.**

### **3. You may not rely on the Report. In providing you with a copy of the Report, we do not accept any responsibility or owe a duty of care to you or anyone else in that regard.**

### **4. You are responsible for any decisions you make in connection with the management, conduct and operation of your business, interests and affairs as a result of your access to the Report.**

### **5. Our work and the Report does not address any matters arising after the date of the Report or the date detailed in the Report.**

### **6. The Report is confidential and must be treated as such by you.**

### **7. You may provide a copy of the Report to your Authorised Persons provided that you ensure that each Authorised Person:**

- a) treats the Report as confidential and does not disclose the Report to anyone else without our prior written consent;
- b) uses the Report only as expressly permitted by this agreement; and,
- c) understands and agrees that we have no duty of care to you or the Authorised Persons for the work we have performed or for the Report or anything in it.

### **8. You agree:**

- a) that you will not make any claim or demand or bring any actions or proceedings against us or our Representatives in connection with the Report or your access to it. You agree to release and forever discharge us and our Representatives from any such claims, demands, actions or proceedings; and,
- b) to the fullest extent permitted by law, you are solely responsible for all claims, demands, actions, proceedings, costs, expenses, loss, damage or liability (including for negligence) or any other proceedings made or brought against or incurred by us arising out of or in connection with your access to or use of the Report, or any breach by you of the terms of this letter, or in connection with the access to or use of the Report by anyone you have provided it to.

### **9. You acknowledge that damages may not be a sufficient remedy for any breach of this agreement and that we may be entitled to apply to a court for an order for specific performance or injunctive relief (as appropriate) as a remedy for any breach or threatened breach in addition to any other remedies available to us at law or in equity.**

### **10. Where one or more other Member Firms have helped us to prepare the Report, this agreement is given in favour of both Deloitte Financial Advisory Pty Ltd and such Member Firms. To the extent permitted by the law of any relevant jurisdiction, each such Member Firm is a third party-beneficiary of, and is entitled to enforce this agreement in its own right.**

### **11. In this agreement:**

- a) **Authorised Persons** means only those of your employees, officers, directors and advisors who are assisting you with the Transaction;
- b) **Client** means Oceana Australian Fixed Income Trust;
- c) **Consent** means prior written consent which may be granted at our discretion and subject to conditions;
- d) **Member Firm** means a partnership or an entity that is a member of Deloitte Touche Tohmatsu Limited and each of that partnership’s or entity’s controlled entities, successors, affiliates and assignees, who provided a portion of the services to the Client, as a subcontractor, in connection with the engagement;
- e) **Report** means the report prepared for the Client by Deloitte Financial Advisory Pty Ltd on the due diligence on the Oceana Australian Fixed Income Trust dated 17 August 2022;
- f) **Transaction** means the purchase of Notes issued by Oceana Australian Fixed Income Trust; and,
- g) **You and Your** means each recipient of this notice and the Report attached to it, and where applicable as the context requires, each Authorised Person.

### **12. This document forms a binding agreement between us which is governed by the laws of New South Wales and each party irrevocably submits to the jurisdiction of the courts exercising jurisdiction in that State.**

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|                                     |                               |
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## Important Notice

This report is strictly private and confidential to the Recipient Parties (as defined in the letter of engagement dated 1 February 2022 (the “Engagement Letter”)).

Save as expressly provided for in the Engagement Letter, the report must not be recited or referred to in any document, or copied or made available (in whole or in part) to any other party.

We accept no responsibility or liability for the contents of the report to any other party.

For your convenience, this report may have been made available to you in electronic and hard copy format. Multiple copies and versions of this report may, therefore, exist in different media. Only a final signed copy should be regarded as definitive.

David Lewis  
Oceana Australian Fixed Income Trust  
Level 5, 1 York Street  
Sydney, NSW 2000  
Australia

17 August 2022

Dear David

## Project Apple – Oceana Australia Fixed Income Trust

We enclose our final report (the “Final Report”) prepared in connection with the due diligence performed on the Oceana Australian Fixed Income Trust (“Oceana” or “OAFIT”)) under the Engagement Letter.

We draw your attention to Appendix 1 titled “Scope and Bases of Work” in which we refer to the scope of our work, sources of information and the limitations of the work undertaken.

The Scope of our work was limited to analysis of the operating environment, credit quality and credit operations of the OAFIT. Therefore, our work and the Final Report should not be considered an adequate substitute for a full scope investigation. We accept no responsibility for matters not covered by the Final Report or unidentified due to the limited nature of our enquiries.

Our work was completed on 17 August 2022 and we have not updated our work since that date.

**Deloitte Financial Advisory Pty Ltd**  
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This Final Report does not include any consideration of the likely on-going impact of Coronavirus (COVID-19) on sales, production, supply chain or any other aspect of the business, which may have an adverse impact on the future performance of Oceana. You should consider the increasingly broad effects on the financial condition on the OAFIT as a result of the negative impact on the domestic and global economies and major financial markets resulting from COVID-19.

We provided a draft of this Final Report dated 16 August 2022 to the management of the OAFIT (“Management”) for their confirmation of certain facts and matters, and Management provided the confirmation we requested.

Yours faithfully

**Kevin Chamberlain**  
Deloitte Financial Advisory Pty Ltd

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Project Apple 2 | Final due diligence report | 17 August 2022

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# Scope and Bases

## Summary of scope, access to management and information, and quality of data



### Scope

The scope of our work is set out in Appendix 2 of the Engagement Letter which is included in Appendix A1 to this Final Report (the “Due Diligence”).



### Access

During our Due Diligence, we had good access to Management through regular calls, email correspondence and Q&A sessions, as well as an initial Management presentation.



### Timetable

We started our work on 19 July 2022 and this Final Report presents the findings from our work until 17 August 2022.



### Information Sources

Information was obtained from a virtual data room, Q&A responses and discussions with Management.

|  |   |   |
|--|---|---|
| <b>Locations visited</b>               | <ul style="list-style-type: none"> <li>Kick off meeting: Level 5, 1 York Street, Sydney NSW 2000 Australia.</li> <li>Subsequent meetings: Discussions were held virtually and the diligence was performed remotely.</li> </ul>  |   |
| <b>Discussion and information from</b> | David Lewis   | Chief Executive Officer                     |
|  | Kevin Wong  | Chief Financial Officer                     |
|  | Gary Segal  | General Counsel and Chief Operating Officer |
| <b>Key documents</b>                   | <ul style="list-style-type: none"> <li>Oceana Information Memorandum</li> <li>Quarterly and Monthly Investment Reports</li> <li>OAFIT Series Notice</li> <li>Credit Operations Manual and Credit Policy</li> <li>Arrears Reports and Lending Application Analysis</li> <li>Trade Credit Insurances Policies</li> <li>Investor Analysis</li> <li>Portfolio Analysis</li> <li>COVID-19 Analysis</li> <li>Data Tapes (Transactions, Corporate Lending and Pharmacy)</li> </ul> |   |
| <b>Scope limitations</b>               | The Scope of our work was limited to analysis of the operating environment, credit quality and credit operations of the OAFIT.  |   |
| <b>Quality of information</b>          | The information provided by Management during the Due Diligence was of good quality.  |   |
| <b>Other matters</b>                   | All amounts are in Australian dollars unless otherwise stated.  |   |

# Executive Summary

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## Executive summary | Key metrics

The OAFIT is funded by three distinct tranches of fixed rate notes (A, B and C) and other subordinated funding which is invested in four key portfolio categories; invoice finance, supplier finance, secured lending and SME finance

### Receivables portfolio of

**\$737.6m** as at Jun-22

Compared to

**\$522.6m** as at Jun-21

### Top 4 industry concentration of

**62.85%** as at Jun-22

Compared to

**62.23%** as at Jun-21

### Portfolio risk profile

**100%** in good credit score range as at Jun-22 (per Equifax Australia scoring)

Compared to

**95.87%** as at Jun-21

### Arrears rate of

**1.87%** between Jul-21 and Jun-22

Compared to

**2.07%** between Jul-20 and Jun-21

### Total arrears of

**\$11.4m** as at Jun-22

Compared to

**\$11.3m** as at Jun-21

### Available loss reserve ratio of

**2.2** as at Jun-22

Compared to

**2.4** as at Jun-21

### Bad debt write-offs of

**\$1.7m** (1.72% of original principal advanced) for FY22

Compared to

**\$1.8m** (1.62%) for FY21

Note: Original principal advanced and write-offs refer to loans written over the Finstro platform only.

### Portfolio with payment amendments

**1.40%** at Jun-22<sup>1</sup>

Compared to

**1.26%** at Dec-21

Note 1: Includes all borrowers within the portfolio that have had any kind of payment amendment since inception on their facilities.

### Weighted average cost of capital (OAFIT) of

**10.17%** in FY22

Compared to

**10.89%** in FY21



# Executive summary | Financial Snapshot

In FY22 the OAFIT generated net cash inflows of \$25.3m to cover fund operating expenses, driven by net subscriptions into OAFIT of \$211.9m. Distributions to A Class noteholders totalled \$50.2m

| PROFIT & LOSS            |                     |                     |                     |
|--------------------------|---------------------|---------------------|---------------------|
| \$                       | FY21                | 1H22                | FY22                |
| Interest income          | 63,970,065          | 37,716,612          | 80,025,437          |
| <b>Expenses</b>          |                     |                     |                     |
| Interest expense         | (48,936,214)        | (30,386,553)        | (65,160,115)        |
| Fund related fees        | (1,900,587)         | (1,915,672)         | (9,005,433)         |
| Other operating expenses | (1,149,182)         | (711,181)           | (1,785,439)         |
| <b>Total expenses</b>    | <b>(51,985,983)</b> | <b>(33,013,405)</b> | <b>(75,950,986)</b> |
| <b>Net profit</b>        | <b>11,984,082</b>   | <b>4,703,207</b>    | <b>4,074,451</b>    |
| Net interest margin (%)  | 23.50%              | 19.43%              | 18.58%              |
| Net profit margin (%)    | 18.73%              | 12.47%              | 5.09%               |
| Total WACC (%)           | 10.89%              | 10.68%              | 10.17%              |

Source: 03.06 OAFIT Financial Reports, WACC - Dec21 and 07.04.07 Investor Maturity - Jun22

Note1: 1H22 & FY22 results obtained from unaudited P&L extract. Net profit excludes distribution to unitholders

Note2: Int.expense and fund related fees increased due to FUM growth, US capital raise referral fees and as a result of transition to a fee-based arrangement. Manager fees were previously included within unitholder's distribution.

| CASH FLOW                               |                     |                     |                      |
|---|---------------------|---------------------|----------------------|
| \$                                      | FY21                | 1H22                | FY22                 |
| <b>Operating activities</b>             |                     |                     |                      |
| Interest received                       | 63,387,873          | 35,726,519          | 77,659,819           |
| Interest & distributions paid           | (63,787,313)        | (39,709,555)        | (72,228,150)         |
| Payments to suppliers                   | (2,786,566)         | (2,483,297)         | (10,724,966)         |
| <b>Net operating flows</b>              | <b>(3,186,006)</b>  | <b>(6,466,333)</b>  | <b>(5,293,297)</b>   |
| <b>Investing activities<sup>2</sup></b> |                     |                     |                      |
| Subscriptions                           | (59,650,000)        | (82,300,000)        | (181,860,000)        |
| Redemptions                             | 10,350,000          | -                   | 500,000              |
| <b>Net investing flows</b>              | <b>(49,300,000)</b> | <b>(82,300,000)</b> | <b>(181,360,000)</b> |
| <b>Financing activities<sup>3</sup></b> |                     |                     |                      |
| Subscriptions                           | 287,326,140         | 131,346,826         | 375,435,300          |
| Redemptions                             | (219,349,068)       | (40,949,683)        | (163,507,745)        |
| <b>Net financing flows</b>              | <b>67,977,072</b>   | <b>90,397,143</b>   | <b>211,927,555</b>   |
| <b>Net movement in cash</b>             | <b>15,491,066</b>   | <b>1,630,810</b>    | <b>25,274,258</b>    |

Source: Unaudited Cash Flow extract for Dec-21 and Jun-22 and 03.06 OAFIT Financial Reports

Note 2: Investing activities relate to cash flows to / from the underlying FIRST & FAT Trusts.

Note 3: Financing activities relate to cash flows to / from investors in OAFIT.

| BALANCE SHEET             |                      |                      |                      |
|---------------------------|----------------------|----------------------|----------------------|
| \$                        | Jun-21               | Dec-21               | Jun-22               |
| Cash and cash equivalents | 47,027,435           | 48,658,245           | 72,301,692           |
| Receivables               | 5,757,406            | 7,647,499            | 8,123,024            |
| Financial assets          | 466,836,948          | 549,136,948          | 648,196,948          |
| <b>Total assets</b>       | <b>519,621,789</b>   | <b>605,442,692</b>   | <b>728,621,664</b>   |
| Loan notes                | (511,298,427)        | (601,695,569)        | (723,225,982)        |
| Payables                  | (8,339,782)          | (3,134,787)          | (5,412,102)          |
| <b>Total liabilities</b>  | <b>(519,638,209)</b> | <b>(604,830,356)</b> | <b>(728,638,084)</b> |
| <b>Net assets</b>         | <b>(16,420)</b>      | <b>612,336</b>       | <b>(16,420)</b>      |
| Total assets / loan notes | 101.63%              | 100.62%              | 100.75%              |

Source: Unaudited BS extract for Dec-21 and Jun-22 and 03.06 OAFIT Financial Reports

Note1: The taxable income of the fund was higher than its accounting profit in 2016 and 2017 due to non-deductible expenses. As a result, the fund had to distribute more than its accounting profit, resulting in a net liability. As a unit trust the fund must distribute all its taxable income.

| PORTFOLIO & FUNDING RECONCILIATION         |                      |                      |                      |
|--|----------------------|----------------------|----------------------|
| \$   | Jun-21               | Dec-21               | Jun-22               |
| <b>Portfolio assets</b>                    |                      |                      |                      |
| Portfolio per Summary                      | 522,635,950          | 614,304,436          | 737,596,064          |
| Portfolio per Investor reports             | 522,635,950          | 614,304,436          | 737,596,064          |
| <b>Trust assets</b>                        |                      |                      |                      |
| Total assets per B/S                       | 519,621,789          | 605,442,692          | 728,621,664          |
| Fund per Investor Reports                  | 519,621,789          | 605,442,692          | 728,621,664          |
| <b>Fund assets per IR</b>                  |                      |                      |                      |
| Loan notes per B/S                         | (511,298,427)        | (601,695,569)        | (723,225,982)        |
| Total loan notes per IR                    | (511,298,426)        | (601,695,569)        | (723,225,982)        |
| A, B and C Class Notes                     | (511,298,426)        | (601,695,569)        | (723,225,982)        |
| Other funding & accrued int <sup>2</sup>   | (6,430,000)          | (6,430,000)          | (6,430,000)          |
| <b>Total funding structure<sup>3</sup></b> | <b>(517,728,426)</b> | <b>(608,125,569)</b> | <b>(729,655,982)</b> |

Source: Unaudited accounts for Dec-21 and Jun-22; 03.06 OAFIT Financial Reports; OAFIT Monthly Reports

Note 2: Other subordinated funding balances are held within the FIRST Trust.

Note 3 The difference between the loan portfolio balance and OAFIT assets relates to accrued interest in FIRST and FAT.





## Executive summary | Key findings

The receivables portfolio was \$737.6m as at Jun-22 and has grown at a compounded monthly growth rate of 1.51% since Jun-19. Based on the Equifax Australia credit score range the portfolio has a weighted average probable loss of 1.00% (\$6.5m) as at Jun-22

| Diligence area  | Observations   | Implications  |
|---|--|---|
| <b>Receivables portfolio credit risk and sector concentration profile</b> | <ul style="list-style-type: none"> <li>The balance of the receivables portfolio as at Jun-22 was \$737.6m and has grown at a compounded monthly growth rate of 1.51% since Jun-19, driven by supplier finance, invoice finance and SME lending products.</li> <li>The top 4 industry sectors, by total client loan amount outstanding, account for 62.85% of the underlying portfolio assets as at Jun-22.</li> <li>100% portfolio has an industry credit score between 622-725 (Good) by Equifax Australia at Jun-22. At Dec-21, 78.93% of the portfolio was classified as good and 15.75% was classified as very good.</li> <li>The sector credit scores reflect the average of the individual company receivables within the OAFIT portfolio, for each sector.</li> </ul> | <ul style="list-style-type: none"> <li>The portfolio has significant sector concentration exposures to the Media &amp; Telecommunications (16.53%) sectors, Financial and Insurance Services (16.35%), Wholesale Trade (15.96%), and Technology, Agriculture, Forestry and Fishing (14.01%).</li> <li>Refer to Portfolio analysis section for more information.</li> <li>Based on the Equifax credit risk score for each industry, 100% of the portfolio is classified as having good credit quality.</li> <li>Refer to Appendix 4 for a breakdown of the Equifax Australia credit score ranges.</li> </ul> |
| <b>Arrears and loss reserve balances</b>                                  | <ul style="list-style-type: none"> <li>The average arrears balance (defined as accounts 30 days past due or greater) for the 12 month period ended Jun-22 was \$11.8m and the average arrears rate was 1.87%.</li> <li>The SME lending product has the highest level of arrears across the receivables portfolio at \$1.9m (10.78%). SME lending typically involves the execution of a General Security Agreement in support of the loan.</li> <li>The Series Notice stipulates that the Trustee must maintain a loss reserve equal to at least two times the probable loss.</li> </ul>  | <ul style="list-style-type: none"> <li>The loss reserve as at Jun-22 (\$14.4m) covers 1.95% of the total portfolio and the loss reserve portfolio coverage ratio was 2.2, relative to the probable loss.</li> <li>The loss reserve portfolio coverage ratio over the historical period was always in excess of 2.</li> <li>Refer to the arrears analysis for more information.</li> </ul>   |



## Executive summary | Key findings

The scope of the Due Diligence we conducted was limited. We have only reported to you on those findings which we consider will be significant to you based on our professional judgement

| Diligence area  | Observations   | Implications  |
|---|--|---|
| <b>COVID-19 Support packages</b>  | <ul style="list-style-type: none"> <li>There have been two COVID-19 support packages provided to clients, COVID-19 v1 and COVID-19 v2.</li> <li>COVID-19 v1 loans have predominantly been repaid, refinanced or written off, and the balance as at Jun-22 was \$1.8m. The loans in the package commenced from Mar-20 onwards. COVID-19 v2 loans were issued from Jul-21 onwards.</li> <li>Total balance of loans which have received payment amendment support is \$10.3m, with \$1.0m deferred payments in the period to Jun-22. There are 342 clients who have received support via payment amendment/re-profiling. These amounts include COVID-19 v1 and v2 support packages and other forms of repayment relief.</li> </ul>  | <ul style="list-style-type: none"> <li>As at Jun-22, 1.40% of the receivables portfolio was receiving support, compared to 1.26% as at Dec-21.</li> </ul>   |
| <b>Noteholders have security over underlying assets of OAFIT, FIRST and FAT</b> | <ul style="list-style-type: none"> <li>Per section 5.1, para (a), of the General Security Deed, the trustee (BNY Trust Company of Australia) grants a security interest in the secured property (all rights and interest in the FIRST and FAT notes) to the Security Trustee (Permanent Custodians Limited, a BNY Mellon controlled company) to secure payment of all secured creditors of the trustee (Noteholders, FC Funds Management, BNY Trust Company of Australia).</li> <li>OAFIT noteholders via the trustee have security over the underlying assets of the Fixed Income Receivables Securities Trust ("FIRST") and the Finstro Asset Trust ("FAT") via a General Security Deed.</li> <li>OAFIT noteholders have security over the underlying assets in OAFIT (secured A Class notes in FIRST and FAT) via a Security Trust Deed.</li> <li>Per section 3.2, para (a), of the Security Trust Deed, the security trust fund is held for the benefit of the secured creditors (Noteholders, Oceana Management, Permanent Custodians Limited and BNY Trust Company of Australia).</li> </ul> | <ul style="list-style-type: none"> <li>Noteholders have security over the underlying receivables portfolio via a General Security Deed over FIRST and FAT assets, and a Security Trust Deed over OAFIT assets.</li> </ul> |



## Executive summary | Key findings

All six key covenants listed in the Series Notice were met over the historical period

| Diligence area  | Observations   | Implications  |
|---|--|---|
| <b>Capital protection mechanisms in the Series Notice</b> | <ul style="list-style-type: none"> <li>Per section 5.1 of the OAFIT Series Notice, A Class noteholders rank higher than B Class noteholders, C Class noteholders and unitholders in the cash flow payment waterfall. As a result, they are allocated a higher order of priority for trust distributions.</li> <li>The Series Notice stipulates capital preservation requirements including: <ul style="list-style-type: none"> <li>A) Insurance coverage over assets backing Class A Notes;</li> <li>B) Structural subordination of Class B and Class C Notes relative to Class A Notes;</li> <li>C) The application of payment waterfall provisions; and,</li> <li>D) Maintenance of a loss reserve equivalent to x2 the expected loss.</li> <li>E) Outstanding A class notes less than performing assets of the trust.</li> <li>F) Value of assets in arrears less than 15% of the value of assets of the trust.</li> </ul> </li> <li>All six covenants listed above were met during the historical period.</li> </ul> | <ul style="list-style-type: none"> <li>The combined maximum payout under the in-force insurance policies was increased from \$100m to \$150m (Allianz \$50m, QBE \$100m).</li> <li>Refer to pages 59-60 for more information on insurance policies.</li> <li>All eligible invoice and supplier finance receivables are covered by insurance. The balance of insured receivables and cash has been greater than the outstanding balance of Class A Notes for the duration of the Historical Period (Refer to the Portfolio analysis section – insurance for more information).</li> <li>OAFIT was in compliance with structural subordination and loss reserve covenant requirements over the Historical Period to 30 June 2022.</li> <li>Refer to the Funding analysis section for more information.</li> </ul> |



## Executive summary | Key findings

The key operating change to OAFIT is the change in manager from FC Funds Management to Oceana Management, authorised representative of Oceana Licensee Pty Ltd

| Diligence area   | Observations  | Implications  |
|--|---|---|
| <b>Change in Manager for OAFIT retirement of the promoter and amendment to payment waterfall in FY22</b> | <ul style="list-style-type: none"> <li>Oceana Management replaced FC Funds Management in FY22 as the appointed manager of OAFIT under a Deed of Retirement and Appointment of Trust Manager.</li> <li>Consent was obtained from a number of institutional investors (per their side letter agreements) before this change was implemented and remaining noteholders were notified.</li> <li>Oceana Management Pty Ltd operates as an authorised representative under the AFSL of Oceana Licensee Pty Ltd which received its AFSL licensee on 22<sup>nd</sup> April 2022.</li> <li>By a Deed of Retirement of Promoter and Amendment dated Feb-22, Oceana Investments (Australia) Pty Ltd retired as promoter of the Trust. Promotion and management of OAFIT is performed by the new Manager, Oceana Management Pty Ltd.</li> <li>Series Notice 2022, amended the payment waterfall to subordinate Manager fees to the bottom of the Payment Waterfall to the rights of B and C series noteholders to receive interest and principal/redemption amounts.</li> </ul> | <ul style="list-style-type: none"> <li>There has been no change in the underlying personnel performing the role of manager of OAFIT.</li> <li>Management fees were historically mapped as unitholder distributions to the previous manager, FC Funds Management (below the line). These costs are now recognised above the line as management fees to the new manager Oceana Management Pty Ltd.</li> <li>Priority of Manager fees and expenses in the payment waterfall was amended to ensure alignment with all Noteholders over the course of the year.</li> </ul> |

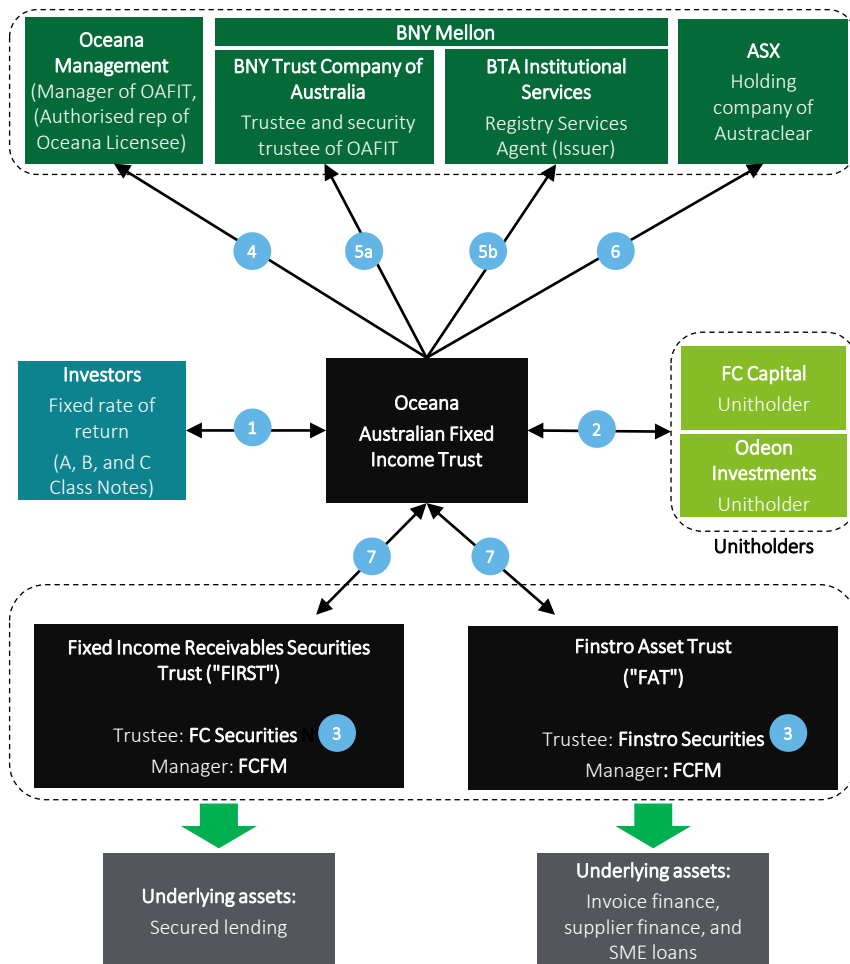


# OAFIT overview

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# OAFIT overview | Operating environment

Investors gain exposure to credit assets via the OAFIT, which invests in senior secured notes issued by the Finstro Asset Trust and the Fixed Income Receivables Securities Trust



## Funding

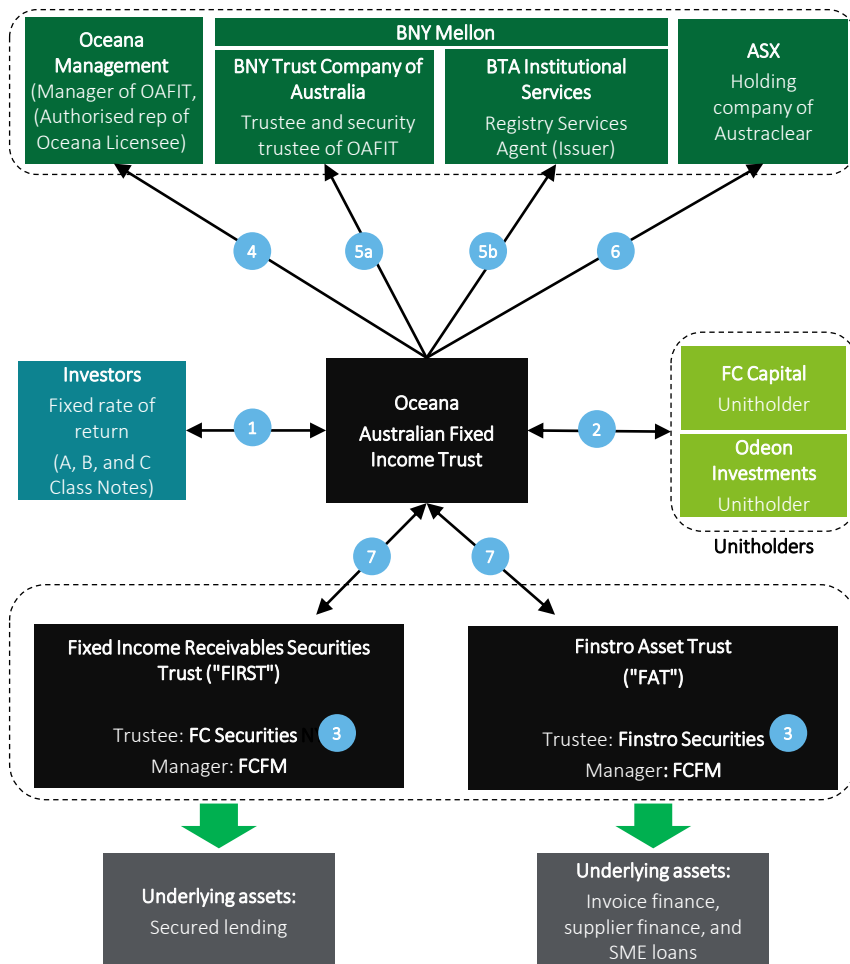
- 1 Institutional and sophisticated investors apply for a subscription in the fixed rate notes issued by the OAFIT. The maturity and weighted average cost as at Jun-22 for each Note Class are listed below in order of seniority:
  - A Class Notes: 2.0 year avg. maturity & 10.02% WACC
  - B Class Notes: 1.7 year avg. maturity & 10.36% WACC
  - C Class Notes: 2.0 year avg. maturity & 11.60% WACC
- 2 Investors can withdraw funds prior to maturity with 60 days notice subject to approval from the Manager and Trustee. There is no obligation to redeem funds early and the Manager and Trustee have a duty to act in the best interests of all noteholders. Maturity dates range from 1-5 years across all classes of Notes. As at Jun-22, the OAFIT maintains 12.00% of the portfolio in cash.
- 2 FC Capital and Odeon Investments are unitholders of OAFIT owned by executive management, board of directors and minority shareholders. They each hold a Residual Capital Unit and a Residual Income Unit, entitlements of which are subordinated to paying out all other classes of Noteholders (A, B, and C).
- A Class noteholders are afforded capital protection in the form of structural subordination of B Class and C Class notes, maintenance of a loss reserve (x2 expected loss) and insurance cover.

## Trust management services

- 3 FC Securities is the Trustee for the Fixed Income Receivables Securities Trust (FIRST), and Finstro Securities is the trustee for Finstro Asset Trust (FAT). FC Securities was previously the Trustee for OAFIT, however, has now been replaced as trustee by an independent BNY Mellon entity. This is to ensure further independence and reduce any perception of a conflict of interest due to the dual trustee role for FIRST and the OAFIT.

# OAFIT overview | Operating environment

Investors gain exposure to credit assets via the OAFIT, which invests in senior secured notes issued by the Finstro Asset Trust and the Fixed Income Receivables Securities Trust

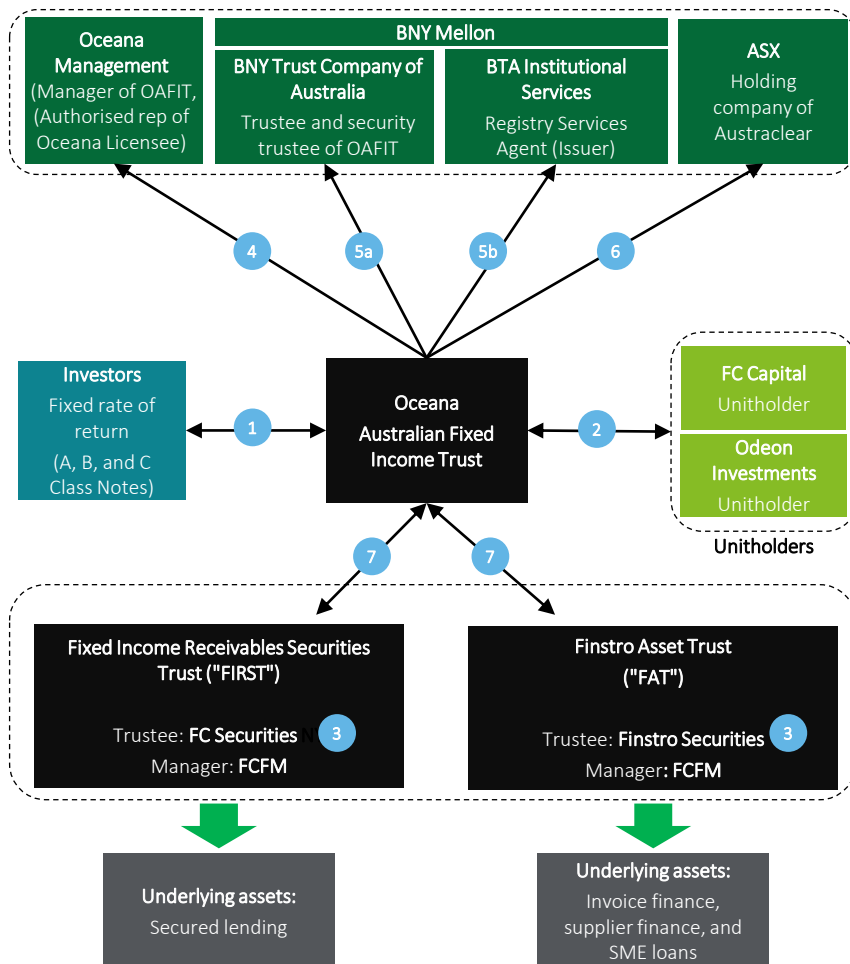


## Trust management services (continued)

- 4 Oceana Management Pty Ltd is the appointed Manager of the OAFIT replacing FC Funds Management in Dec-21. Based on details provided in Oceana Licensee - Australian Financial Services License and 2022.05.17 Authorised representative appointment, Oceana Licensee Pty Ltd received its AFSL licensee on 22<sup>nd</sup> April 2022 and appointed Oceana Management as its authorised representative on 17<sup>th</sup> May 2022.
- Oceana Management Pty Ltd is the manager of OAFIT and authorised representative of Oceana Licensee Pty Ltd as the AFSL holder, with responsibility for originating investments, monitoring performance, implementing the risk management framework, and other duties.
- Oceana Management Pty Ltd is entitled to 2.00% p.a fee calculated based on the average-month end Trust Assets. The management fee is calculated and paid on a monthly basis. Per Section 5 of Series Notice 2022.
- 5a **Trustee:** BNY Trust Company of Australia is the independent trustee holding OAFIT's assets (secured A Class notes in FIRST and FAT). This introduces further independence into the Trust's structure. Previously FC Securities was trustee of OAFIT and FIRST, resulting in a potential perceived conflict of interest.
- OAFIT noteholders have security over the underlying assets in OAFIT via a Security Trust Deed;
- Trustee fees and expenses are paid from the Trust's assets, which amount to 25bps of the year end OAFIT assets (min. A\$60K per annum fee).
- **Security Trustee:** Permanent Custodians Limited, a BNY Mellon controlled company is the security trustee.
- BNY Mellon was previously the custodian of the OAFIT, however, upon appointment of an independent trustee and security trustee structure, the custodian role has been retired.

## OAFIT overview | Operating environment

Investors gain exposure to credit assets via the OAFIT, which invests in senior secured notes issued by the Finstro Asset Trust and the Fixed Income Receivables Securities Trust



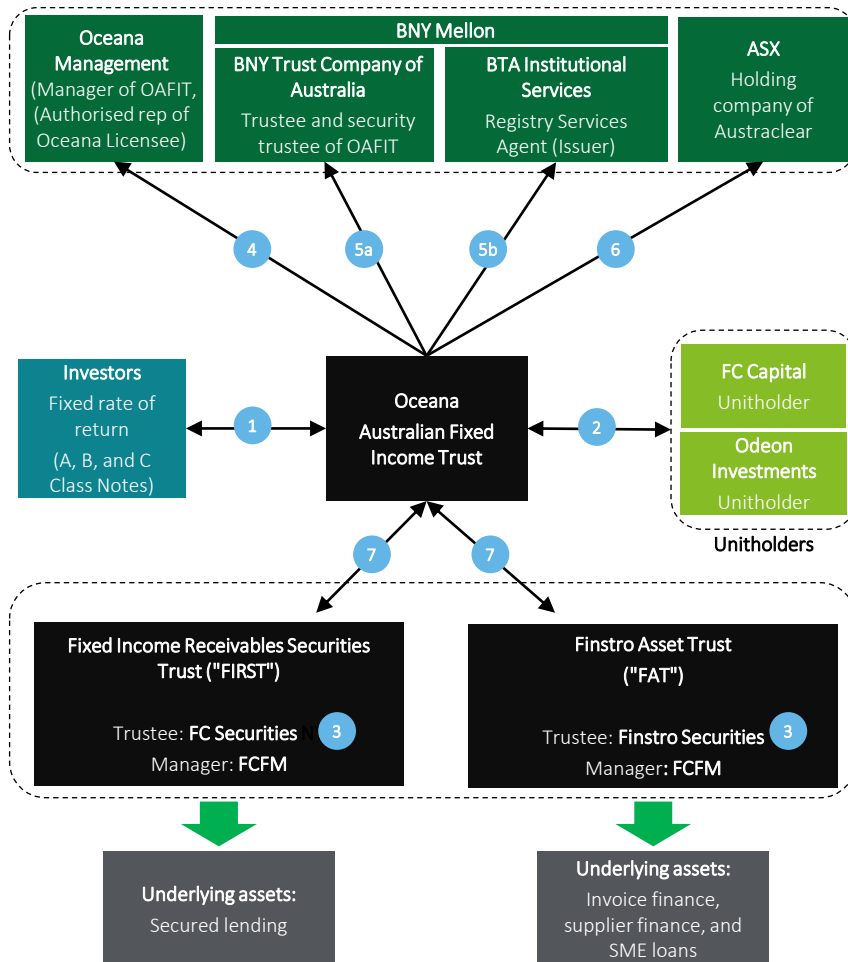
### Trust management services (continued)

- OAFIT has security over the underlying assets of FIRST and FAT (invoice finance receivables, supplier finance receivables, SME loans and secured lending) via a General Security Deed which is assigned to the security trustee.
- The Security Trustee holds the underlying assets directly on behalf of secured noteholders (OAFIT). Assets are held directly for the benefit of noteholders.
- Security Trustee services fee of \$10k per quarter, to cover BNY Mellon's compliance with all Security Trustee obligations. There was a one-off fee of \$7.5k involved in establishing the Security Trustee arrangement.
- 5b Registry Services Agent: OAFIT has retained BTA Institutional Services (a BNYM company) as Registry Services Agent for the listed Note program.
- The Issuing Agent fee amounts to \$5k per annum, per tranche and the Paying Agent Fee also amounts to \$5k per annum, per tranche, which reduces to \$3k if zero-coupon notes are issued.
- In addition to this, a one-off fee of \$2k applies for fungible issuances.
- 6 Executed confirmations of assets held on trust by BNY Mellon for the months of Sep-20, Jan-21 to Dec-21 and Jun-22 have been provided.
- The ASX operates the Austraclear platform, through which the Agent issues securities and facilitates the calculation and payment of fund flows.



# OAFIT overview | Operating environment

Investors gain exposure to credit assets via the OAFIT, which invests in senior secured notes issued by the Finstro Asset Trust and the Fixed Income Receivables Securities Trust

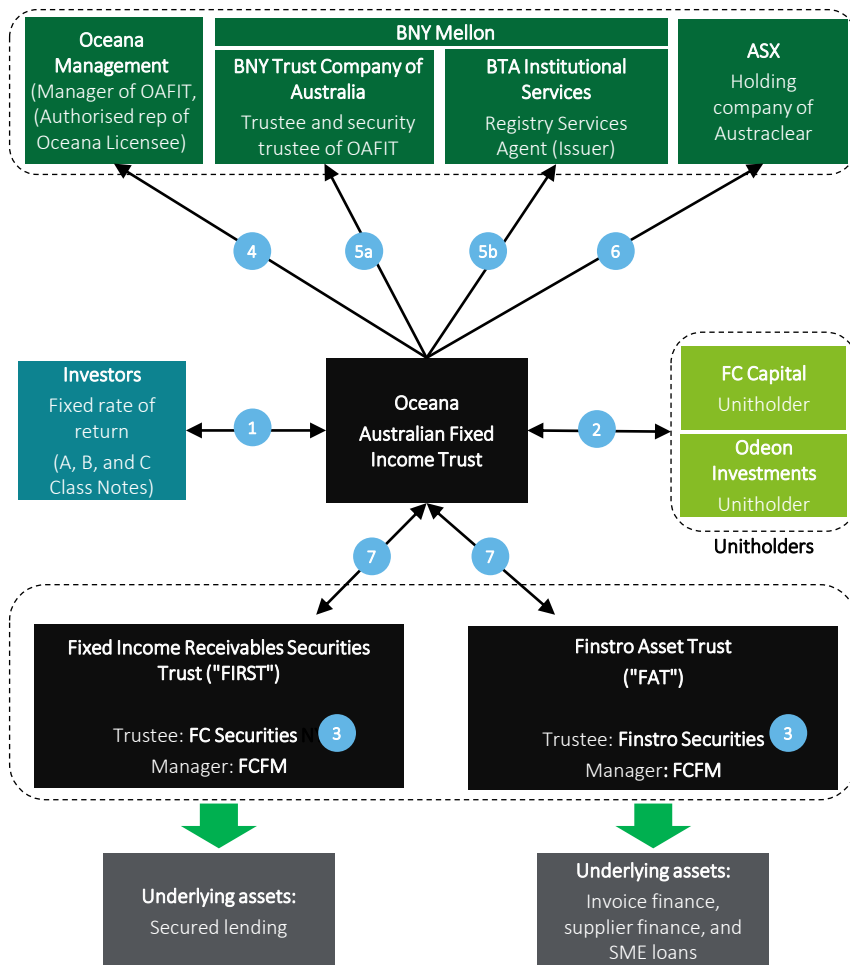


## Portfolio investment

- 7 OAFIT invests in credit assets funded via senior secured A Class notes issued by FIRST and FAT. FIRST and FAT A Class notes have a weighted average cost of capital over the historical period of 13.08% and 10.00% respectively.
- FAT is controlled and managed by Finstro Securities Pty Ltd (Trustee of FAT) and FC Funds Management (Asset Manager). FAT invests in invoice finance, supplier finance, and SME loan products.
- FIRST is controlled and managed by FC Securities Pty Ltd (Trustee of FIRST) and FC Funds Management Pty Ltd (Asset Manager). FIRST invests in secured lending products.
- Per section 5.1 of the OAFIT Series Notice, A Class noteholders rank higher than B Class noteholders, C Class noteholders and unitholders in the cash flow payment waterfall. As a result, they are allocated a higher order of priority for trust distributions.
- OAFIT has security over the underlying assets of FIRST and FAT via a General Security Deed.
- Per section 5.1, para (a), of the General Security Deed, the trustee (BNY Trust Company of Australia) grants a security interest in the secured property (all rights and interest in the FIRST and FAT notes) to the Security Trustee (Permanent Custodians Limited, a BNY Mellon controlled company) to secure payment of all secured creditors of the trustee (Noteholders, Oceana Management, Permanent Custodians Limited and BNY Trust Company of Australia).
- Per section 5.1, para (b) and para (c), of the General Security Deed, the security interest is a floating charge over revolving assets and a fixed charge over all other secured property.

## OAFIT overview | Operating environment

Investors gain exposure to credit assets via the OAFIT, which invests in senior secured notes issued by the Finstro Asset Trust and the Fixed Income Receivables Securities Trust



### Portfolio investment (continued)

- 7 OAFIT noteholders have security over the underlying assets in OAFIT (secured A Class notes in FIRST and FAT) via a Security Trust Deed.
- Per section 3.2, para (a), of the Security Trust Deed, the security trust fund is held for the benefit of the secured creditors (Noteholders, Oceana Management, Permanent Custodians Limited and BNY Trust Company of Australia).
  - B Class notes in FIRST have a weighted average costs of capital of 13.50% and are held by related parties of OAFIT.
  - B Class notes in FAT have a weighted average costs of capital of 12.00% and are held by the Finstro shareholder base.

# OAFIT overview | FAT and FIRST Operating environment

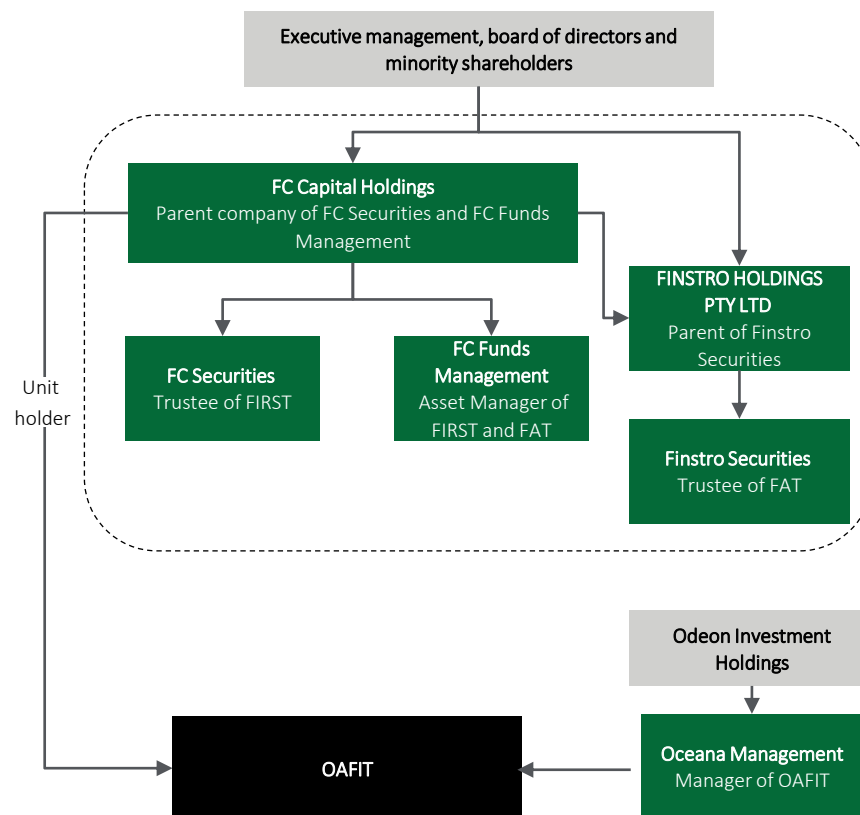
Oceana Management Pty Ltd is the Manager of OAFIT and FC Funds Management is the asset manager of FIRST and FAT

## Governance structure of FIRST and FAT

- FC Capital Holdings is the parent company of FC Securities (Trustee of FIRST) and FCFM (Manager)
- FCFM is the Asset Manager of FAT/FIRST, a related party to FC Securities and the Unitholder (FC Capital).
- Sourcing of investments and their subsequent performance is directly tied to the due diligence undertaken by FCFM.
- FCFM also implement the risk management framework and monitor all compliance related to the activities of FIRST and FAT.

## Audit status

- Logicca Assurance Pty Limited (FCFM's Auditor) signed off on FCFM's (the Managers) FY21 financial statements with no adverse opinion and no Emphasis of Matter. In addition, we have searched ASIC register and noted no open Australian Financial Services Licence ("AFSL") breaches or legal proceedings.
- The AFSL also stipulates the lodgement of the audit opinion for FCFM with the regulator ASIC each financial year alongside a set of audited financial statements and any note disclosures.
- The OAFIT issues special purpose financial statements which are audited by Deloitte. Special purpose financial statements are common for securitisation programs.
- An Emphasis of Matter has been included in the OAFIT's audit report since FY16, clarifying that the audit report is intended solely for the unitholders of OAFIT. This is standard for financial reports prepared in accordance with a special purpose framework.





# OAFIT overview | OAFIT fund manager summary

Oceana Management is a corporate authorised representative of Oceana Licensee and prepares a quarterly compliance checklist to ensure its ongoing compliance with financial service laws

## Australian Financial Services Licence - Oceana Licensee Pty Ltd

- As per the AFSL issued to Oceana Licensee Pty Ltd, the licensee can service wholesale clients only to:
- 1. Provide general financial product advice for the following products:
  - (a) Basic and other than basic deposit and payment products;
  - (b) Interests in managed investment schemes excl. Investor directed portfolio services; and
  - (c) Securities.
- 2. Deal in financial products (through way of arranging for another person, or itself dealing in financial products) for the following products:
  - (d) Derivatives;
  - (e) General insurance products; and,

And (a), (b), and (c) as above.
- 3. Provide custodial or depository services:
- Oceana Licensee has one key person listed in the AFSL. The AFSL requires Oceana Licensee to have a key person listed at all times who have the necessary skills, experience, and qualifications to carry out the core activities listed.
- Base level financial requirements in the AFS license include
  - Oceana Licensee paying all debts when they become due & payable;
  - Having total and adjusted assets exceeding total and adjusted liabilities at balance sheet lodgement date.
- Financial requirements to transact with clients include having adjusted surplus liquid funds ("ASLF") (up to a max. ASLF of A\$100m) of:
  - A\$50K;
  - Plus, 5% of adjusted liabilities between A\$1m and A\$100m;
  - Plus, 0.5% of adjusted liabilities for any amount exceeding A\$100m; and,
  - Up to maximum ASLF of \$100m.

## Checklist of general compliance and Compliance Manual - Oceana Licensee Pty Ltd

- The Compliance Manual covers organisation structure, role, seniority and capabilities of compliance management personnel, Frequency, extent and nature of reviews for compliance measures and staff compliance, compliance reporting, breach resolution, monitoring, ongoing compliance, reviews, conflict management, dealing with non compliance, conflicts of interest, determining suitability, engagement of external service providers and other relevant matters.
- The checklist of general compliance covers systems assessment, review of licence conditions, solvency and projected cash flows, membership of appropriate industry associations for responsible managers, consistency of services provided with licence, internal audit, compliance monitoring, and other mandatory activities for the compliance officer and chief financial officer.

## Oceana Management Pty Ltd – Corporate Authorised Representative

- Oceana Licensee received its AFSL on 22 April 2022 and appointed Oceana Management as it's corporate authorised representative on 17 May 2022. As Oceana Licensee Pty Ltd was only established in FY22 it's first year of audit will be for the FY22 period (currently underway).
- In accordance with s912A(1) of the Corporations Act and in line with RG 104.67 - 104.72, an AFSL licensee has an obligation to ensure that its Authorised Representatives are compliant with financial services laws. The authorised representative quarterly compliance checklist covers complaints and adverse publicity, evidence all new investors are sophisticated or wholesale investors, compliance with all representations made in IM, compliance with AML obligations and AML program, compliance with FATCA requirements, changes to any material service providers, senior management or board composition, marketing material and investor communications, financial services training, regulatory correspondence, reporting of breaches, risk management systems, technology, staff, records management, operational processes, availability of financial resources, compliance with terms of appointment, management of assets in accordance with trust deed and confidentiality.
- Oceana Management is responsible for providing monthly transaction statements, Note Holding Statements, and annual financial statements for the OAFIT, distribution & tax statements, and quarterly letters on performance.



# OAFIT overview | FIRST and FAT fund manager summary

FC Funds Management maintains an AFSL for its activities and undertakes quarterly compliance checks to ensure compliance with AFSL conditions

## Australian Financial Services Licence – FC Funds Management

- As per the AFSL issued to FCFM, the licensee can service wholesale clients only to:

  1. Provide general financial product advice for the following products:
    - (a) Basic and other than basic deposit and payment products;
    - (b) Debentures, stocks or bonds issued by governments;
    - (c) Interests in managed investment schemes excl. Investor directed portfolio services; and,
    - (d) Securities.
  2. Deal in financial products (through way of arranging for another person, or itself dealing in financial products) for the following products:
    - (e) Derivatives;
    - (f) Foreign exchange contracts;
    - (g) General insurance products; and,

And (a), (b), (c), and (d) as above.
  3. Provide custodial or depository services:

  - FCFM has two key people listed in the AFSL. The AFSL requires FCFM to have two key people listed at all times who have the necessary skills, experience, and qualifications to carry out the core activities listed.
  - Base level financial requirements in the AFS license include
    - FCFM paying all debts when they become due & payable; and,
    - Having total and adjusted assets exceeding total and adjusted liabilities at balance sheet lodgement date.
  - Financial requirements to transact with clients include having adjusted surplus liquid funds ("ASLF") (up to a max. ASLF of A\$100m) of:
    - A\$50K;
    - Plus, 5% of adjusted liabilities between A\$1m and A\$100m; and,
    - Plus, 0.5% of adjusted liabilities for any amount exceeding A\$100m.

## Compliance checklist – FC Funds Management

- FCFM maintains a continuous approach to monitoring compliance through their compliance committee meetings. The records of which contains the following (not limited to):
  - Board meeting minutes
  - Breaches register
  - Complaints register
  - Conflicts of interest register
  - Training register
  - Material contracts and arrangements register
  - Quarterly business updates
  - Matters to be reported to the board or ASIC
- In addition to this, FCFM carries out a quarterly compliance check against relevant Corporations Act obligations (11 in total listed in its committee papers) such as:
  - Ensuring financial services provided fairly
  - Arrangements in place to manage conflicts
  - Compliance with financial service laws
  - Dispute resolution mechanisms in place
  - Risk management systems in place
- And quarterly compliance check against 18 AFSL compliance requirements, which include (but not limited to):
  - Key person requirements
  - Base level financial requirements (satisfied through cash flow projections)
  - Monitoring ASLF
- FCFM also lodges a Quarterly Business Activity update for itself and also the OAFIT, through which they provide the regulator with an update on market activity, fund activity, money raised, covenant compliance, reporting etc.



# Funding analysis

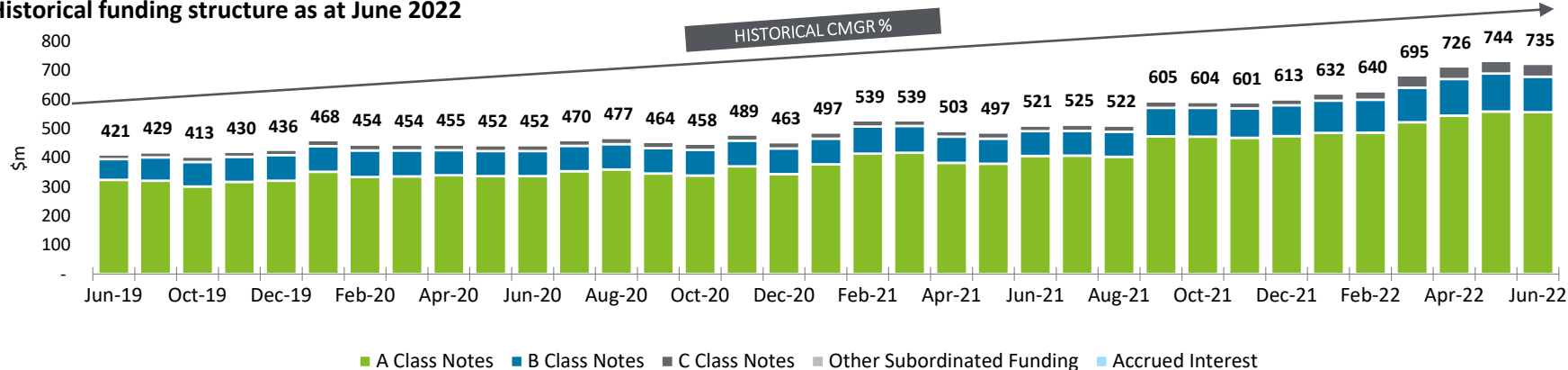
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# Funding analysis | Composition

OAFIT is funded by three distinct tranches of fixed rate notes and other subordinated funding

## Historical funding structure as at June 2022

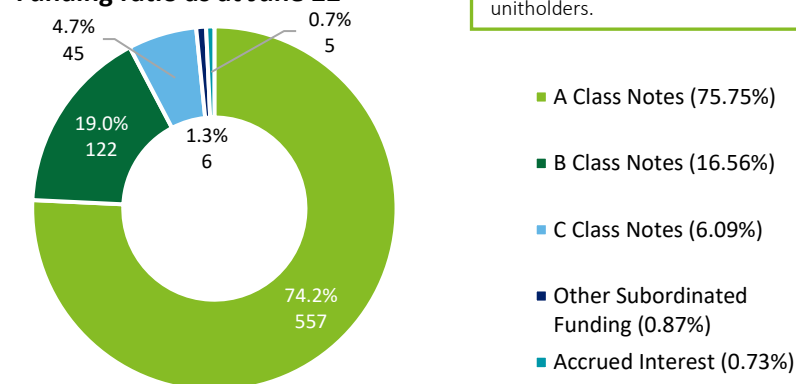


Source: 07.01.22 Portfolio Summary

## Funding analysis

- The minimum investment is \$500k if the investor meets the definition of a Wholesale or Sophisticated Investor under Section 761G of the Corporations Act.
- Refer to the following page for an overview of key covenants and historical compliance.
- Refer to page 27-29 for a summary of the application of the payment waterfall and ranking of interests in the OAFIT.
- Refer to page 30 for funding concentration analysis by investor.
- Refer to page 31 for a summary of investor transactions by applications and redemptions and by Note type.

## Funding ratio as at June 22



Source: 07.01.22 Portfolio Summary



# Funding analysis | Covenants

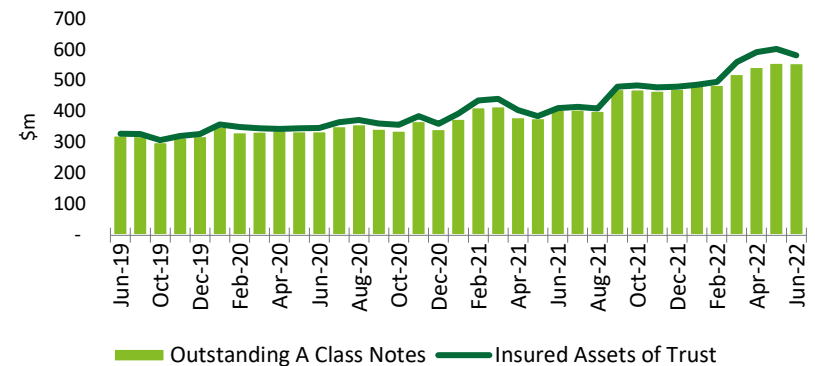
OAFIT was in compliance with insurance coverage and subordinated B and C Class covenant requirements over the historical period

## Series Notice key covenants

Key covenants affording protection to Noteholders include:

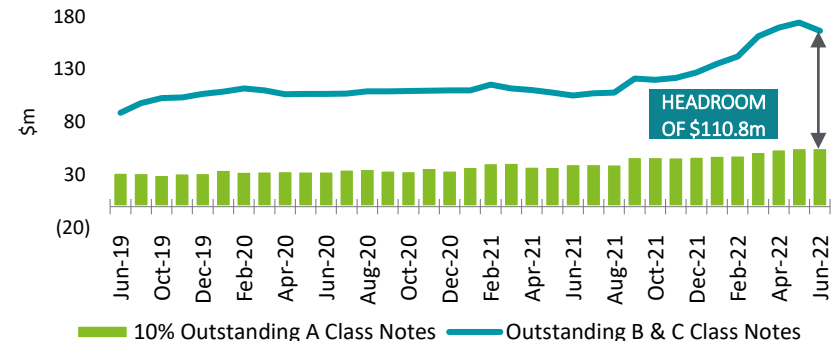
- a) **Per the Series Notice, para 3.1(a), insured assets of the OAFIT must be greater than or equal to the outstanding balance of A Class Notes.**
  - Insured assets of OAFIT are calculated as Supplier and Invoice Financing receivables covered by in-force insurance policies and cash balances held with Authorised Deposit Taking Institutions.
  - As at Jun-22, outstanding A Class notes were \$556.7m and insured assets were \$581.4m (104.44%).
  - Based on information provided the OAFIT was in compliance with this covenant at all times throughout the Historical Period, refer to chart opposite, Key covenant a).
  - The combined maximum payout under the in-force insurance policies is \$150m (Allianz \$100m, QBE \$50m). Refer to page 58 for more information on insurance policies.
  - Refer to the Portfolio analysis - insurance section for more information.
- b) **Per the Series Notice, para 11.2(a), the balance of subordinated B Class and C Class Notes must be greater than or equal to 10% of the outstanding balance of A Class Notes.**
  - This provides investors in A Class notes a buffer to losses, as cashflow shortfalls are borne by C Class and then B Class noteholders before impacting the A Class.
  - As at Jun-22 the balance of 10% of outstanding A Class Notes was \$55.7m and outstanding B Class and C Class Notes were \$166.5m. This represents a surplus of \$110.8m of B Class and C Class Notes over the balance of 10% of outstanding A Class Notes.
  - Based on information provided OAFIT was in compliance with this covenant at all times throughout the Historical Period, refer to chart opposite, Key covenant b).

## Key covenant a) - Insured assets (Jun-19 to Jun-22)



Source: 07.01.22 Portfolio Summary

## Key covenant b) - Subordinated B & C Class Notes (Jun-19 to Jun-22)



Source: 07.01.22 Portfolio Summary





# Funding analysis | Covenants

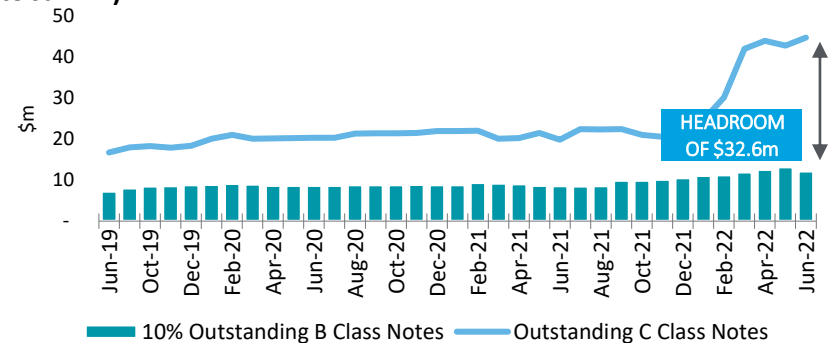
OAFIT was in compliance with available loss reserve and subordinated C class covenant requirements over the historical period

## Series Notice key covenants (continued)

Key covenants affording protection to Noteholders include:

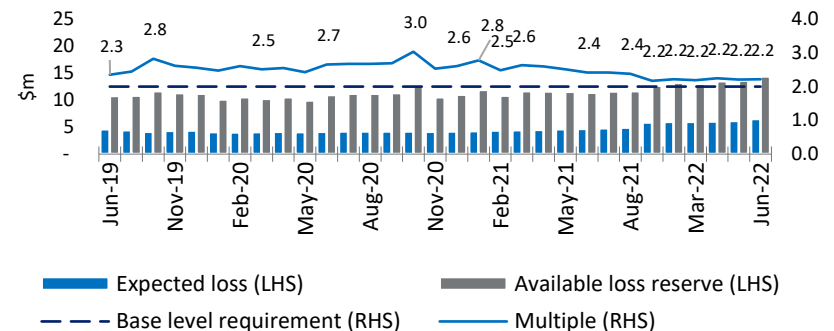
- c) **Per the Series Notice, para 11.2(a), the balance of subordinated C Class Notes must be greater than or equal to 10% of the outstanding balance of B Class Notes.**
  - As at Jun-22 the balance of 10% of outstanding B Class Notes was \$12.2m and outstanding C Class Notes totalled \$44.8m. This represents a surplus of \$32.6m outstanding C Class Notes over the balance of 10% of outstanding B Class Notes.
  - Based on information provided OAFIT was in compliance with this covenant at all times throughout the Historical Period, refer to chart opposite, Key covenant c).
- d) **Per the Series Notice, para 3.1(a), A Class Notes have first access to a loss reserve maintained by the Trustee which must be equal to at least two times the probable loss.**
  - The available loss reserve is calculated as the difference between the book value of assets and outstanding Note liabilities.
  - As at Jun-22 the expected loss was \$6.5m, the available loss reserve was \$14.4m, representing a loss reserve multiple of 2.2 and a buffer of \$7.9m.
  - Based on information provided OAFIT was in compliance with this covenant at all times throughout the Historical Period, refer to chart opposite, Key covenant d).

## Key covenant c) - Subordinated C Class Notes (Jun-19 to Jun-22)



Source: 07.01.22 Portfolio Summary

## Key covenant d) - Available loss reserve (Jun-19 to Jun-22)



Source: 07.04 Loss Reserve\_OAFIT\_Jun18\_Jun20\_Dec20\_Dec21, Jun21



# Funding analysis | Covenants

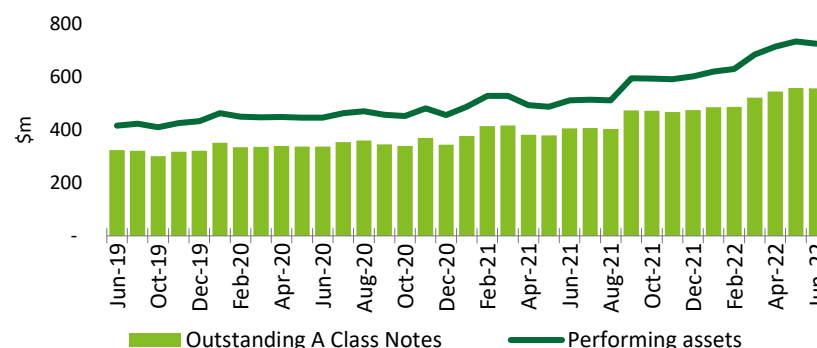
OAFIT was in compliance with outstanding A class notes and arrears covenant requirements over the historical period

## Series Notice key covenants (continued)

Key covenants affording protection to Noteholders include:

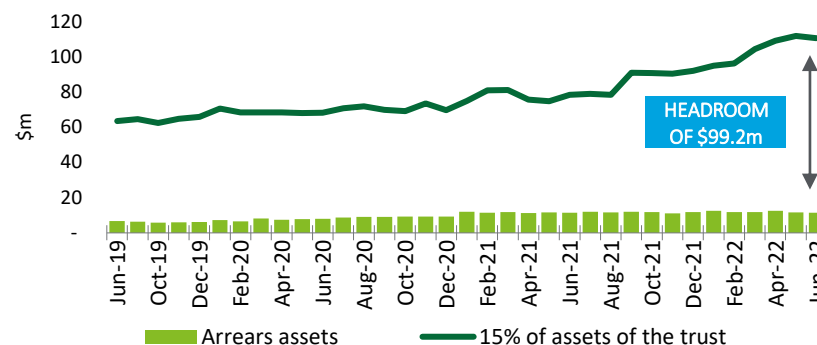
- e) **Per the Series Notice, para 3.1(a), the outstanding amount of the A Class Notes should not be greater than the value of the Performing Assets of the Trust.**
  - As at Jun-22, outstanding amount of A class notes was \$556.7m and value of Performing assets of the trust was \$726.2m. This represents a surplus of \$169.4m of Performing assets over the balance of outstanding A Class Notes.
  - Based on information provided OAFIT was in compliance with this covenant at all times throughout the Historical Period, refer to chart opposite, Key covenant e).
- f) **Per the Series Notice, para 3.1(a), the value of assets in arrears must be less than 15% of the value of assets of the Trust.**
  - As at Jun-22 assets in arrears were \$11.4m and 15% of the assets of the trust totalled \$110.6m. This represents a headroom of \$99.2m over the 15% of total assets of the trust.
  - Based on information provided OAFIT was in compliance with this covenant at all times throughout the Historical Period, refer to chart opposite, Key covenant f).

## Key covenant e) - Outstanding A Class Notes are less than Performing Assets (Jun-19 to Jun-22)



Source: 07.01.22 Portfolio Summary

## Key covenant f) - Arrears are less than 15% of Total assets (Jun-19 to Jun-22)



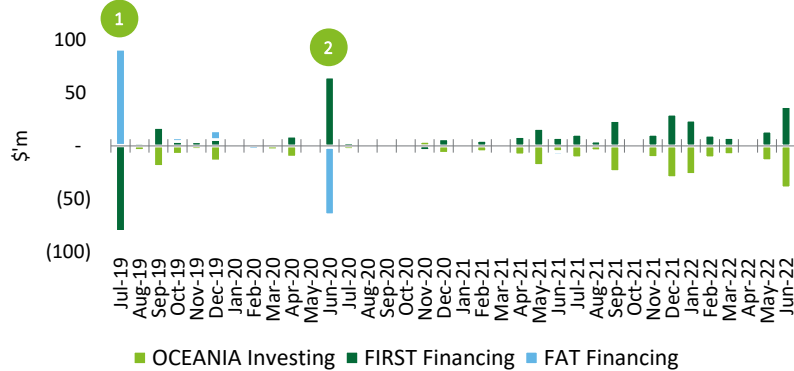
Source: 07.01.22 Portfolio Summary



# Funding analysis | OAFIT investing fund flows

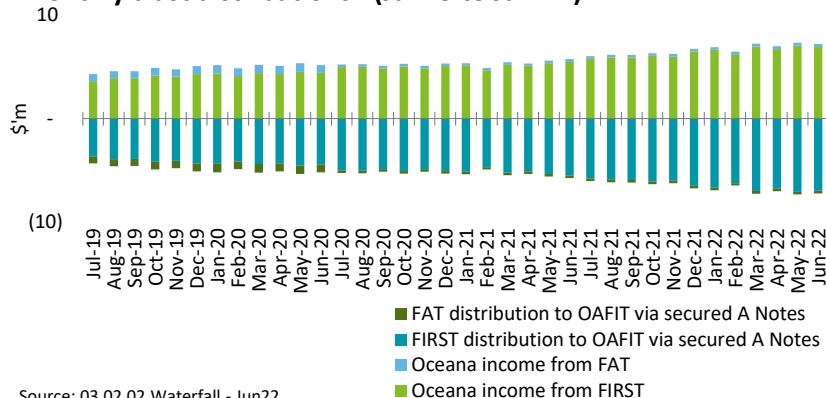
The spike in funding flows in Jul-19 and Jun-20 relate to the establishment of the FAT and to prepare FAT for expansion into the US market respectively

## Monthly funding flows - (Jul-19 to Jun-22)



Source: 03.02.02 Waterfall - Jun22

## Monthly trust distributions - (Jul-19 to Jun-22)



Source: 03.02.02 Waterfall - Jun22

## Basis of preparation

- The adjacent charts have been prepared sourcing data from the June 2022 OAFIT waterfall. Cashflows from OAFIT to FIRST and FAT are investing activities for OAFIT and financing activities for FIRST and FAT.
- Cashflows to OAFIT from the FIRST and FAT are financing activities for OAFIT.
- Financing activities for OAFIT relate to the issuance of debt notes (A, B and C Class Notes), refer to page 29.
- Investing activities for FIRST and FAT relate to investments made in the underlying receivables portfolio, refer to page 34.

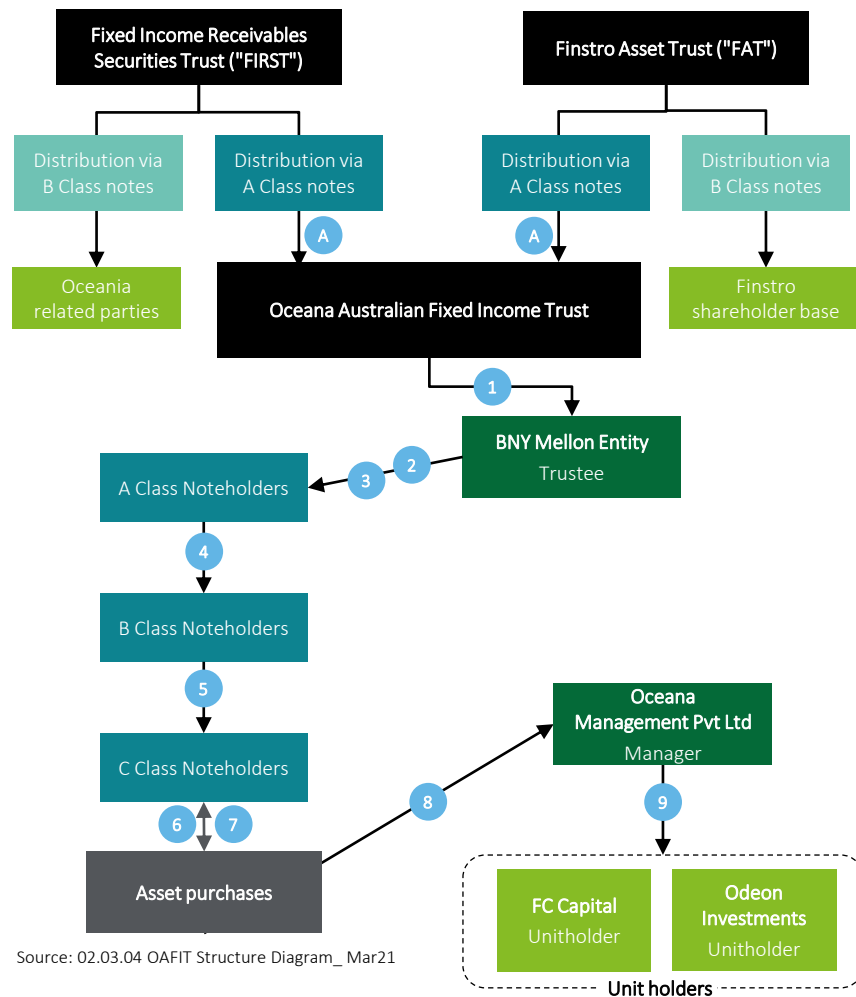
## Commentary

- FAT was established in Jul-19. At establishment, OAFIT provided funding to FAT to purchase receivables from FIRST. FIRST then used the proceeds to repay A Notes held by OAFIT. The net result of these transactions was to transfer assets from FIRST into FAT, with no cash impact for OAFIT.
- In Jun-20, OAFIT provided funding to FIRST to purchase receivables from FAT who then used the proceeds to retire A Notes held by OAFIT. This was to achieve certain commercial objectives in FIRST and to prepare FAT for US expansion.



## Funding analysis | Cashflow waterfall

The Series Notice outlines all the relevant parties in the OAFIT ecosystem who are to receive payments subject to covenants and other provisions



Source: 02.03.04 OAFIT Structure Diagram\_ Mar21

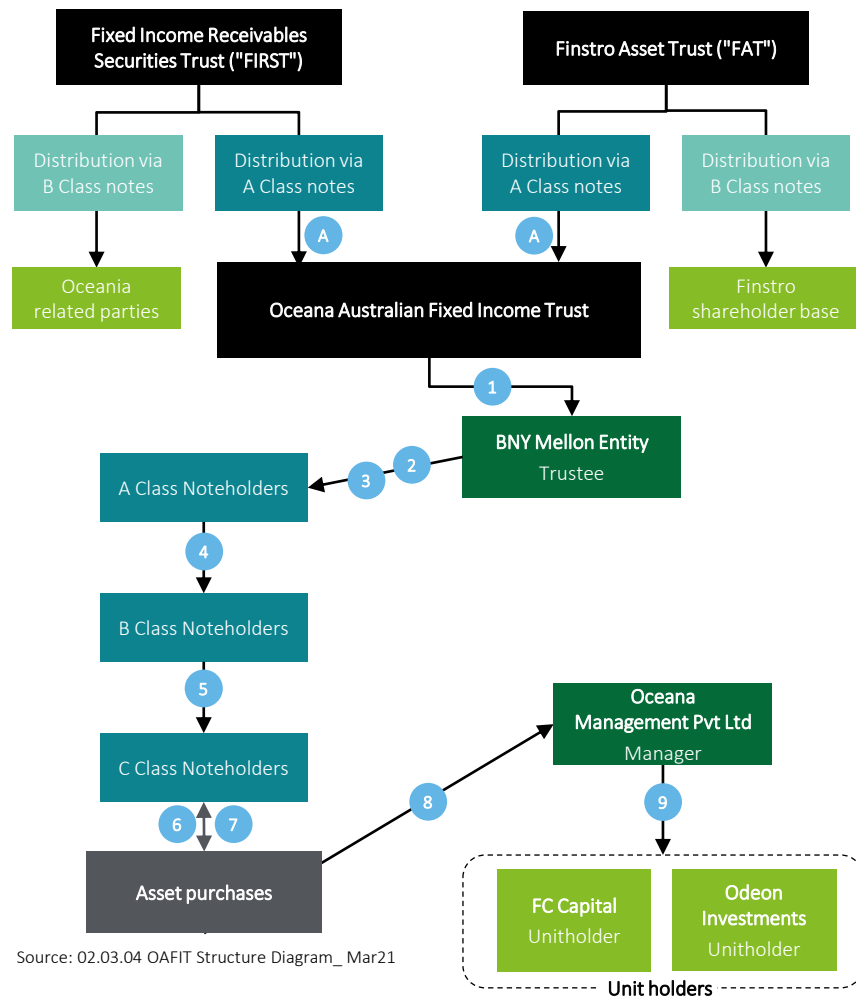
### Priority of cash flows – BAU scenario under section 5.1 of Series Notice

- A** Payments from FIRST and FAT are directed by FC Funds Management ("FCFM") (Trust Manager), and applied by FC Securities (Trustee of FIRST) and Finstro Securities (Trustee of FAT).
  - Secured A Class note fixed income distributions from FIRST and FAT are received by OAFIT.
  - B Class Note distributions from FIRST are received by OAFIT related parties and B Class Note distributions from FAT are received by the Finstro shareholder base.
  - OAFIT has security over the underlying assets of FIRST and FAT via a General Security Agreement. A, B, and C Class Noteholders in OAFIT have security over the underlying assets in OAFIT via a General Security Deed. Refer to page 17 for more information.
- 1** Unpaid fees, costs and expenses to the Trustee (BNY Mellon Entity) and the Security Trustee (Permanent Custodians Limited) rank first. This ensures the Trustee is able to perform its fiduciary duties. This includes operating costs including payments to suppliers that fall into the classification of expenses of the Trustee.
  - 2** Prorated interest due but unpaid and prorated bonus interest to A Class Noteholders rank second.
  - 3** Redemption amounts due but unpaid to A Class Noteholders rank third.
  - 4** Prorated interest due but unpaid, any other amount due but unpaid and redemption amounts due but unpaid to B Class Noteholders rank fourth.
  - 5** Prorated interest due but unpaid to C Class Noteholders rank fifth.
  - 6** Payments to settlement accounts to meet payments for asset purchases rank sixth.



## Funding analysis | Cashflow waterfall

The Series Notice outlines all the relevant parties in the OAFIT ecosystem who are to receive payments subject to covenants and other provisions



Source: 02.03.04 OAFIT Structure Diagram\_ Mar21

### Priority of cash flows – BAU scenario under section 5.1 of Series Notice (continued)

- 7 Pro rata of any other amounts due but unpaid and redemption amounts to C Class Noteholders rank seventh.
- 8 Pro rata of any unpaid fees, costs and expenses to the Manager ranks eighth, following the Payment Waterfall Deeds of Amendment subordinating Manager fees to the bottom of the Payment Waterfall, for both the pre and post enforcement Payment Waterfall.
- The Trustee has an obligation to pay a fee to the Manager for its services. The fee is calculated as 2.00% per annum of the average month end OAFIT assets. The Trust Manager fee is payable after the Trustee has met all the interest payment obligations to the A, B and C Class Noteholders.
- The payment waterfall was amended over the course of FY22 to subordinate the Manager fees and expenses to the rights of B and C series noteholders in conjunction with moving to a fee-based arrangement.
- 9 Final distributions of all remaining amounts to unitholders FC Capital and Odeon Investments (holders of residual capital units and residual income units) rank ninth.
- Unit trusts distribute accrued profit to unitholders at the end of the financial year and therefore don't pay tax despite lodging tax returns each year.



# Funding analysis | Cashflow waterfall

The Series Notice outlines all the relevant parties in the OAFIT ecosystem who are to receive payments subject to covenants and other provisions. The tables below are for the months of Dec-21 and Jun-22

## P&L waterfall for the months of Dec-21 and Jun-22

| \$                                      | Dec-21           | Jun-22           |
|---|------------------|------------------|
| <b>FIRST</b>                            |                  |                  |
| Income from FIRST receivables           | 7,576,209        | 8,180,153        |
| Distribution to A Class noteholders     | (6,497,810)      | (6,956,309)      |
| Distribution to B Class noteholders     | (73,750)         | (71,371)         |
| Other expenses                          | (20)             | (110,607)        |
| <b>Net profit</b>                       | <b>1,004,629</b> | <b>1,041,866</b> |
| <b>FAT</b>                              |                  |                  |
| Income from FAT receivables             | 656,117          | 818,727          |
| Distribution to A Class noteholders     | (249,649)        | (276,314)        |
| Distribution to B Class noteholders     | (101,918)        | (98,630)         |
| Other expenses                          | (116,500)        | (33,489)         |
| <b>Net profit</b>                       | <b>188,051</b>   | <b>410,293</b>   |
| <b>OAFIT</b>                            |                  |                  |
| Income from A Class noteholders - FIRST | 6,497,810        | 6,956,309        |
| Income from A Class noteholders - FAT   | 249,649          | 276,314          |
| Other income                            | 4,922            | 62,079           |
| <b>Total income</b>                     | <b>6,752,381</b> | <b>7,294,703</b> |
| Other expenses                          | 1,020,239        | 753,382          |
| A Class noteholders                     | 4,193,063        | 4,572,582        |
| B Class noteholders                     | 796,002          | 1,125,172        |
| C Class noteholders                     | 219,918          | 416,192          |
| <b>Total expenses</b>                   | <b>6,229,222</b> | <b>6,867,328</b> |
| <b>Net Profit</b>                       | <b>523,159</b>   | <b>427,375</b>   |
| OAFIT A Notes principal                 | 474,661,514      | 556,748,512      |
| Return on A Class notes                 | 10.60%           | 9.86%            |

Source: 2. Waterfall - Dec21 and 03.02.02 Waterfall - Jun22

## Cash flow waterfall for the months of Dec-21 and Jun-22

| \$   | Dec-21              | Jun-22              |
|--|---------------------|---------------------|
| <b>FIRST</b>                                 |                     |                     |
| Receipts from FIRST receivables              | 6,450,893           | 6,867,659           |
| Payments (predominantly to OAFIT)            | (7,081,898)         | (8,305,433)         |
| <b>Net flows</b>                             | <b>(631,005)</b>    | <b>(1,437,774)</b>  |
| <b>FAT</b>                                   |                     |                     |
| Receipts from FAT receivables                | 654,915             | 678,025             |
| Payments (predominantly to OAFIT)            | (613,244)           | (359,402)           |
| <b>Net flows</b>                             | <b>41,671</b>       | <b>318,623</b>      |
| <b>OAFIT</b>                                 |                     |                     |
| Receipts from FIRST and FAT A Class notes    | 6,253,005           | 7,669,268           |
| Payments of noteholder interest and expenses | (6,267,935)         | (7,555,847)         |
| Investing in FIRST and FAT A Class notes     | (29,900,000)        | (39,500,000)        |
| Financing from issuance of OAFIT notes       | 11,728,023          | (9,327,257)         |
| <b>Net cash flow</b>                         | <b>(18,186,908)</b> | <b>(48,713,836)</b> |

Source: 2. Waterfall - Dec21 and 03.02.02 Waterfall - Jun22

Note 1: Cash flows for the months of Dec-21 and Jun-22 are negative due to investments in FIRST and FAT, payments of noteholder interest and repayment of principal on maturing bonds.

Note 2: Overall cashflows for FY21 and FY22 are positive

### Timing of cash flows

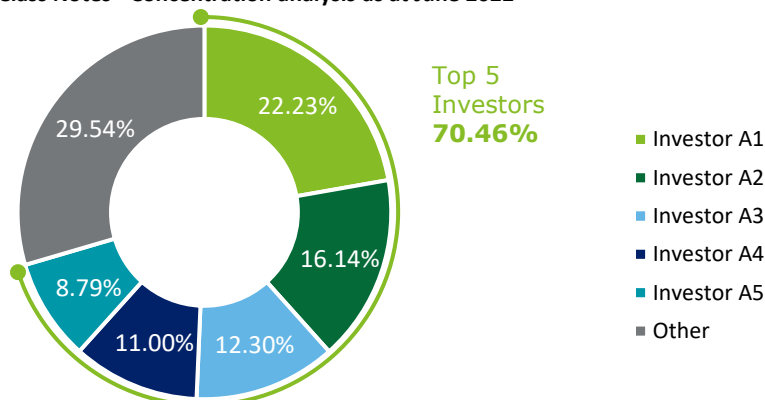
- Income and expenses in the OAFIT P&L are recorded on an accrual basis, however income receipts and distribution payments from FIRST and FAT are made the following month. Expenses are paid as they become due. Therefore income and distributions in the P&L do not align with payments and receipts in the cash flow statement for a given month.



## Funding analysis | Investor concentration

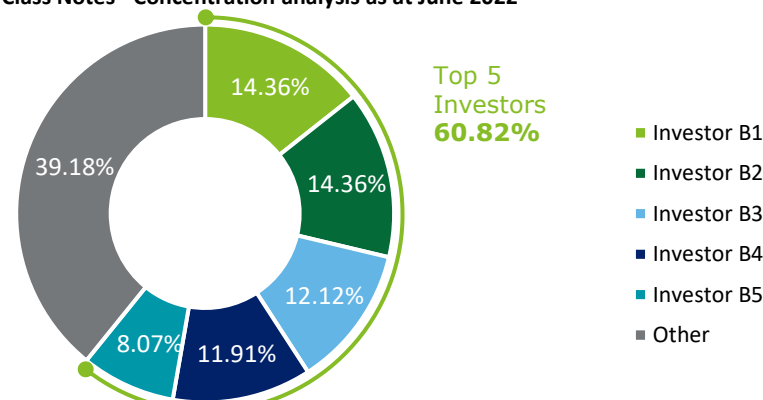
The top 12 investors account for 84.25% of the outstanding funding balance. Investors subscribe to debt instruments issued by the fund via multiple legal entities and across several note classes

**A Class Notes - Concentration analysis as at June 2022**



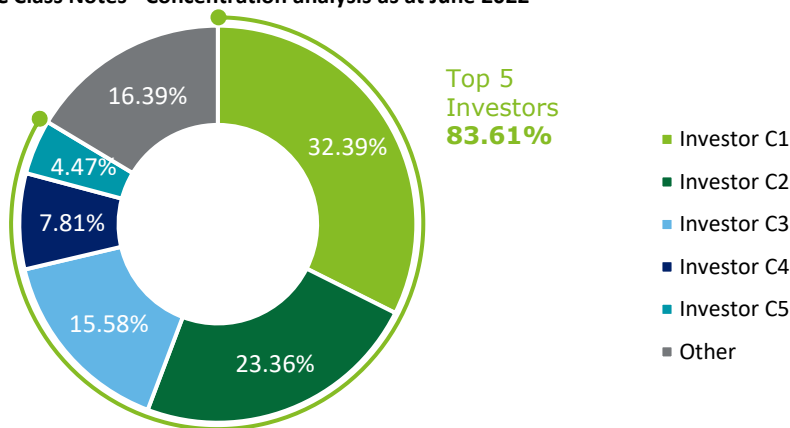
Source: 07.04.07 Investor Maturity - Jun22

**B Class Notes - Concentration analysis as at June 2022**



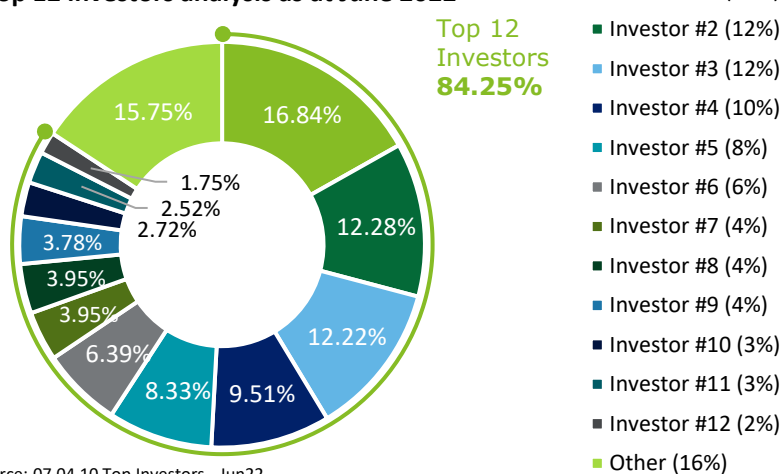
Source: 07.04.07 Investor Maturity - Jun22

**C Class Notes - Concentration analysis as at June 2022**



Source: 07.04.07 Investor Maturity - Jun22

**Top 12 investors analysis as at June 2022**



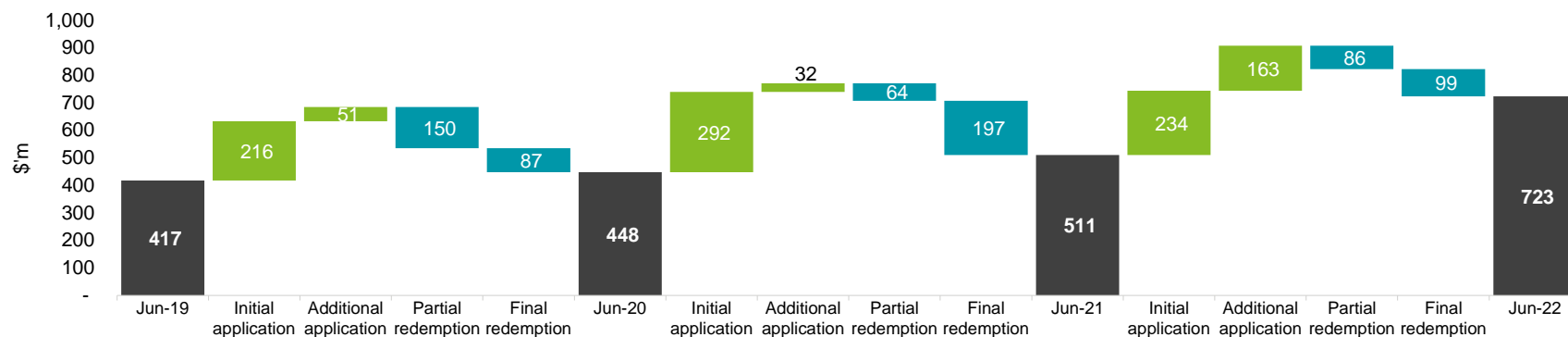
Source: 07.04.10 Top Investors - Jun22



## Funding analysis | Investor transactions - applications and redemptions

Since Jun-19 the funding of the OAFIT has grown from \$417.1m to \$723.2m in Jun-22 representing a CAGR of 20.14% over the historical period

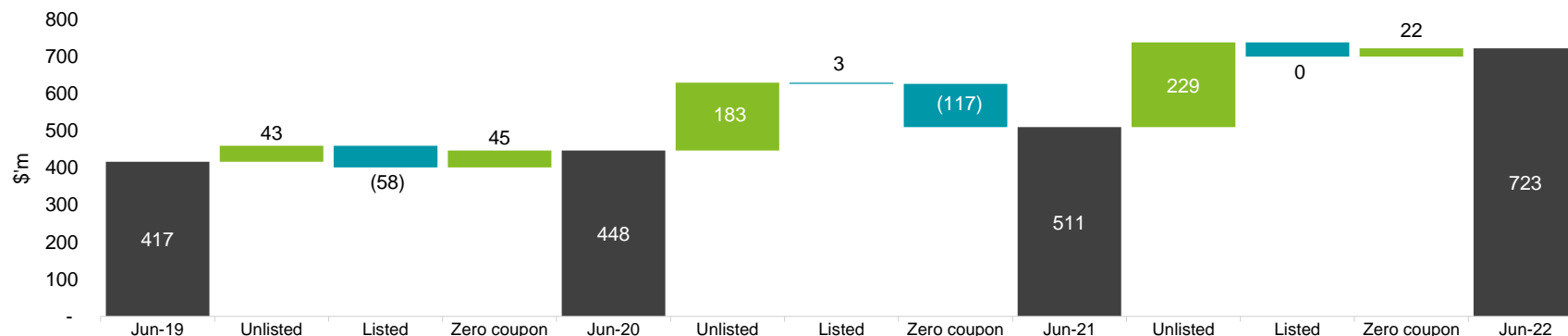
### Investor transactions - Applications and redemptions as at June 22



Source : 07.04.08 Investor Transactions - Jun22

Figures in the applications and redemptions charts presented on this page do not tie directly into the financing activities section of the cash flow statement. The numbers in these charts are sourced from the Investor Transactions Report and do not always represent cash flows due to zero coupon bond roll overs.

### Investor Transactions - net movement by note type as at June 22



Source: 07.04.08 Investor Transactions - Jun22

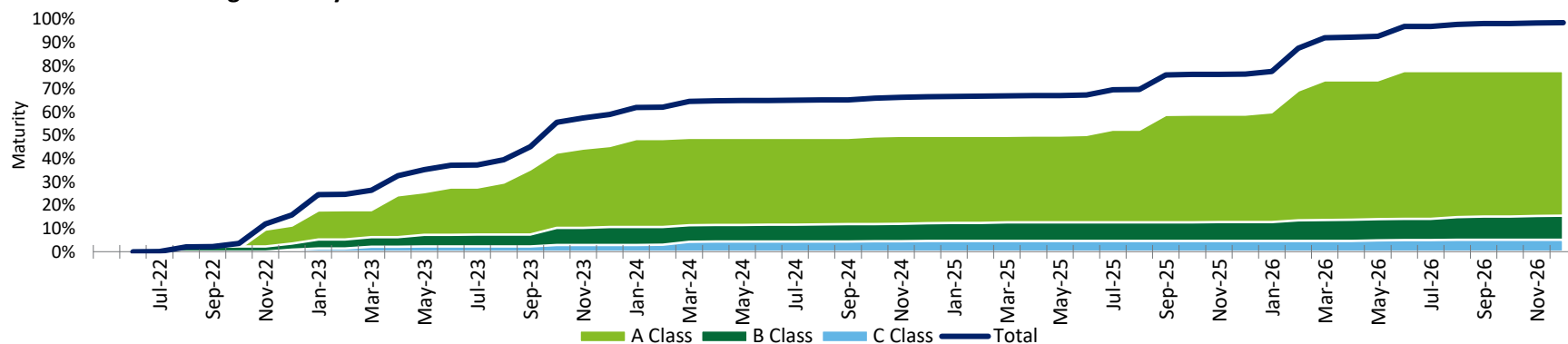




## Funding analysis | Maturity analysis

For A, B and C Class investors, the weighted average contractual maturity is 2.0, 1.7 and 2.0 years respectively, and 1.9 years across the total funding portfolio

### Cumulative Funding Maturity Profile - Contractual



Source: 3. Investor Maturity - Dec21

### Maturity Analysis

- The weighted average contractual maturity across the total funding portfolio as at Jun-22 is 1.9 years.
- Principal outstanding of A class investors as at Jun-22 is \$550.7m with a weighted average contractual maturity of 2.0 years.
- Principal outstanding of B class investors as at Jun-22 is \$114.1m with a weighted average contractual maturity of 1.7 years.
- Principal outstanding of C class investors as at Jun-22 is \$42.7m with a weighted average contractual maturity of 2.0 years.



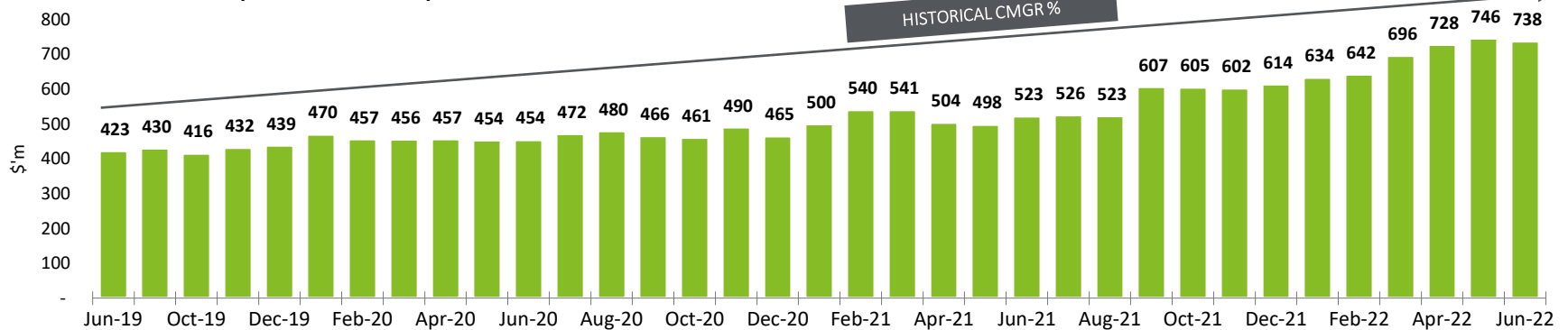
# Portfolio analysis

|                    |    |
|--------------------|----|
| Executive Summary  | 6  |
| OAFIT overview     | 13 |
| Funding analysis   | 21 |
| Portfolio analysis | 32 |
| Appendices         | 60 |

## Portfolio analysis | Overview

The receivables portfolio was \$737.6m as at Jun-22, and has grown at a compounded monthly growth rate of 1.51% since Jun-19, driven by supplier finance (2.32%) and invoice finance (1.33%)

### Receivables Portfolio (Jun-19 to Jun-22)



Source: 07.01.22 Portfolio Summary - Jun22

#### Portfolio overview

- The receivables portfolio has three categories being Invoice Finance, Supplier Finance and Other (secured lending, SME lending and cash). ATM Bailment was discontinued in Nov-19.
- A Class Notes are supported by securitised receivables portfolio (pool of Invoice Finance and Supplier Finance receivables).
- Refer to the portfolio composition and portfolio concentration analysis for more information on category and product breakdowns. Refer to the following page for an example of the fund flows for each product category.
- Refer to page 43 for a reconciliation of product offerings within each category, categories and products maintained on each platform and additional platform level analysis.

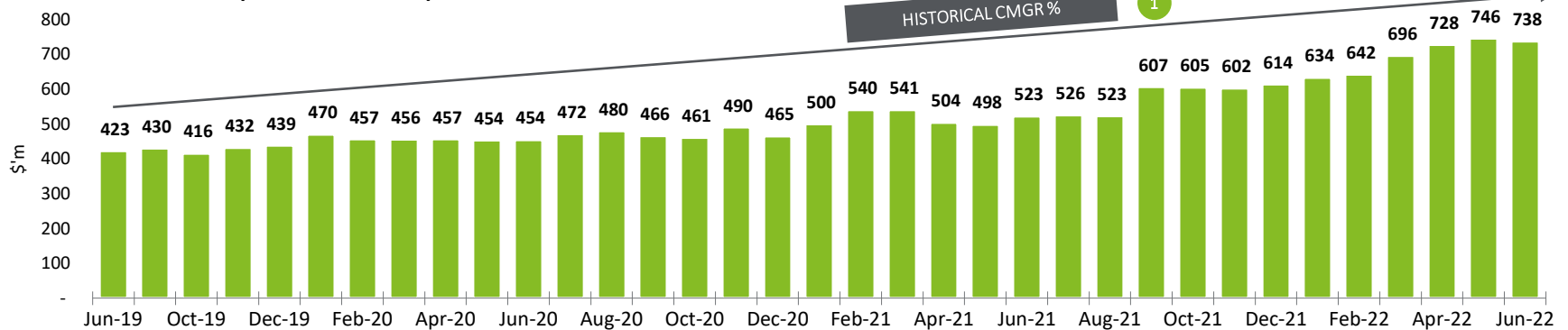
#### Invoice Finance

- Invoice Finance programs involve funding scenarios where the underlying asset is a receivable related to the client's sale of goods and services. Typically < 60 days and priced at 80% to 90% of the trade invoice value.
- Products in this category include invoice discounting, XLR8R, SPARC, AG Debtor funding and Sea Container funding.

## Portfolio analysis | Overview

The receivables portfolio was \$737.6m as at Jun-22, and has grown at a compounded monthly growth rate of 1.51% since Jun-19, driven by supplier finance (2.32%) and invoice finance (1.33%)

### Receivables Portfolio (Jun-19 to Jun-22)



Source: 07.01.22 Portfolio Summary - Jun22

#### Supplier Finance

- Supplier Finance programs involve funding payments to trade creditors such as suppliers. Characterised by short term (< 180 days) principal repayment. Commonly applied to fund inventory or take advantage of supplier offered earlier payment discounts.
- The Insite program relates to cash advances paid directly to a nominated trade creditor, repaid by an agreed proportion of client receipts or over a specified term.
- The Pharmacy program is a tailored product developed to alleviate working capital pressure in the pharmacy product market.

#### Other - Secured Lending, SME Lending (Cash Advance) and Cash

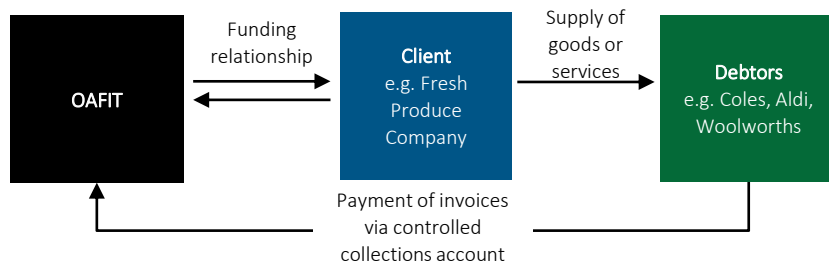
- Secured lending relates to short term structured corporate funding programs with a duration of typically < 12 months, supported by physical security and underlying security arrangements.
- SME Finance (Cash Advance) relates to small loans (between \$10k-\$50k) issued against future cash flows and factoring EFTPOS receivables. This lending involves a rigorous credit assessment and typically the execution of a General Security Agreement ("GSA") in support of loan.

- 1 The increases in Sep-21, Mar-22 and Apr-22 were driven by an increase in cash as a result of institutional capital raises in the US market.

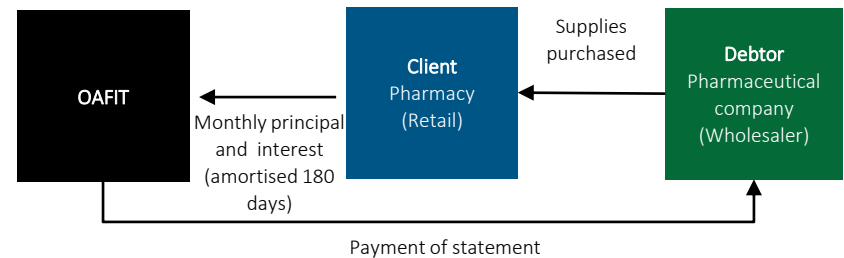
## Portfolio analysis | Overview

The underlying receivables portfolio is invested in four key categories; invoice finance, supplier finance, secured lending and SME finance. Refer to page 43 for a reconciliation of product offerings within each category, categories and products maintained on each platform and additional platform level analysis

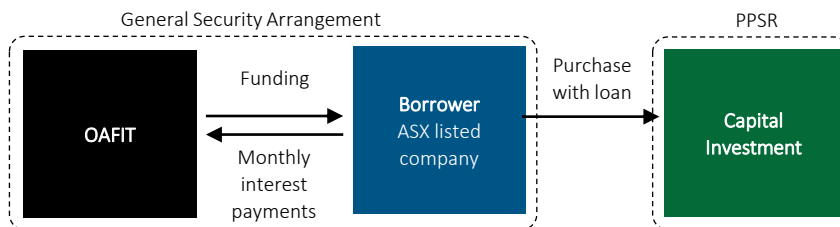
### Invoice finance example



### Supplier finance example



### Other - Secured lending example



### Other - SME guarantee finance example

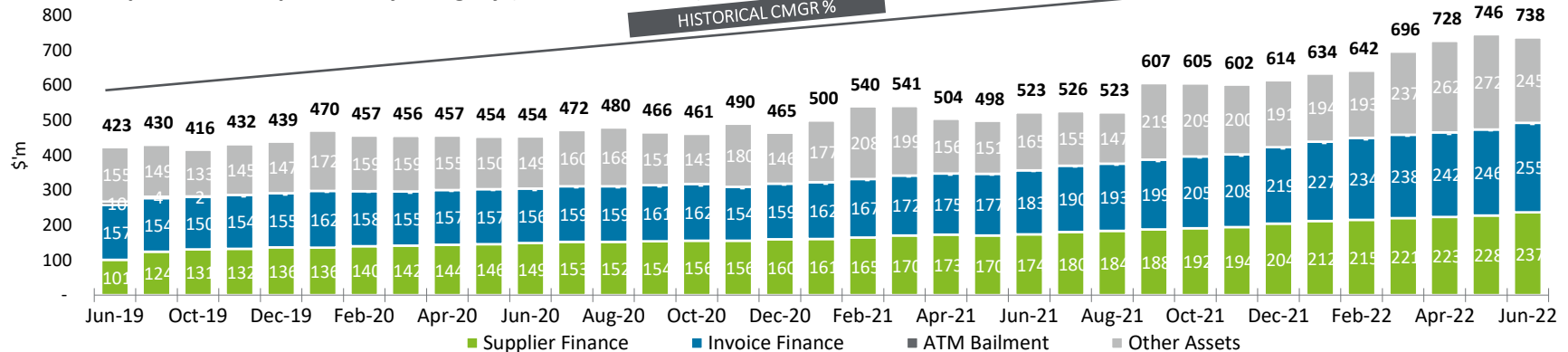


Finstro Securities (trustee of the underlying Finstro Asset Trust) has qualified as a participating lender in the Australian Government's "SME Guarantee Scheme"

## Portfolio analysis | Overview

The receivables portfolio was \$737.6m as at Jun-22, and has grown at a compounded monthly growth rate of 1.51% since Jun-19, driven by supplier finance (2.32%) and invoice finance (1.33%)

Receivables portfolio composition by category (Jun-19 to Jun-22)



Source: 07.01.22 Portfolio Summary - Jun22

### Supplier Finance

- Receivables of \$237.3m as at Jun-22.
- Compounded monthly growth rate of 2.32% from Jun-19 to Jun-22.
- 2,019 obligors with an average balance of \$117.5k at Jun-22.
- Covered under the QBE - Policy Doc - Supplier Finance - 2021\_2022 Trade Credit Insurance policy for inventory purchases and the pharmacy program.

### Invoice Finance

- Receivables of \$255.5m as at Jun-22.
- Compounded monthly growth rate of 1.33% from Jun-19 to Jun-22.
- 4,557 obligors with an average balance of \$56.1k at Jun-22.
- Covered under the Trade Credit Insurance policy issued by Allianz for invoice financing.

- Once an underlying receivable is over 90 days past due the client is no longer eligible for further funding and is required to repay the portion of the loan related to the delinquent receivable. Excluding corporate facilities, funding can be called by OAFIT (or put back by the client) at any time.

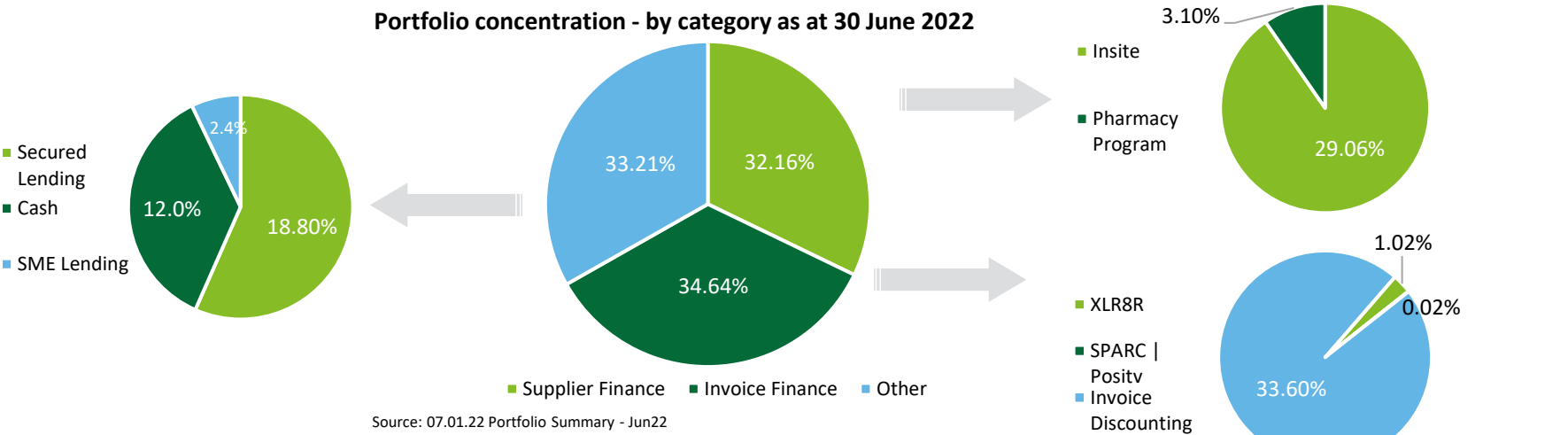
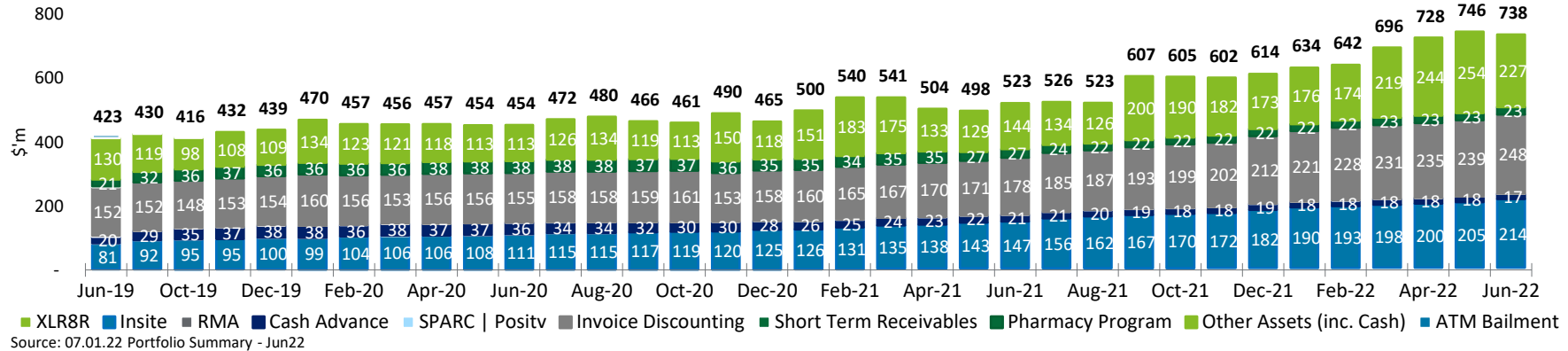
### Other Assets

- Receivables balance, compounded monthly growth rate (Jun-19 to Jun-22), number of obligors and average balance of other assets to Jun-22:
  - SME lending \$17.5m, (0.38)% CMGR, 762 obligors, \$22.9k average
  - Secured lending \$138.7m, 1.68% CMGR, 22 obligors, \$6302.3k average
  - Cash \$88.8m, 1.05% CMGR
- Total of 784 obligors with an average balance of \$312.4k at Jun-22.
- Other assets are not covered by insurance policies.
- Refer to page 43 for a reconciliation of product offerings within each category, categories and products maintained on each platform and additional platform level analysis.

# Portfolio analysis | Overview

As at 30 June 2022, the receivables portfolio predominantly consisted of the Invoice discounting (33.60%) program within the invoice financing category, Insite (29.06%) with the supplier finance category, and secured lending (18.80%) within the other category

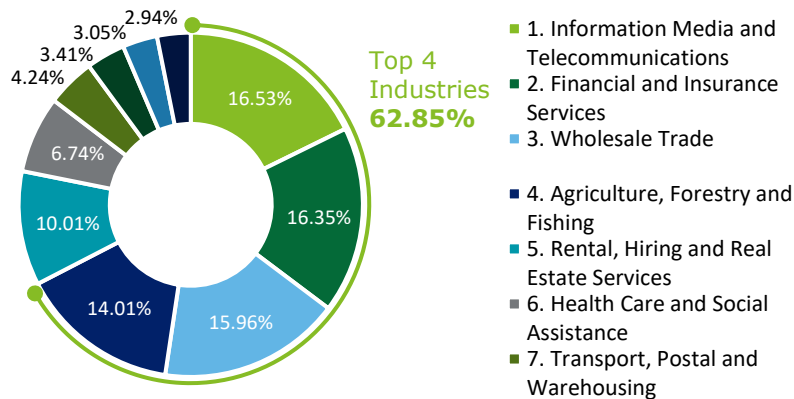
Receivables portfolio composition by product (Jun-19 to Jun-22)



# Portfolio analysis | Overview

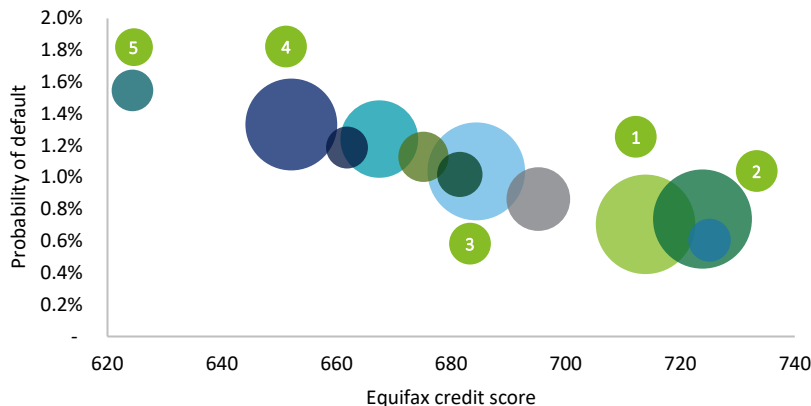
Based on the Equifax Australia credit score range the portfolio has a weighted average probable loss of 1.00% (\$6.5m) as at 30 June 2022

## Portfolio concentration - by industry (Jun-22)



Source: 04.02.18 Loan Book Risk Profile - Jun22

## Portfolio industry concentration by risk rating at Jun-22



Source: 04.02.18 Loan Book Risk Profile - Jun22

## Basis of preparation

- The portfolio industry concentration chart presented opposite is sourced from the concentration data file.
- The portfolio risk rating by industry chart includes the individual obligor's and industry Equifax credit score, which can give rise to a non-linear relationship between the probability of default and credit score.

## Industry concentration analysis

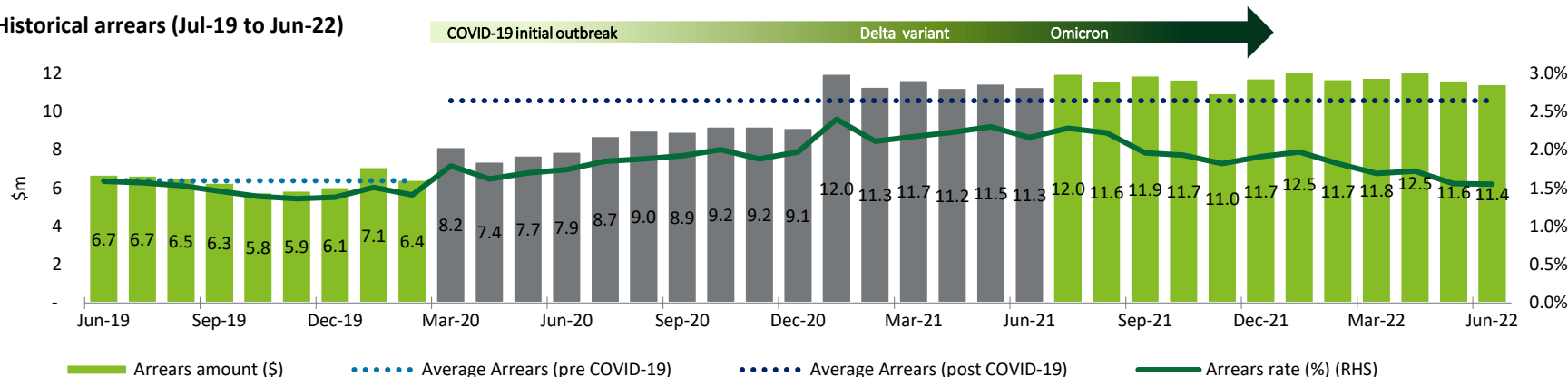
- The top 4 industry sectors, by total client loan amount outstanding account for 62.85% of the underlying portfolio assets as at 30 June 2022.
  - The portfolio has significant concentration exposures to the Information Media & Telecommunications (16.53%), Financial and Insurance Services (16.35%), Wholesale (15.96%) and Forestry and Agriculture, Forestry and Fishing (14.01%) sectors.
  - 100% of the portfolio has an Equifax credit score between 622-725 as at Jun-22 which is classed as good by Equifax Australia compared to 95.87% as at Jun-21.
- The Technology, Media & Telecommunications sector has an Equifax credit score of 714 and a probability of default of 0.70%.
  - The Financial and Insurance Services sector has an Equifax credit score of 724 and a probability of default of 0.74%. This sub-portfolio has the second highest credit rating and third lowest probability of default.
  - The Wholesale Trade sector has an Equifax credit score of 684 and a probability of default of 1.04%.
  - The Agriculture, Forestry and Fishing sector has an Equifax credit score of 652 and a probability of default of 1.33%.
  - The sub-portfolio with the lowest credit rating (624) and the highest probability of default (1.55%) is the accommodation and food services sector. 2.89% of the portfolio is invested in this sector.
- Refer to Appendix 4 for a breakdown of the Equifax Australia credit score ranges.



## Portfolio analysis | Arrears

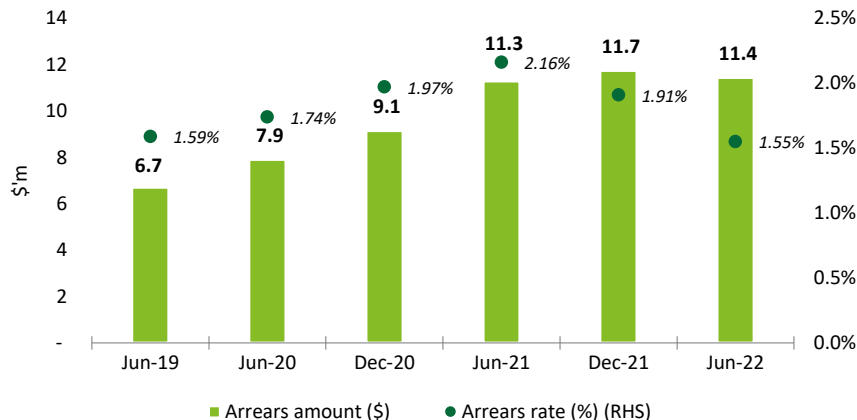
The average arrears balance for last 12 months ended Jun-22 was \$11.8m and the average arrears rate was 1.87%. The loss reserve as at Jun-22 covers 1.95% of the total receivables portfolio

### Historical arrears (Jul-19 to Jun-22)



Source: 04.02.14 Arrears by Asset Category - Jun22

### Historical Arrears - Comparison Periods



### Historical Arrears

- The arrears rate as at Jun-22 was 1.55%.
- The average arrears rate for the pre COVID-19 period from Jul-19 to Feb-20 was 1.47%.
- The average arrears rate for the COVID-19 period from Mar-20 to Jun-22 was 1.93%.
- The average arrears rate over the historical period from Jul-19 to Jun-22 was 1.83%.
- The increase in the arrears rate over the historical period is driven by economic impacts of COVID-19 on the supplier finance and SME lending portfolio.



# Portfolio analysis | Arrears

The SME lending product has the highest % level of arrears across the receivables portfolio driven by the wholesale trade, construction and retail industries

## Portfolio arrears summary - as at 30 June 2022

|                  | 30 Days        | 60 Days        | 90 Days        | 90+ Days         | Total             |
|------------------|----------------|----------------|----------------|------------------|-------------------|
| Supplier Finance | 429,705        | 275,567        | 265,527        | 7,022,808        | 7,993,608         |
| Invoice Finance  | 10,695         | -              | -              | 1,036,686        | 1,047,381         |
| SME Lending      | 319,984        | 486,073        | 211,054        | 867,306          | 1,884,417         |
| Secured Lending  | -              | -              | -              | 509,214          | 509,214           |
| Cash             | -              | -              | -              | -                | -                 |
| <b>Total</b>     | <b>760,384</b> | <b>761,641</b> | <b>476,581</b> | <b>9,436,013</b> | <b>11,434,619</b> |

Source: 04.02.14 Arrears by Asset Category - Jun22

## Portfolio arrears summary - as at 30 June 2022

| \$               | 30 Days      | 60 Days      | 90 Days      | 90+ Days     | Total        |
|------------------|--------------|--------------|--------------|--------------|--------------|
| Supplier Finance | 0.18%        | 0.12%        | 0.11%        | 2.96%        | 3.37%        |
| Invoice Finance  | 0.00%        | -            | -            | 0.41%        | 0.41%        |
| SME Lending      | 1.83%        | 2.78%        | 1.21%        | 4.96%        | 10.78%       |
| Secured Lending  | -            | -            | -            | 0.37%        | 0.37%        |
| <b>Total</b>     | <b>0.10%</b> | <b>0.10%</b> | <b>0.06%</b> | <b>1.28%</b> | <b>1.55%</b> |

Source: 04.02.14 Arrears by Asset Category - Jun22

## SME Lending arrears

| Industry                                | Arrears (\$)     | % of total     | Facility Limit (\$) |
|---|------------------|----------------|---------------------|
| Construction                            | 278,201          | 14.76%         | 4,508,805           |
| Wholesale Trade                         | 398,213          | 21.13%         | 1,297,015           |
| Accommodation and Food Services         | 132,866          | 7.05%          | 2,042,000           |
| Retail Trade                            | 339,263          | 18.00%         | 3,272,001           |
| Education and Training                  | 13,966           | 0.74%          | 323,000             |
| Manufacturing                           | 25,531           | 1.35%          | 1,203,000           |
| Rental, Hiring and Real Estate Services | 99,930           | 5.30%          | 644,000             |
| Health Care and Social Assistance       | 464              | 0.02%          | 372,000             |
| Administrative and Support Services     | 111,668          | 5.93%          | 374,000             |
| Other                                   | 595,367          | 31.59%         | 6,205,600           |
| <b>Total</b>                            | <b>1,884,417</b> | <b>100.00%</b> | <b>21,254,271</b>   |

Project Apple 2 | Final due diligence report | 17 August 2022

This written communication is solely for OAFIT's benefit, and is not intended to be relied upon by any other person or entity.

## Arrears

- The SME lending product has the highest percentage level of arrears across the receivables portfolio, with 1.21% and 4.96% of balances in the 90 days and 90+ days past due buckets respectively. The SME lending balance as at Jun-22 is \$17.5m and the total amount in arrears is \$1.9m (10.78%).

- A summary sample of key SME lending clients in arrears is provided below:

| No. | Industry                                   | Arrears | Summary   |
|-----|--|---------|---|
| 1   | Retail Trade                               | \$175k  | <ul style="list-style-type: none"> <li>Last payment received: \$1.7k on 20/07/2022</li> <li>Business is no longer trading and the whereabouts of the guarantor are unknown.</li> <li>Through solicitor, a settlement of \$72k has been negotiated by way of 42 x monthly instalments of \$1,714.</li> </ul>                           |
| 2   | Wholesale Trade                            | \$123k  | <ul style="list-style-type: none"> <li>Last payment received: \$1,002 on 19/11/2021.</li> <li>Business not doing well.</li> <li>Have linked the guarantors to property ownership. Solicitor to lodge a caveat and issue Letters of Demand.</li> </ul>   |
| 3   | Electricity, Gas, Water and Waste Services | \$112k  | <ul style="list-style-type: none"> <li>Last payment received: \$12,000 on 08/12/2021</li> <li>Business entered voluntary liquidation in June 2022 and the guarantor has ceased communication.</li> <li>The balance will be written-off soon and attempts to try and effect service of the Statement of Claim are on-going.</li> </ul> |
| 4   | Education                                  | \$110k  | <ul style="list-style-type: none"> <li>Guarantor has ceased payments as a result of interest being charged during the Covid lockdowns.</li> <li>Discussions are planned for 04/08/2022 to negotiate on repayment amounts.</li> </ul>  |



## Portfolio analysis | Portfolio Breakdown

OAFIT maintains its products on four distinct platforms and cash balances are held with BNY Mellon and NAB

| CATEGORY         | PLATFORMS                  |                                       |                                |                              |                          |                           |                 |
|------------------|----------------------------|---------------------------------------|--------------------------------|------------------------------|--------------------------|---------------------------|-----------------|
|                  | Finstro<br>\$263 (35.62%)  | Dancerace<br>\$88m (11.95%)           | TIQ Platform<br>\$90m (12.16%) | Corporate<br>\$208 (28.23%)  | ADI's<br>\$89m (12.04%)  |                           |                 |
|                  | PRODUCTS                   |                                       |                                |                              |                          |                           |                 |
| Invoice Finance  | XLR8<br>\$7.5m             | Sparc<br>\$0.1m                       | Invoice Discounting<br>\$88.1m | AG Debtor Funding<br>\$89.7m | Sea Container<br>\$69.6m |                           |                 |
| Supplier Finance | Insite<br>\$214.3m         | Pharmacy Program<br>\$43.7m           |                                |                              |                          |                           |                 |
| Other Assets     | RMA<br><i>Discontinued</i> | Cash Advance (SME Lending)<br>\$17.5m |                                |                              |                          | Corp. Lending<br>\$138.6m | Cash<br>\$88.8m |
|                  | Finstro Asset Trust (FAT)  |                                       |                                |                              |                          | FIRST                     | BOTH            |



# Portfolio analysis | Portfolio Breakdown

OAFIT maintains its products on four distinct platforms and cash balances are held with BNY Mellon and NAB

## Portfolio reconciliation by platform - Category and product

| Category  | Product               | Jun-21             | Dec-21             | Jun-22             |
|---|-----------------------|--------------------|--------------------|--------------------|
| <b>Finstro platform</b>                             |                       |                    |                    |                    |
| Supplier Finance                                    | INSITE                | 136,717,058        | 161,116,351        | 193,481,958        |
| Invoice Finance                                     | XLR8R                 | 5,207,080          | 6,810,000          | 7,542,388          |
| Invoice Finance                                     | SPARC   Positv        | 231,057            | 438,011            | 542,091            |
| Other assets  | Cash Advance          | 21,494,013         | 18,714,777         | 17,478,874         |
| Other assets  | RMA                   | -                  | -                  | -                  |
| Supplier Finance                                    | Pharmacy Funding      | 37,241,947         | 43,311,087         | 43,705,494         |
| <b>Total Finstro platform</b>                       |                       | <b>200,891,155</b> | <b>230,390,226</b> | <b>262,750,804</b> |
| <b>Aquarius/Dancerace platform</b>                  |                       |                    |                    |                    |
| Invoice Finance <sup>1</sup>                        | Invoice Discounting   | 59,694,708         | -                  | -                  |
| Invoice Finance                                     | Invoice Discounting   | -                  | 71,574,771         | 88,132,931         |
| <b>Total Aquarius/Dancerace platform</b>            |                       |                    |                    |                    |
| <b>TIQ platform</b>                                 |                       |                    |                    |                    |
| Invoice Finance                                     | AG Debtor Funding     | 81,491,077         | 84,454,028         | 89,676,404         |
| <b>Total TIQ platform</b>                           |                       | <b>81,491,077</b>  | <b>84,454,028</b>  | <b>89,676,404</b>  |
| <b>Corporate platform</b>                           |                       |                    |                    |                    |
| Other assets  | Corporate lending     | 90,672,278         | 115,881,192        | 138,650,552        |
| Invoice Finance                                     | Sea container funding | 36,818,298         | 55,325,385         | 69,587,349         |
| <b>Total Corporate Platform</b>                     |                       | <b>127,490,576</b> | <b>171,206,577</b> | <b>208,237,901</b> |
| <b>Authorised Deposit Taking Institutions (ADI)</b> |                       |                    |                    |                    |
| Other assets  | Cash                  | 53,068,433         | 56,678,835         | 88,798,023         |
| <b>Total ADI</b>                                    |                       | <b>53,068,433</b>  | <b>56,678,835</b>  | <b>88,798,023</b>  |
| <b>Total per Portfolio Summary</b>                  |                       | <b>522,635,949</b> | <b>614,304,437</b> | <b>737,596,064</b> |
| <b>Total Loan book per Investor Reports</b>         |                       | 522,635,950        | 614,304,436        | 737,596,064        |

Source: Portfolio Reconciliations

## Portfolio reconciliation by category - Product and platform

| Product                                     | Platform           | Jun-21             | Dec-21             | Jun-22             |
|---|--------------------|--------------------|--------------------|--------------------|
| <b>Supplier Finance</b>                     |                    |                    |                    |                    |
| INSITE                                      | Finstro platform   | 136,717,058        | 161,116,351        | 193,481,958        |
| Pharmacy Funding                            | Finstro platform   | 37,241,947         | 43,311,087         | 43,705,494         |
| <b>Total for Supplier Finance</b>           |                    | <b>173,959,005</b> | <b>204,427,438</b> | <b>237,187,452</b> |
| <b>Invoice Finance</b>                      |                    |                    |                    |                    |
| XLR8R                                       | Finstro platform   | 5,207,080          | 6,810,000          | 7,542,388          |
| SPARC   Positv                              | Finstro platform   | 231,057            | 438,011            | 542,091            |
| Invoice Discounting <sup>1</sup>            | Aquarius/Dancerace | 59,694,708         | 71,574,771         | 88,132,931         |
| AG Debtor Funding                           | TIQ platform       | 81,491,077         | 84,454,028         | 89,676,404         |
| Sea container funding                       | Corporate platform | 36,818,298         | 55,325,385         | 69,587,349         |
| <b>Total for Invoice Finance</b>            |                    | <b>183,442,219</b> | <b>218,602,195</b> | <b>255,481,163</b> |
| <b>Other assets</b>                         |                    |                    |                    |                    |
| Cash Advance                                | Finstro platform   | 21,494,013         | 18,714,777         | 17,478,874         |
| RMA   | Finstro platform   | -                  | -                  | -                  |
| Corporate lending                           | Corporate platform | 90,672,278         | 115,881,192        | 138,650,552        |
| Cash  | ADI                | 53,068,433         | 56,678,835         | 88,798,023         |
| <b>Total other assets</b>                   |                    | <b>165,234,724</b> | <b>191,274,804</b> | <b>244,927,449</b> |
| <b>Total per Portfolio Summary</b>          |                    | <b>522,635,949</b> | <b>614,304,437</b> | <b>737,596,064</b> |
| <b>Total Loan book per Investor Reports</b> |                    | 522,635,950        | 614,304,436        | 737,596,064        |

Source: Loan Book Composition - 31 Dec 2020 and 31 Dec 2021

Note 1: The Aquarius platform was used until Jun-21. Dec-21 figures are from the Dancerace platform.

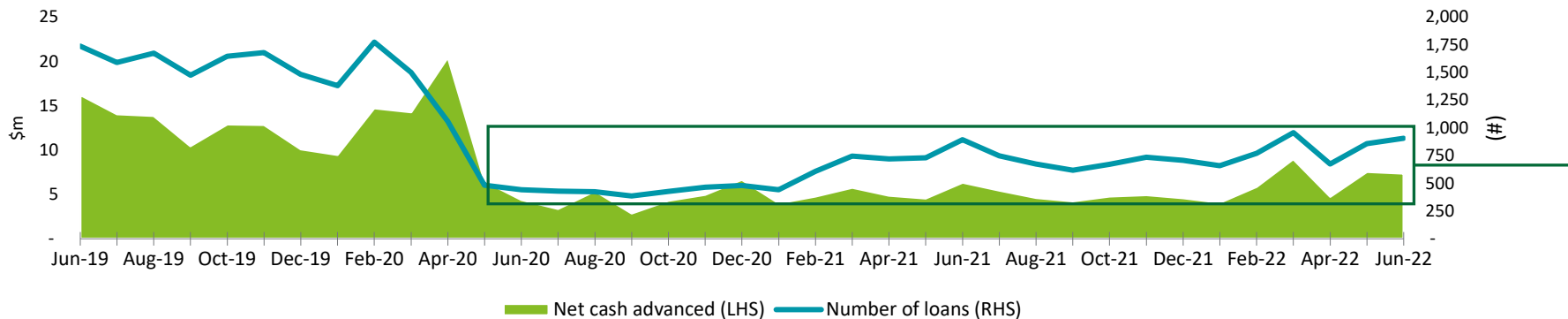
## Summary portfolio analysis

- Corporate Lending portfolio has grown over the historical period primarily due to the healthcare sector, mining services and financial services.
- Refer to the Portfolio Analysis section for an overview of the combined portfolio, category and product descriptions, fund flow examples, portfolio composition, product and industry concentration, and arrears analysis.
- Refer to the following pages for select platform level analysis.

## Portfolio analysis | Finstro Platform

The Finstro platform maintains the INSITE (Supplier Finance), XLR8R and SPARC (Invoice Finance) and Cash Advance and RMA (Other Assets) products. \$508.0m of net cash has been advanced over the platform since inception

### Finstro platform - monthly net cash advanced and new loans (Jun-19 to Jun-22)



Source: 07.01.16 Total Transactions Report (integration)\_&\_Write Offs\_30 June 22

### Finstro platform overview

- Products maintained on the Finstro platform include:
  - Insite (supplier finance)
  - XLR8 and SPARC (invoice finance)
  - Cash advance and RMA (Other Assets/SME Lending)
- Since inception, 68.7k loans have been written on the Finstro platform with net cash advanced of \$508.0m and an average loans size of \$7.4k.
- The concentration analysis presented above reflects funds advanced over the life of the platform and does not represent client exposures at a specific point in time.
- The maximum cash advanced in one month was \$20.5m in April 2020 (1,061 new loans). New loan volumes and net advances in subsequent months has been reduced due to the impact of COVID-19.

**Since the on-set of COVID-19, there has been a substantial reduction in loans issued over the Finstro platform and uptake of new clients.**

This is due to a tightening of credit policies to reduce risk exposure, including;

- No lending to new customers (existing customer's only), except in exceptional circumstances
- Lending to businesses with minimum operating history of 18 months
- Exclude lending to "high risk" industries.

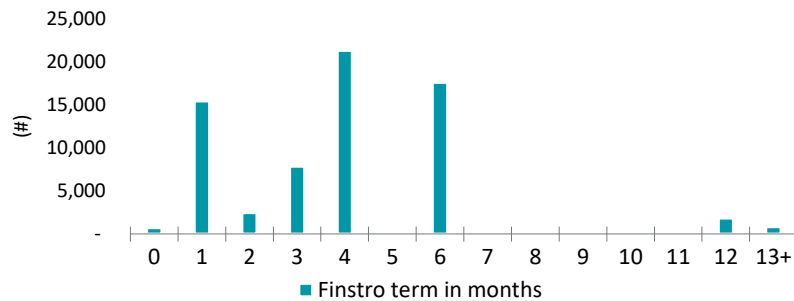
COVID-19 related rules have been relaxed in the revised Mar-21 Credit Policy and no further changes have been made.



## Portfolio analysis | Finstro Platform

The majority of receivables (98.80%) on the Finstro platform have loan terms of up to 12 months. Finstro write-offs since inception represent 1.80% of gross principal advanced

**Finstro platform - term frequency since inception to Jun-22**



Source: Source: 07.01.16 Total Transactions Report (integration)\_&\_Write Offs\_30 June 22

### Finstro platform – loan term analysis

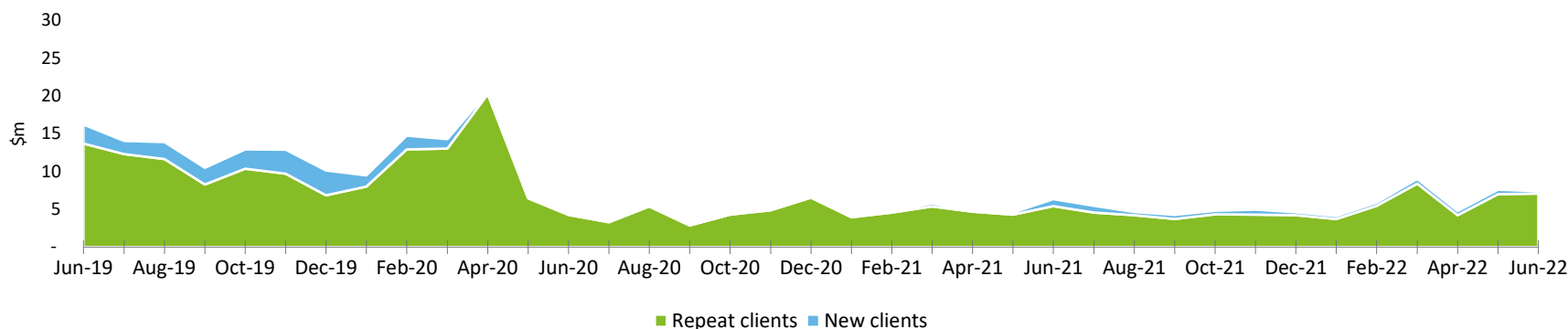
- Core products on the Finstro platform have a loan term up to 12 months, with 98.80% of loans (67,873) having a term between one and twelve months since inception to Jun-22. The underlying loans are within short term revolving facilities used to fund working capital.
- Since inception the average term length on the Finstro platform is 4.9 months.
- 21,304 (31.01%) loans had a term of four months and 17,598 (25.62%) loans had a term of six months, since inception to Jun-22.
- If an agreement with a client is made to modify repayments for a period of time during financial hardship, the term is extended, on average up to 14 months.
- This facilitates the reduced repayments and revised principal and interest calculations.
- In specific circumstances to support a client and reduce repayment amounts, the term may be extended up to 60 months.
- Write-offs since inception of OAFIT in 2016 total \$20.3m (1.80% of original principal advanced since inception) and predominantly relate to the Cash Advance product.



## Portfolio analysis | Finstro Platform

Repeat clients constitute 95.78% of net cash advanced on a value basis and 95.04% on a volume basis. All settlements in the first 30 days of transacting over the Finstro platform are classified as new clients

### Finstro platform - net cash advanced - repeat vs new clients (Jun-19 to Jun-22)



Source: 07.01.16 Total Transactions Report (integration) & Write Offs 30 June 22

#### Finstro platform – repeat client analysis

- As per Finstro policy, all settlements in the first 30 days of transacting over the Finstro platform are classified as new clients (according to unique supplier ID). All subsequent transactions are classified as repeat business.
- New clients (blue shading) are effectively in the first month of lending.

#### Original principal advanced

- Between Jul-19 and Jun-22, \$774.3m (95.96%) and \$32.6m (4.04%) of original principal advanced relates to repeat clients and new clients respectively.

#### Net cash advanced

- Between Jul-19 and Jun-22, \$240.5m (89.26%) and \$28.9m (10.74%) of net cash advanced relates to repeat clients and new clients respectively.
- Between Jul-19 and Jun-22, repeat clients accounted for 28,804 (90.16%) loans and new clients contributed 3,145 (9.84%) new loans by volume.

#### Net cash advanced (continued)

- Net cash advanced is lower than the notional original principal advanced, due to the high velocity and short-term nature of loans advanced over the platform. Net cash advanced represents loans to clients, less repayments on previous repaid facilities for the same client over time.



## Portfolio analysis | Finstro Platform

There are two COVID-19 support packages. The first support package COVID-19 v1, is predominantly in the process of being repaid, refinanced or written off, while the second, COVID-19 v2 began after Jul-21

### COVID-19 support package - 1

| \$   | Jun-21           | Dec-21           | Jun-22           |
|--|------------------|------------------|------------------|
| Support A - 12 month Term Loan                   | 428,823          | 857,014          | 1,194,139        |
| Support A - 18 month Term Loan                   | 392,870          | 187,260          | 70,291           |
| Support A - 48 month Term Loan                   | 1,117,710        | 746,589          | 412,023          |
| Support B - 3 month Holiday   18 month Term Loan | 434,998          | 155,907          | -                |
| Support B - 6 month Holiday   12 month Term Loan | 2,748,756        | 535,025          | 86,502           |
| Support B - 6 month Holiday   18 month Term Loan | 227,139          | 83,959           | -                |
| <b>Total outstanding balance</b>                 | <b>5,350,297</b> | <b>2,565,754</b> | <b>1,762,956</b> |

Source: 07.05.02 COVID Client Support as at 31 Dec 21; 07.05.01 COVID Client Support as at 30 June 22

### COVID-19 support package 1 - aging analysis as at Jun-22

| \$                           | <30            | 31-59         | 60-89         | 90-119        | >120 days      | Total            |
|------------------------------|----------------|---------------|---------------|---------------|----------------|------------------|
| <b>Support A</b>             |                |               |               |               |                |                  |
| 12 month TL                  | 151,856        | 19,893        | 47,367        | 41,130        | 130,495        | 1,194,139        |
| 18 month TL                  | -              | -             | -             | -             | 336            | 21,773           |
| 48 month TL                  | 32,554         | 58,832        | -             | 28,021        | -              | 407,861          |
| <b>Support B</b>             |                |               |               |               |                |                  |
| 3 month Hol 18 month TL      | -              | -             | -             | -             | -              | -                |
| 6 month Hol 12 month TL      | -              | -             | -             | -             | -              | 24,667           |
| 6 month Hol 18 month TL      | -              | -             | -             | -             | -              | -                |
| <b>Total Finstro Owned</b>   | <b>184,410</b> | <b>78,725</b> | <b>47,367</b> | <b>69,152</b> | <b>130,832</b> | <b>1,648,440</b> |
| <b>Support A</b>             |                |               |               |               |                |                  |
| 12 month TL                  | -              | -             | -             | -             | -              | -                |
| 18 month TL                  | 48,518         | -             | -             | -             | -              | 48,518           |
| 48 month TL                  | -              | -             | -             | -             | -              | 4,163            |
| <b>Support B</b>             |                |               |               |               |                |                  |
| 3 month Hol 18 month TL      | -              | -             | -             | -             | -              | -                |
| 6 month Hol 12 month TL      | -              | -             | -             | -             | -              | 61,835           |
| 6 month Hol 18 month TL      | -              | -             | -             | -             | -              | -                |
| <b>Total Finstro Managed</b> | <b>48,518</b>  | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>       | <b>114,516</b>   |
| <b>Total</b>                 | <b>232,928</b> | <b>78,725</b> | <b>47,367</b> | <b>69,152</b> | <b>130,832</b> | <b>1,762,956</b> |

Source: 07.05.01 COVID Client Support as at 30 June 22

Note 1: TL refers to term loans and Hol refers to holiday

### Total portfolio receiving support

| \$   | Jun-22      |
|--|-------------|
| Total loans balance provided support (incl. COVID v1 and v2) | 10,331,540  |
| Amounts altered or deferred                                  | 979,405     |
| <b>% of total portfolio receiving support</b>                | <b>1.4%</b> |

Source: 07.05.02 Payment Movement June 2022

### Total portfolio related payment amendments

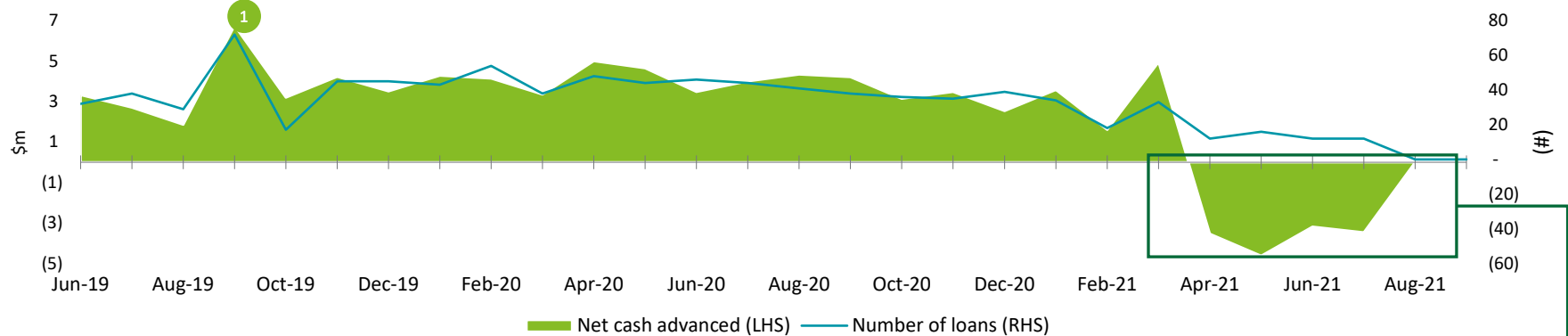
- The adjacent tables have been prepared using COVID-19 v1 related support package listings for Jun-21, Dec-21 and Jun-22 provided by Management. A number of receivables are managed on the Finstro platform but not held by FAT directly. This is a strategic arrangement to drive scale.
- Support A packages relate to loans from COVID-19 v1 that were provided during COVID-19 and have had a loan extension applied for 12, 18 or 48 months.
- Support B packages relate to loans from COVID-19 v1 in more distressed situations that were due during COVID-19, and have had a payment holiday of three or six months applied, with a subsequent loan extension of 12 or 18 months to repay the loan.
- The table above was prepared using payments movement data. A number of clients altered or deferred payments, which is shown above.
- There are 342 clients receiving support/ repayment re-profiling, with an average payment movement amount of \$1,813.7 across 540 movements.
- Where payments under the agreements are not met arrears interest is charged.
- As at Jun-22, 1.40% of the receivables portfolio was receiving support/ repayment re-profiling compared to 1.26% as at Dec-21.
- Where loans receiving relief subsequently fall into arrears, the original arrears category will apply and the arrears category is not set to zero. If a transaction in arrears is rolled up into a payment plan, the arrears amount remains. The arrears amount only decreases as payments are made, by the amount paid.



# Portfolio analysis | Pharmacy Program

Pharmacy funding products provided over the TIQ platform are closed for new business and new pharmacy funding is provided over the Finstro and CRM (Corporate) platforms

## Pharmacy program - monthly net cash advanced and new loans (Jun-19 to Aug-21)



Source: 07.01.09 AG\_AR31.12.2021\_Pharma\_30.09.2021

### Pharmacy program overview

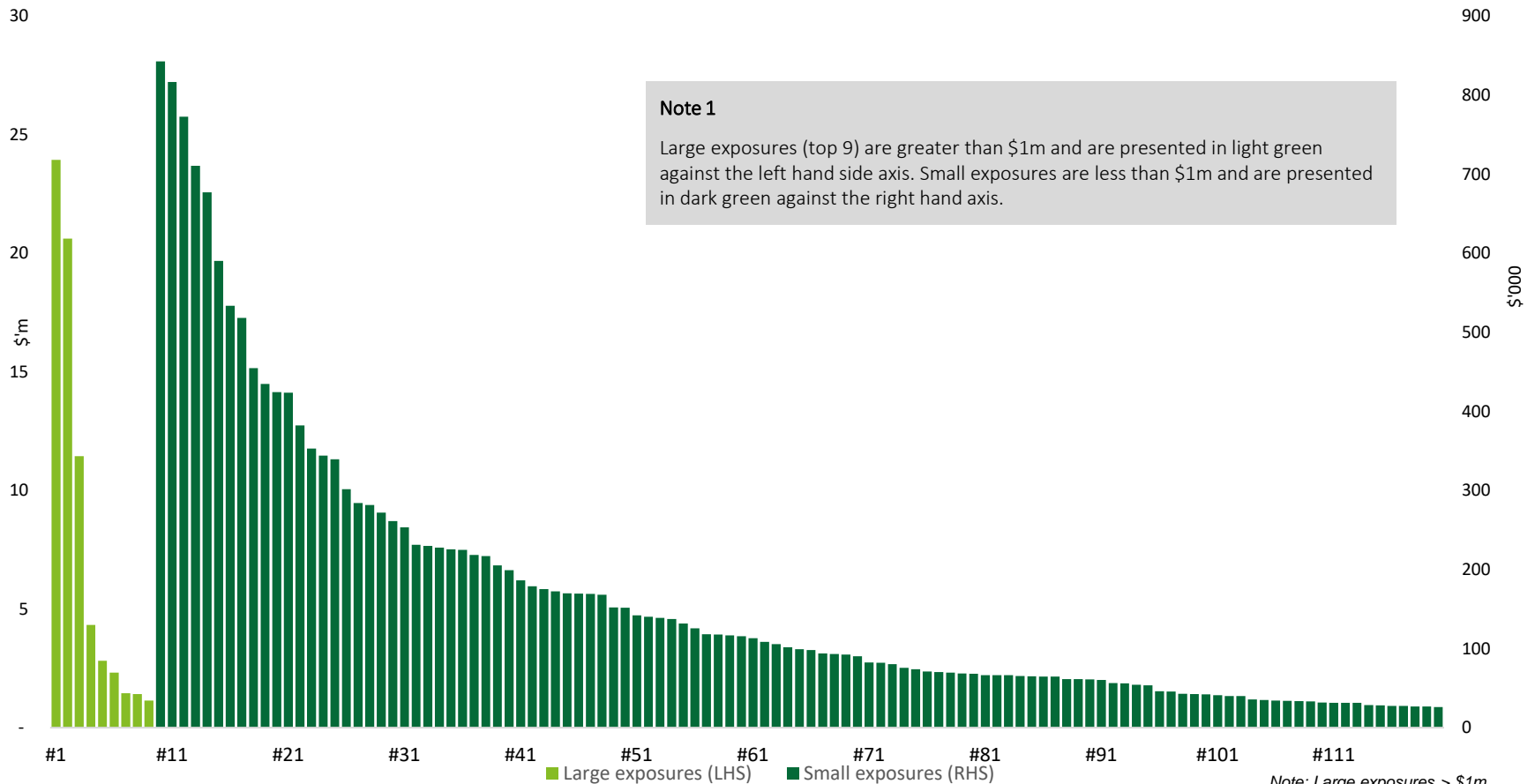
- The Pharmacy program is a supplier finance product previously housed on the TIQ platform and involves funding inventory payments to pharmaceutical manufacturers (wholesalers such as Sigma Pharmaceuticals) on behalf of retail pharmacies.
- 1 Since Jul-19, 1,199 loans have been written under the Pharmacy program with net cash advanced of \$106.5m and an average loan size of \$88.8k.
- The maximum cash advanced in one month was \$6.7m in September 2019 (72 new loans) and was driven by delayed August 2019 settlements totalling \$1.8m (21 loans) occurring in early September.
- The Pharmacy program is characterised by short term (< 180 days) principal repayment and since July 2019, 974 (81.23%) and 202 (16.85%) of new loans had a term of four months and five months respectively.

The decline in the number of transactions and total value between Apr-21 and Dec-21 relates to a number of pharmacies under the original TIQ funding program repaying their facilities. Management has indicated additional obligors have repaid their facilities between Jun-21 and Dec-21. New pharmacy funding is provided over the Finstro and CRM (Corporate) platforms.

## Portfolio analysis | Agriculture Debtors

Agriculture is a key sector within the Invoice Finance category. Agriculture funding is provided over the TIQ (which also houses the pharmacy program) and Aquarius platforms. Refer to the following page for more information

### Agriculture debtors as at 30 June 2022



Source: 07.01.09 AGAR31.12.2021\_Pharma\_30.09.2021

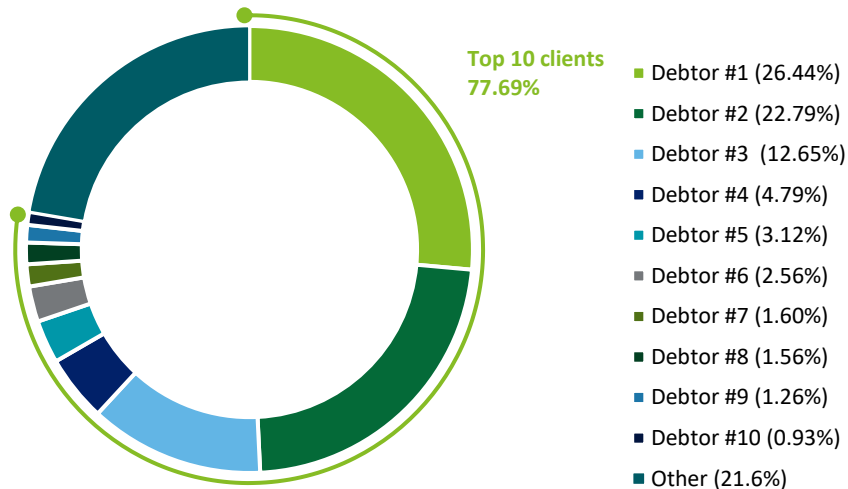
Project Apple 2 | Final due diligence report | 17 August 2022

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## Portfolio analysis | Agriculture Debtors

The largest agriculture debtor as at June 2022 accounts for 26.44% of all agriculture receivables and the top ten clients account for 77.69% of total receivables

### Agriculture debtors concentration as at 30 June 2022



Source: 07.01.21 AG\_Receivables\_June 22

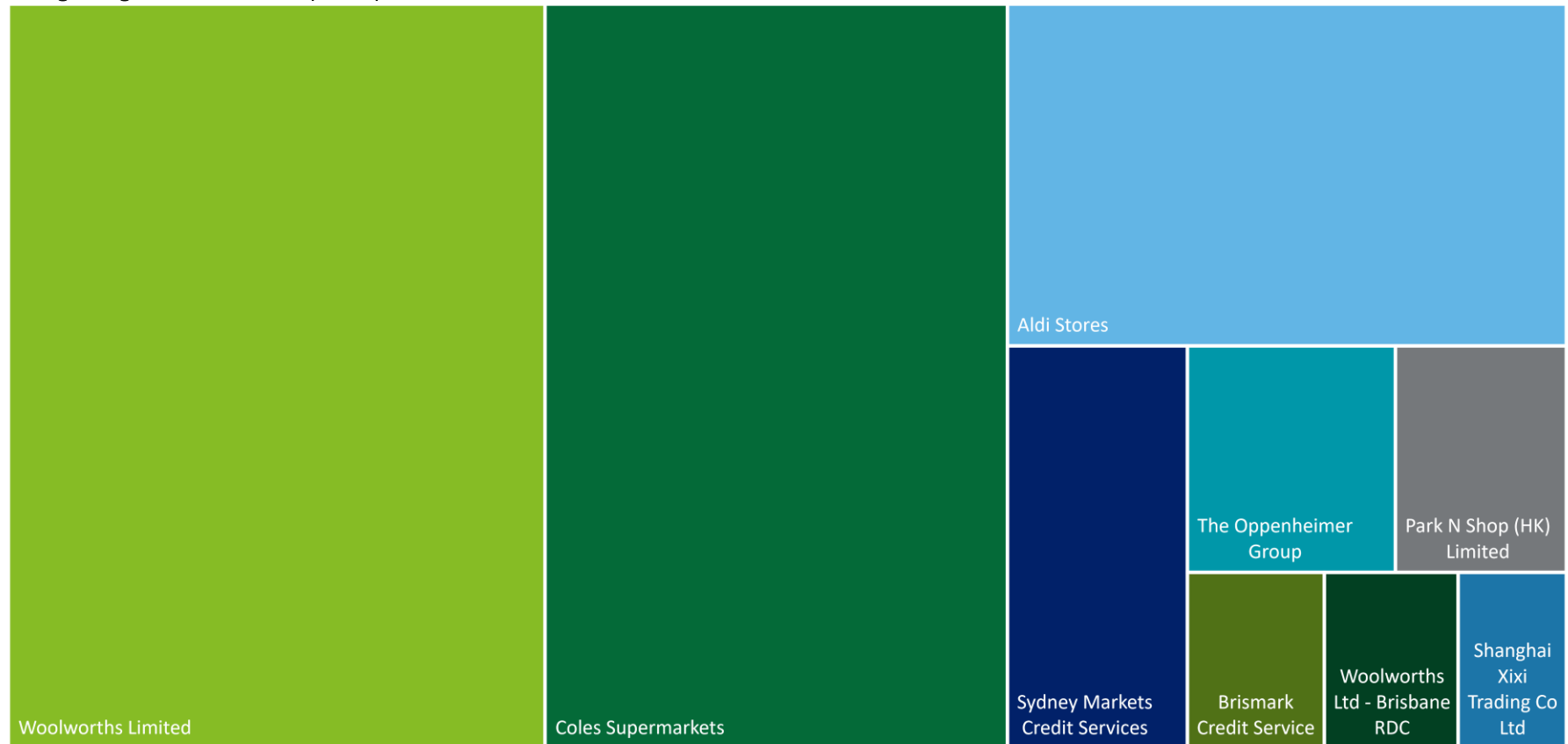
### Agriculture debtor funding

- Clients, such as farmers and food wholesalers, receive funds against receivables owed by major food retailers. The underlying debtors are dominated by the two largest listed supermarket retailers in Australia, Woolworths and Coles.
- Agriculture debtor funding is provided over the Aquarius and TIQ platforms.
- The largest agriculture debtor as at June 2022 accounts for 26.44% of all agriculture receivables and the top ten clients account for 77.69% of total receivables.

## Portfolio analysis | Agriculture Debtors

Agriculture is a key sector within the Invoice Finance category and the Agriculture, Forestry and Fishing sector makes up 14.01% of the total portfolio as at Jun-22. Agriculture funding is provided over the TIQ (which also houses the pharmacy program) and Aquarius platforms

### Largest Agriculture debtors (>\$1m) as at 30 June 2022



Note: Aldi Store – Stapylton refers to the distribution warehouse in Stapylton, QLD.



## Portfolio analysis | Dancerace platform

The Dancerace platform maintains the Invoice Discounting product (Invoice Finance) and has a diverse range of underlying clients and client debtors. The table below presents a sample of clients maintained on the platform and a breakdown of their accounts receivable book over the period

| Client   | Unique debtors (#) | Unique docs (#) | Average docs per debtor | Total client A/R | Average amount per debtor | Mvmt till Jun-22 |
|----------|--------------------|-----------------|-------------------------|------------------|---------------------------|------------------|
| Client 1 | 166                | 1,773           | 10.7                    | 85.9             | \$517k                    | \$85.9m          |
| Client 2 | 19                 | 1,428           | 75.2                    | 16.2             | \$853k                    | \$16.2m          |
| Client 3 | 13                 | 2,509           | 193.0                   | 14.0             | \$1,080k                  | \$14.0m          |
| Client 4 | 8                  | 693             | 86.6                    | 9.9              | \$1,242k                  | \$9.9m           |
| Client 5 | 89                 | 2,310           | 26.0                    | 19.5             | \$220k                    | \$19.5m          |
| Client 6 | 25                 | 839             | 33.6                    | 18.7             | \$747k                    | \$18.7m          |
| Client 7 | 1                  | 392             | 392.0                   | 40.8             | \$40,804                  | \$40.8m          |

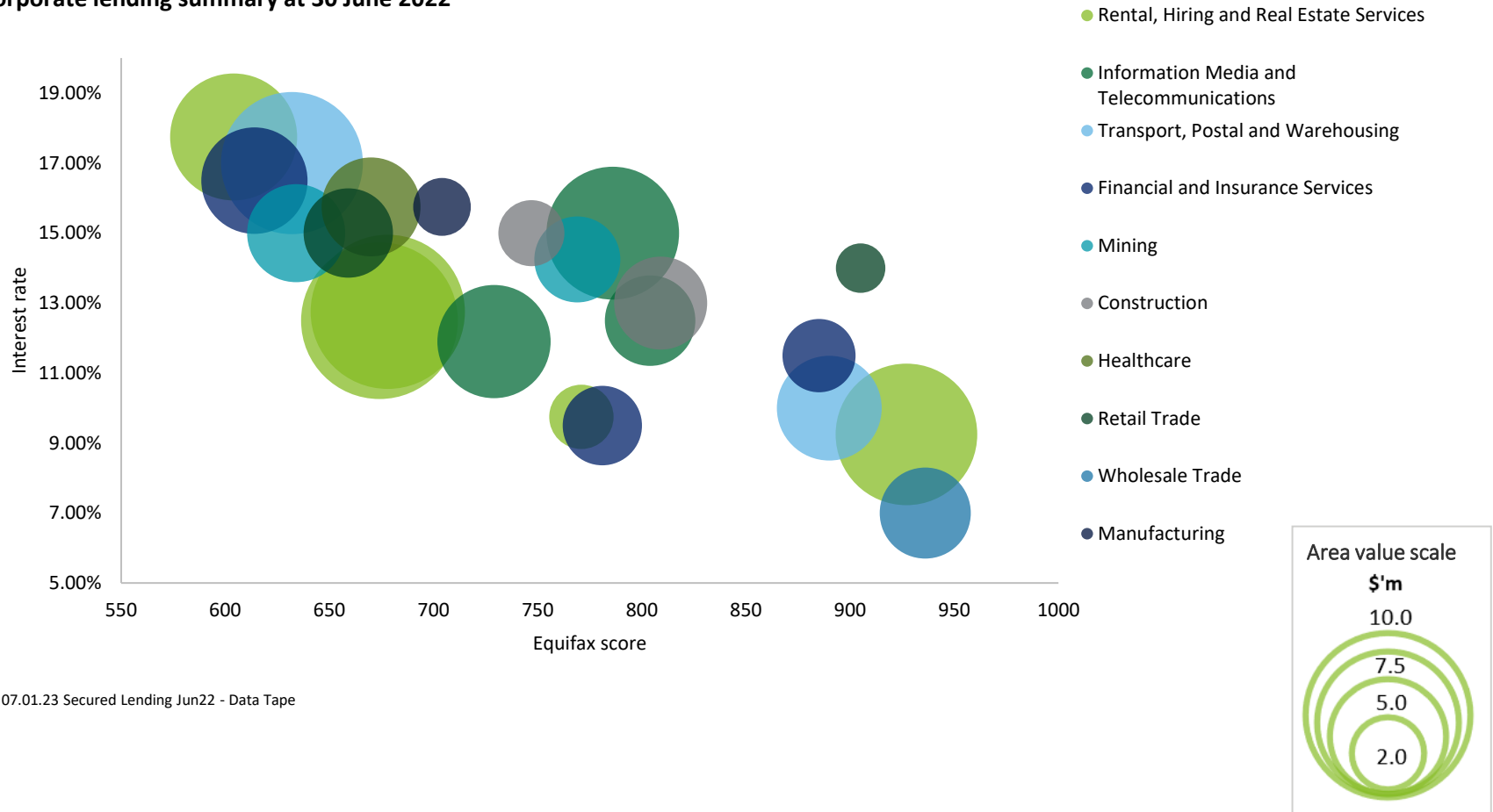
### Dancerace platform overview

- The Dancerace platform replaced the Aquarius Platform in Jul-21 due to its automation and cost efficiency benefits. Aquarius system was due for an upgrade and after reviewing various alternatives, a decision was made to move to Dancerace.
- The Invoice Discounting product on the Dancerace platform relates to a short term (typically <60 days) pool of diversified receivables covered by trade credit insurance. These underlying receivable assets relate to the client's sale of goods and/or services on payment terms.
- We have analysed a sample extract of seven clients maintained on the Dancerace platform (invoice discounting).
- Each client has a range of debtors, each with multiple underlying invoices and credit adjustment notes.
- The clients sampled had a net turnover of invoices of c.\$205.1m from Jan-19 to Jun-22, representing 100% of total debtors.
- The invoice discounting proposal template outlines the standard operation of the debtor finance facility as:
  - Goods & services are provided to customers and invoices are sent
  - Invoice details are shared electronically in real time
  - Funds up to 80% of the value of approved invoices are provided
  - Normal collection procedure is followed and customers pay into a nominated bank account in clients name
  - When payment is made, the initial amount of funds provided, fees and charges are deducted and the balance is paid to clients.

## Portfolio analysis | Corporate Lending

The corporate lending balance is \$138.7m across 22 clients, of which 88.74% have a “Good” or above Equifax credit rating. All loans were originated in 2021-2022, and their total value represents a \$22.8m increase on the Dec-21 balance. The average annual interest rate across the portfolio is 13.21%

### Corporate lending summary at 30 June 2022

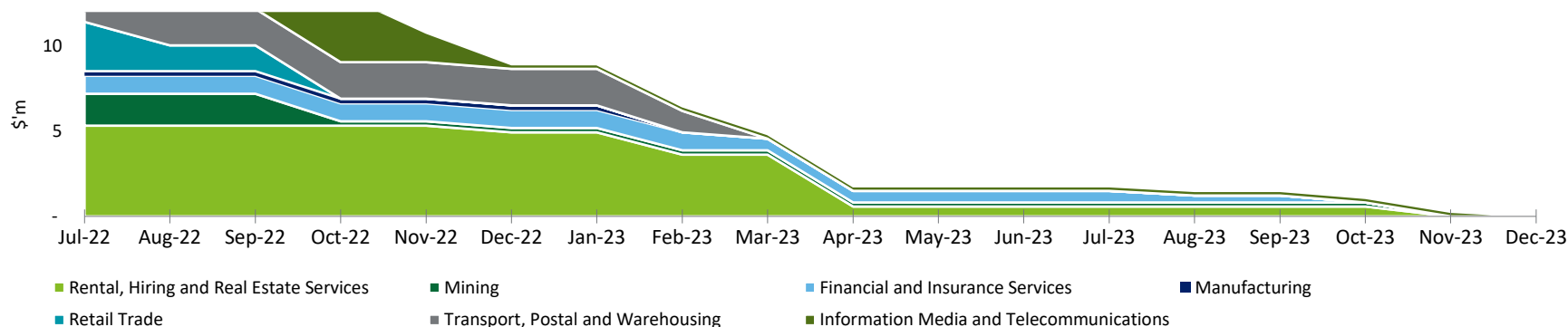


Source: 07.01.23 Secured Lending Jun22 - Data Tape

# Portfolio analysis | Corporate Lending

The average loan term and average remaining term across the corporate lending portfolio is 1.3 years and 7 months

## Corporate lending expected repayment profile as at Jun-22



Source: Corporate Lending Data Tape – 31 December 2021

## Industry weighted average interest rate and exposure

| Industry                                 | Interest rate | Exposure (\$m) |
|--|---------------|----------------|
| Rental, Hiring and Real Estate Services  | 12.86%        | 50.5           |
| Information Media and Telecommunications | 13.45%        | 22.1           |
| Transport, Postal and Warehousing        | 14.09%        | 17.8           |
| Financial and Insurance Services         | 13.82%        | 13.1           |
| Mining                                   | 14.87%        | 9.7            |
| Construction                             | 13.56%        | 7.4            |
| Healthcare                               | 15.75%        | 5.6            |
| Retail Trade                             | 14.52%        | 5.9            |
| Wholesale Trade                          | 7.00%         | 4.7            |
| Manufacturing                            | 15.75%        | 1.9            |
| <b>Total</b>                             |               | <b>138.7</b>   |

Note: the interest rate has been weighted by the total payable (P+I) balance

Source: 07.0123 Secured Lending Jun22 - Data Tape

## Corporate Lending

- Products on the corporate lending facility have a loan term of up to 24 months, with the shortest term in the current portfolio being 9 months. 26.49% of the portfolio have a term of 18 months or greater. All loans were originated in the last twelve months ending Jun-22.
- The total interest payable on the portfolio is \$31.2m, with 72.25% of the portfolio made up of interest only loans.



## Portfolio analysis | Corporate Lending

Koh Group loans have met all obligations since inception and is expected to be repaid in Dec-22.

Wagepay is a new customer with initial drawdown expected in July 2022 and repayment by Jul-25

| Borrower  | Status | Due diligence scope  | Compliance with ongoing reporting obligations  | Compliance with financial covenants   | Commentary   |
|-----------|--------|--|--|---|--|
| Koh Group | Live   | <ul style="list-style-type: none"> <li>Financial due diligence</li> <li>Operational due diligence</li> <li>Business strategy</li> <li>Corporate, legal and technology review</li> <li>Management review</li> <li>Independent credit check</li> <li>Shareholder and equity funding</li> <li>Corporate model review</li> </ul> | <ul style="list-style-type: none"> <li>Director certified management accounts (monthly)</li> <li>Compliance certificate in relation to financial covenants signed by two Directors of the company (monthly)</li> </ul>   | <ul style="list-style-type: none"> <li>Leverage ratio (0.5)</li> <li>Debt service cover ratio (1.10)</li> <li>Advertising costs (35%)</li> <li>Debt outstanding (\$5.0m)</li> </ul> | <ul style="list-style-type: none"> <li>All reporting obligations met from inception of loan to December 2021</li> <li>Financial covenants tracked and met from inception of loan to June 2022</li> </ul> |
| Wagepay   | Live   | <ul style="list-style-type: none"> <li>Financial due diligence</li> <li>Operational due diligence</li> <li>Business strategy</li> <li>Corporate model and technology review</li> <li>Competition/ Regulatory review</li> <li>Management review</li> <li>Loan book review</li> <li>Shareholder and equity funding</li> </ul>  | <ul style="list-style-type: none"> <li>Director certified management accounts (monthly)</li> <li>Director certified annual management accounts and signed Audited financials if Outstanding balance of all Receivables exceeds A\$5m.</li> <li>Compliance certificate in relation to financial covenants signed by two Directors of the company (monthly)</li> </ul> | <ul style="list-style-type: none"> <li>Arrears Rate (4%)</li> <li>Risk Adjusted Yield (1%)</li> <li>Customer Concentration Limit (5%)</li> <li>Interest Cover Ratio (2x)</li> </ul> | <ul style="list-style-type: none"> <li>Initial due diligence undertaken and drawdown expected in July 2022 with covenants and reporting obligations expected from August 2022 onwards.</li> </ul>        |





## Portfolio analysis | Corporate Lending

Mediconsul Group has met all reporting obligations to Jun-22. Consolidated Tin Mines loans have been repaid in Mar-22 with all reporting obligations met till Feb-22

| Borrower                   | Status | Due diligence scope   | Compliance with ongoing reporting obligations  | Compliance with financial covenants   | Commentary   |
|----------------------------|--------|---|--|---|--|
| Mediconsul Group Pty Ltd   | Live   | <ul style="list-style-type: none"> <li>Financial due diligence</li> <li>Operational due diligence</li> <li>Business strategy</li> <li>Corporate, legal and technology review</li> <li>Management review</li> </ul>            | <ul style="list-style-type: none"> <li>Quarterly management accounts of the borrower</li> <li>Compliance certificate in relation to financial covenants signed by two Directors of the company (half yearly)</li> </ul>  | <ul style="list-style-type: none"> <li>Leverage ratio (3.5x)</li> <li>Interest cover ratio (2.5 x)</li> </ul> | <ul style="list-style-type: none"> <li>All reporting obligations met till June 2022</li> <li>Financial covenants tracked and met till June 2022</li> </ul> |
| Consolidated Tin Mines Ltd | Repaid | <ul style="list-style-type: none"> <li>Company overview</li> <li>Industry outlook</li> <li>Operational due diligence</li> <li>Commercial due diligence</li> <li>Financial due diligence</li> <li>Management review</li> </ul> | <ul style="list-style-type: none"> <li>Semi-annual Consolidated Financial Accounts of the Borrower and its Subsidiaries</li> <li>Unaudited Monthly management financial accounts of the Borrower and its Subsidiaries</li> <li>A weekly mining report and summary of operations and developments</li> <li>Summary of assets schedule</li> <li>Certification of net assets value</li> </ul> | <ul style="list-style-type: none"> <li>No financial covenants applicable</li> </ul>                           | <ul style="list-style-type: none"> <li>All reporting obligations met till Feb 2022 and loan was repaid in March 2022</li> </ul>                            |



## Portfolio analysis | Corporate Lending

The Flying Wombats and Bravus loans have met all reporting obligations to June-22. The loans are expected to be repaid in Sep-23 and Dec-25 respectively

| Borrower       | Status | Due diligence scope   | Compliance with ongoing reporting obligations   | Compliance with financial covenants  | Commentary   |
|----------------|--------|---|---|--|--|
| Flying Wombats | Live   | <ul style="list-style-type: none"> <li>Financial due diligence</li> <li>Operational due diligence</li> <li>Business strategy</li> <li>Risk and mitigants</li> <li>Management review</li> <li>Review of helicopter assets</li> </ul> | <ul style="list-style-type: none"> <li>Director certified audited annual accounts</li> <li>Compliance certificate in relation to financial covenants signed by two Directors and an accountant of the company (quarterly)</li> <li>Monthly management accounts of the Borrower</li> <li>Monthly account statement for the Cash Reserve Account</li> </ul> | <ul style="list-style-type: none"> <li>Leverage ratio – Tranche A (12.5x)</li> <li>Leverage ratio – Tranche B (85.0x)</li> </ul> | <ul style="list-style-type: none"> <li>All reporting obligations met till June 2022</li> <li>Financial covenants tracked and met till June 2022</li> </ul> |
| Bravus         | Live   | <ul style="list-style-type: none"> <li>Company overview</li> <li>Operational due diligence</li> <li>Risks and mitigants</li> <li>Financial due diligence</li> <li>Management review</li> </ul>                                      | <ul style="list-style-type: none"> <li>Director certified audited annual accounts</li> <li>Director certified management accounts (quarterly)</li> </ul>  | <ul style="list-style-type: none"> <li>No financial covenants applicable</li> </ul>  | <ul style="list-style-type: none"> <li>All reporting obligations met till March 2022.</li> </ul>   |



## Portfolio analysis | Insurance

As at Jun-22 there were \$492.7m of receivables with insurance coverage and \$88.8m of cash held with ADIs backing A Class Notes. The combined maximum payout under the in-force insurance policies is \$150m per policy period. Pandemics are not an excluded item

| Product            | Policy                           | Expiry   | Maximum payout per policy period | Excluded items           |
|--------------------|----------------------------------|----------|----------------------------------|--------------------------|
| Invoice financing  | Allianz / Euler Hermes Australia | 30/11/22 | \$50m                            | Fraud and political risk |
| Supplier financing | QBE                              | 30/06/23 | \$100m                           | Fraud and political risk |

### Insurance coverage

A Class Notes are backed by eligible supplier & invoice finance receivables and cash. As at Jun-22, \$492.7m (100%) of supplier and invoice finance receivables had insurance coverage. The combined maximum payout under the in-force insurance policies is \$150m per policy period.

### Pandemics not excluded

We have sighted correspondence from the commercial underwriter that confirms that there are no exclusions for pandemics under the in-force policies.

### Allianz / Euler Hermes insurance coverage

- Insurance policies over the underlying receivables of the OAFIT enable coupon payments to be made to Note holders, in the event of a credit loss.
- Allianz / Euler Hermes provide insurance cover over receivables invested in invoice financing.
- Per the FCFM Trade Credit Insurance Policy, the payment terms of the underlying debtor can be no more than 180 days (6 months).
- There is an 'excess' or non-qualifying loss threshold of \$2,500. The maximum payout in a policy period is \$50m. The minimum premium excluding taxes is \$333k per annum.
- Allianz provides Trade Credit Insurance, so that any default from an eligible borrower is fully covered in Oceania. The policy does not cover instances of fraud.
- Generally insurance covers up to 90% of a debt. OAFIT only lends a percentage of total invoice value (typically 80-85%) that ensures all capital and accrued interest is received in the event of a default.
- Schedule 1, clause 3.1 (a) of the Series Notice, stipulates *"the value of the A Class Notes outstanding cannot exceed the value of the insured assets of the Fund"*. Therefore all the assets supporting the A Class Notes must always be covered by insurance.
- The insurance covenant was met as at Jun-19, Jun-20, Jun-21, Dec-21 and as at Jun-22 there was \$492.7m of insured supplier and invoice finance receivables in favour of A Class Noteholders.



## Portfolio analysis | Insurance

As at Jun-22 there were \$492.7m of receivables with insurance coverage and \$88.8m of cash held with ADIs backing A Class Notes. The combined maximum payout under the in-force insurance policies is \$150m per policy period. Pandemics are not an excluded item

| Product            | Policy                           | Expiry   | Maximum payout per policy period | Excluded items           |
|--------------------|----------------------------------|----------|----------------------------------|--------------------------|
| Invoice financing  | Allianz / Euler Hermes Australia | 30/11/22 | \$50m                            | Fraud and political risk |
| Supplier financing | QBE                              | 30/06/23 | \$100m                           | Fraud and political risk |

### QBE insurance coverage

- The key terms of the renewed QBE insurance policy applicable for the period ending 30 June 2023 are consistent with policy in force for FY22.
- The relevant insurance policies have been renewed every year since inception of the OAFIT.
- The QBE policy covers supplier financing for the purchases of inventory, with a maximum payout in a policy period of \$100m.
- The insured percentage covers 90% of the loss (amount owed including interest), subject to an aggregate deductible of \$150k and a non-qualifying loss of \$25k.
- The discretionary credit limit for which no shadow approval from the insurer is required is \$100k.
- The level of cover provided is limited to the insured percentage of the insured loss which exceeds the aggregate deductible to be borne by the OAFIT in respect of the policy period.

### Claims process

- FC Capital submits the following key documentation to the relevant insurer (depending on product that claim relates to) to commence the claims process:
  - Facility Agreement
  - Customer Agreement (form of debtor acknowledgment)
  - Settlement tranche schedule
  - Proof of delivery or equivalent from client/supplier of the goods and services
  - Manual claim form for the Allianz policy
  - Evidence of appointment of a liquidator or administrator (if relevant)
  - Legal statement of claim and commencement of court proceedings (in instances of a protracted dispute)

### Shadow approvals

- Funds provided via a relevant product under \$50k are automatically covered by the insurance policies. Loans over \$50k require shadow approval by the insurer.

### Claims history

- Seven claims have been lodged by FC Capital since inception of OAFIT (20 January 2016) for amounts totalling \$223.8k, in relation to bankruptcy and/or liquidation. There have been no claims since April 2020, as all potential claim amounts since this time have been within the QBE aggregate deductible.
- Historically claim payments received have been c. 80% - 85% of the total amount claimed.
- Refer to following page for an overview of insurance claims.



## Portfolio analysis | Insurance

Seven claims have been lodged by FC Capital since inception (20 January 2016) for amounts totalling \$223.8k, in relation to bankruptcy and/or liquidation. Management has confirmed there have been no claims since Apr-20 and there are no claims imminent at the date of this report

| Claim | Company  | Reason                 | Amount claimed | Amount paid | Process duration        |
|-------|--|------------------------|----------------|-------------|-------------------------|
| #1    | Yarracom Pty Ltd   | Bankruptcy/Liquidation | \$31,822       | \$26,094    | 20/04/2020 – 14/06/2020 |
| #2    | Altiform Pty Ltd   | Bankruptcy/Liquidation | \$29,721       | \$24,668    | 24/04/2020 – 04/08/2020 |
| #3    | Smiling Lotus Pty Ltd  | Bankruptcy/Liquidation | \$29,361       | \$24,593    | 26/05/2020 – 14/08/2020 |
| #4    | Exuberants Pty Ltd<br>trading as Walkers<br>Doughnuts                                | Bankruptcy/Liquidation | \$32,628       | \$27,081    | 20/05/2020 – 07/08/2020 |
| #5    | MPS Family Pty Ltd ATF<br>MPS Family Trust T/as<br>Laneway on Darby                  | Liquidation            | \$70,253       | \$58,662    | 25/06/2020 – 30/04/2021 |
| #6    | FANCREST<br>CORPORATION PTY LTD<br>ATF AV Enterprises Trust<br>T/as Verity Jewellers | Liquidation            | \$5,062        | \$4,141     | 11/09/2015 – 17/12/2015 |
| #7    | WINFIELD<br>CONSTRUCTION PTY LTD   | Liquidation            | \$24,912       | \$20,386    | 31/07/2015 – 27/08/2015 |



# Appendices

|                    |    |
|--------------------|----|
| Executive Summary  | 6  |
| OAFIT overview     | 13 |
| Funding analysis   | 21 |
| Portfolio analysis | 32 |
| Appendices         | 60 |



# Appendices | A1: Scope

## Engagement letter

### Relevant period

We will perform the Due Diligence in relation to the financial years ended 30 June 2021, 30 June 2022 and the six months ended 31 December 2021.

We will report on each of the Due Diligence tasks set out below.

### 1. Fund Overview & Structure

- Read monthly updates, management presentations and other background information to understand trends and details of OAFIT's credit quality and operations. **Pg.14**
- Summarise the operating environment of the OAFIT, appointed trustee, custodian and issuing agent, asset manager, and majority unitholders. **Pg.14 - 18**
- Perform high level analysis on the fund manager, including governance structure, audit status, AFSL licence, compliance committee and quarterly checklists if relevant. **Pg.19- 20**
- Analyse the capital preservation requirements of the Series Notice. **Pg.23 - 27**
- Summarise the security profile of the Notes and the rights Noteholders have to enforce security and access the cash flows of all 3 trusts (OAFIT, FIRST, FAT) via the Security Trustee and cross-default provisions in all relevant Series Notices. **Pg.23 – 28**
- Appointment of Oceana Management as manager of OAFIT. **Pg. .15**
- Summarise enforcement rights and voting thresholds. **Pg.23 - 28**
- Summarise the funding composition of the OAFIT, including historical balance, investment criteria and covenant protection, by tranche. **Pg.22 - 25**
- Analysis of investor funding base, including exposure, geographic concentration, and expected maturity. **Pg.30 – 32**

### 1. Fund Overview & Structure (continued)

- Walkthrough a typical monthly inflow of repayments through the cashflow waterfall, including to the note holders, unit holders, and underlying trusts FIRST and FAT, showing dollar amounts for Dec-21. **Pg.29**

### 2. Credit Quality

- Summarise the composition of the receivables book over the historical period and provide an overview of the nature of the financial products included in the pool (pharmacy program, invoice discounting, supplier finance, invoice factoring etc.). **Pg.34 - 38**
- Analyse the underlying assets of the OAFIT in relation to: **Pg.39**
  - Principal and term outstanding; and,
  - Analysis of customer/vendor/supplier concentration.
- Insurance coverage: **Pg.58- 60**
  - Summarise insurance policies held including type of policy, expiration date, maximum payout per policy period, non-qualifying loss threshold, annual premium, excluded items and other key factors;
  - Analyse the percentage of receivables covered by Trade Credit Insurance (TCI) through Allianz or other insurance providers, with reference to the balance of Notes outstanding; and,
  - Analyse insurance claims experience for the portfolio over the historical period.
- Analysis of trends in historical arrears since inception to 30 June 2022, including total and average arrears amounts, arrears rate, loss reserve amount, and portfolio coverage. **Pg.40 – 41**
- Tie out of applications and redemptions for the Historical Period to the cash flow statement. **Pg.8 & 31**



# Appendices | A1: Scope

## Engagement letter

### 3. Additional portfolio analysis

#### Finstro platform

- Reconcile data tape to previously provided portfolio summary reports.
- Provide a summary of transactions on the Finstro platform for each year since inception, including:
  - Net cash advanced (total value);
  - Number of loans;
  - Average transaction size;
  - Supplier roll-off analysis;
  - Analysis of borrowers on COVID-19 related support packages from April 20-June 22; and,
  - Write-Off analysis.

Pg.43

Pg.44 - 46

#### Pharmacy program

- Reconcile data tape to previously provided portfolio summary reports.
- Analyse the repayment profile of the Pharmacy data tape.

Pg.43

Pg.48

#### Agriculture debtors

- Provide a summary of agriculture debtors as at 30 June 2022, including:
  - Total number of debtors;
  - Total number of individual transactions; and,
  - Total exposure and average exposure.

Pg.49 - 51

### 4. Additional portfolio analysis (continued)

#### Dancerace platform

- Assess sample of debtors on Dancerace debtor finance platform and client movement reports.
- Comment on the turnover of invoices and the range of debtors.
- Analyse the invoice discounting proposal template.

Pg. 52

Pg.52

Pg.52

#### Corporate lending transactions

- Analyse the corporate lending data tape to present a summary of the portfolio by loan size, interest rate, and debt service cover ratio.
- Analyse a sample of recent corporate lending transactions, including:
  - Assess due diligence reports prepared as part of the application process; and,
  - Analyse tracking of compliance with ongoing reporting obligations and financial covenants.

Pg.53- 57





# Appendices | A2: Bases of work

This Appendix should be read in conjunction with the transmittal letter at the front of this report.

## Introduction

- The scope of our work is set out in Appendix 2 of our engagement contract dated 20 July 2022 (the “Contract”) and Appendix A1 of this report. As agreed with you we have analysed unaudited management information up to 30 June 2022. Our work, which is summarised in this report, has been limited to matters which we have identified that would appear to us to be of significance within the context of that scope.
- The Scope did not include, and we have no responsibility in connection with, any consideration of the existing or forecast/future financial condition, trading, operations, assets, liabilities, obligations, financial commitments or requirements of the OAFIT or the potential impact of the proposed transaction, and any related funding requirements, thereon.

## Financial Due Diligence Only

- This Final Report relates to financial due diligence only. We are not lawyers or commercial advisers. You may need to do other due diligence in relation to the Proposed Transaction. You may also need to seek legal advice in relation to the Proposed Transaction.
- The Due Diligence does not include verification work nor constitute an audit or a review engagement in accordance with standards issued by the Australian Auditing and Assurance Standards Board and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

## Places Visited and Sources of Information

Unless stated otherwise the source of all information in this report is management information in respect of the Target.

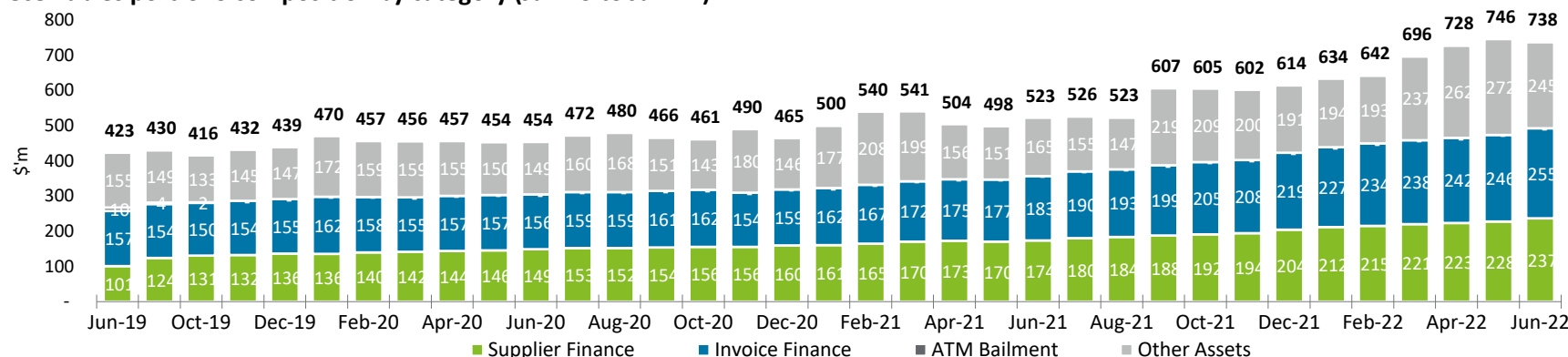
- We have held discussions and obtained information from the following sources:
  - David Lewis, Chief Executive Officer and Co-Founder;
  - Kevin Wong, Chief Financial Officer; and,
  - Gary Segal, General Counsel and Chief Operating Officer.
- The virtual dataroom hosted on Ansarada.
- Formal Q&A process over email.



# Appendices | A3: Receivables portfolio

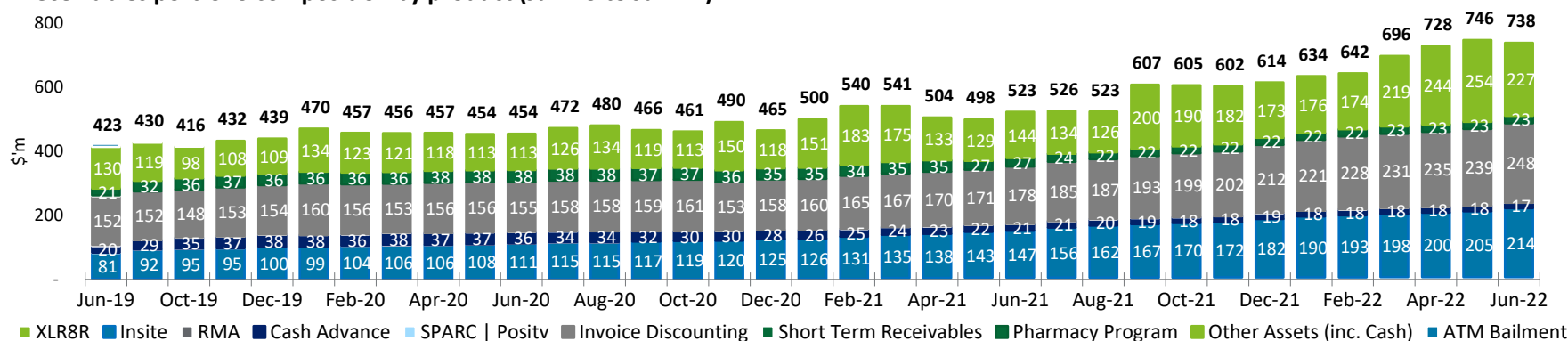
## Portfolio concentration by category and product

Receivables portfolio composition by category (Jun-19 to Jun-22)



Source: 07.01.22 Portfolio Summary - Jun22

Receivables portfolio composition by product (Jun-19 to Jun-22)



Source: 07.01.22 Portfolio Summary - Jun22



## Appendices | A4: Equifax Credit Score Ranges

The Equifax Score bands are based on historical analysis that determines how likely an adverse event, such as a default, court judgement, personal insolvency or similar, is to be recorded on a credit report in the next 12 months

| Rating                     | Credit Score Range | Description  |
|----------------------------|--------------------|--|
| Excellent (81% - 100%)     | 833-1,200          | <ul style="list-style-type: none"> <li>An adverse event is highly unlikely to be recorded on a credit file in the next 12 months.</li> <li>In other words, the odds of no adverse events occurring on your credit file in the next 12 months are more than 5 times better than the average population odds.</li> </ul> |
| Very Good (61% - 80%)      | 726-832            | <ul style="list-style-type: none"> <li>It is unlikely an adverse event is to be recorded on a credit file in the next 12 months.</li> <li>In other words, the odds of no adverse events occurring on your credit file in the next 12 months are more than 2 times better than the average population odds.</li> </ul>  |
| Good (41% - 60%)           | 622-725            | <ul style="list-style-type: none"> <li>Scores in this category indicate that an adverse event is less likely to be recorded on a credit file in the next 12 months.</li> <li>The odds of no adverse events occurring on your credit file in the next 12 months are better than the average population odds.</li> </ul> |
| Average (21% - 40%)        | 510-621            | <ul style="list-style-type: none"> <li>An adverse event is as likely to be recorded on a credit file in the next 12 months.</li> </ul>   |
| Below average (Bottom 20%) | 0-509              | <ul style="list-style-type: none"> <li>An adverse event is more likely to be recorded on a credit file in the next 12 months.</li> </ul>   |

Source: [www.equifax.com.au](http://www.equifax.com.au)

Note 1: Equifax reviews the Australian credit-active population scores regularly and the Equifax score bands are calculated to take into account population and economic changes.



# Appendices | A5: Glossary

## Glossary of terms

|                                    |  |                |                                      |
|------------------------------------|--|----------------|--------------------------------------|
| <b>AFSL</b>                        | Australian financial services license                    | <b>OAFIT</b>   | Oceana Australian Fixed Income Trust |
| <b>APRA</b>                        | Australian Prudential Regulation Authority               | <b>SME</b>     | Small and Medium enterprises         |
| <b>ASIC</b>                        | Australian Securities and Investments Commission         | <b>Trustee</b> | Finstro Securities                   |
| <b>ASLF</b>                        | Adjusted surplus liquid funds                            |                |                                      |
| <b>Asset or Investment Manager</b> | Oceana Management Pty Ltd or FC Funds Management Pty Ltd |                |                                      |
| <b>ASX</b>                         | Australian Securities Exchange                           |                |                                      |
| <b>BNY Mellon</b>                  | Bank of New York Mellon                                  |                |                                      |
| <b>CAGR</b>                        | Compounded annual growth rate                            |                |                                      |
| <b>CMGR</b>                        | Compounded monthly growth rate                           |                |                                      |
| <b>1H22</b>                        | First half of FY22 i.e. July to December 2021            |                |                                      |
| <b>FAT</b>                         | Finstro Asset Trust                                      |                |                                      |
| <b>FCFM</b>                        | FC Funds Management Pty Ltd                              |                |                                      |
| <b>FIRST</b>                       | Fixed Income Receivables Securities Trust                |                |                                      |
| <b>FY19, FY20, FY21, FY22</b>      | Financial year ended 30 June 2019, 2020, 2021, 2022.     |                |                                      |

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