

## Project Orange Final due diligence report

Transaction Services | 24 February 2023

Project Orange - Final due diligence report | 24 February 2023  
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 Orange – final due diligence report, dated 24 February 2023, 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 24 February 2023;
- 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.

# Contents

Executive Summary	6
OAFIT overview	14
Funding analysis	27
Portfolio analysis	39
Appendices	66

---

<b>Kevin Chamberlain</b>	<b>Frank Greco</b>
Partner	Director
Office tel: +61 2 9322 5985	Office tel: +61 2 8260 4015
Mobile tel: +61 413 756 617	Mobile tel: +61 413 621 381
Email: kchamberlain@deloitte.com.au	Email: fgreco@deloitte.com.au

## Important Notice

This report is strictly private and confidential to the Recipient Parties (as defined in the letter of engagement dated 12 December 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

24 February 2023

Dear David

## Project Orange – 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 24 February 2023 and we have not updated our work since that date.

---

**Deloitte Financial Advisory Pty Ltd**  
ACN 611 749 841

Grosvenor Place  
225 George Street  
Sydney NSW 2000  
PO Box N250 Grosvenor Place  
Sydney NSW 1220 Australia  
Tel: +61 (0) 2 9322 7000  
[www.deloitte.com.au](http://www.deloitte.com.au)

We provided a draft of this Final Report dated 22 February 2023 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

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organisation”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Asia Pacific Limited and the Deloitte Network.

Project Orange - Final due diligence report | 24 February 2023

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

# 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 24 February 2023.



### 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>AML/CTF and data security policies</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

Executive Summary	6
OAFIT overview	14
Funding analysis	27
Portfolio analysis	39
Appendices	66



## 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

**\$848.5m** as at Dec-22

Compared to

**\$614.3m** as at Dec-21

### Top 4 industry concentration of

**63.2%** as at Dec-22

Compared to

**61.3%** as at Dec-21

### Portfolio risk profile

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

Compared to

**100%** as at Dec-21

### Arrears rate of

**1.68%** between Jan-22 and Dec-22

Compared to

**2.12%** between Jan-21 and Dec-21

### Arrears rate of

**1.69%** (\$14.3m) as at Dec-22

Compared to

**1.91%** (\$11.7m) as at Dec-21

### Available loss reserve ratio of

**2.3** as at Dec-22

Compared to

**2.3** as at Dec-21

### Bad debt write-offs of

**\$0.3m** (0.51% of original principal advanced) for 1H23

Compared to

**\$1.2m** (2.2%) for 1H22

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

### Portfolio with payment amendments

**1.7%** at Dec-22<sup>1</sup>

Compared to

**1.3%** 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 1H23

Compared to

**10.68%** in 1H22



# Executive summary | Financial Snapshot

In 1H23, OAFIT generated net cash inflows of \$3.3m as compared to \$1.6m in H122. This was mainly driven by net subscriptions into OAFIT of \$107.5m while distributions to A Class noteholders totalled \$28.2m

PROFIT & LOSS				
\$	FY21	FY22	1H22	1H23
Interest income	63,970,065	80,025,437	37,716,612	49,371,691
<b>Expenses</b>				
Interest expense	(48,936,214)	(65,160,115)	(30,386,553)	(38,763,763)
Fund related fees	(1,900,587)	(9,609,716)	(1,915,672)	(8,633,119)
Other operating expenses	(1,149,182)	(1,785,439)	(711,181)	(1,694,384)
<b>Total expenses</b>	<b>(51,985,983)</b>	<b>(76,555,269)</b>	<b>(33,013,405)</b>	<b>(49,091,266)</b>
<b>Net profit</b>	<b>11,984,082</b>	<b>3,470,168</b>	<b>4,703,207</b>	<b>280,425</b>
Net interest margin (%)	23.50%	18.58%	19.43%	21.49%
Net profit margin (%)	18.73%	4.34%	12.47%	0.57%
Total WACC (%)	10.89%	10.17%	10.68%	10.17%

Source: 03.06 OAFIT Financial Reports, WACC - Dec21 and 03.03.04 OAFIT Profit Loss - Dec22

Note1: 1H22 & 1H23 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	FY22	1H22	1H23
<b>Operating activities</b>				
Interest received	63,387,873	77,659,819	35,726,519	47,242,114
Interest & distributions paid	(63,787,313)	(72,228,150)	(39,709,555)	(39,400,482)
Payments to suppliers	(2,786,566)	(10,724,966)	(2,483,297)	(11,191,899)
<b>Net operating flows</b>	<b>(3,186,006)</b>	<b>(5,293,297)</b>	<b>(6,466,333)</b>	<b>(3,350,267)</b>
<b>Investing activities<sup>2</sup></b>				
Subscriptions	(59,650,000)	(181,860,000)	(82,300,000)	(120,900,000)
Redemptions	10,350,000	500,000	-	20,000,000
<b>Net investing flows</b>	<b>(49,300,000)</b>	<b>(181,360,000)</b>	<b>(82,300,000)</b>	<b>(100,900,000)</b>
<b>Financing activities<sup>3</sup></b>				
Subscriptions	287,326,140	375,435,300	131,346,826	134,438,037
Redemptions	(219,349,068)	(163,507,745)	(40,949,683)	(26,935,273)
<b>Net financing flows</b>	<b>67,977,072</b>	<b>211,927,555</b>	<b>90,397,143</b>	<b>107,502,764</b>
<b>Net movement in cash</b>	<b>15,491,066</b>	<b>25,274,258</b>	<b>1,630,810</b>	<b>3,252,497</b>

Source: Unaudited Cash Flow extract for Dec-21 and Dec-22 and 03.01.07 OAFIT Financial Statements

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	Jun-22	Dec-21	Dec-22
Cash and cash equivalents	47,027,435	72,301,692	48,658,245	75,554,189
Receivables	5,757,406	8,123,024	7,647,499	12,206,261
Financial assets	466,836,948	648,196,948	549,136,948	749,096,948
<b>Total assets</b>	<b>519,621,789</b>	<b>728,621,664</b>	<b>605,442,692</b>	<b>836,857,398</b>
Loan notes	(511,298,427)	(723,225,982)	(601,695,569)	(830,728,746)
Payables	(8,339,782)	(5,412,102)	(3,134,787)	(5,864,647)
<b>Total liabilities</b>	<b>(519,638,209)</b>	<b>(728,638,084)</b>	<b>(604,830,356)</b>	<b>(836,593,393)</b>
<b>Net assets</b>	<b>(16,420)</b>	<b>(16,420)</b>	<b>612,336</b>	<b>264,005</b>
Total assets / loan notes	101.63%	100.75%	100.62%	100.74%

Source: Unaudited BS extract for Dec-21 and Dec-22 and 03.01.07 OAFIT Financial Statements

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	Jun-22	Dec-21	Dec-22
<b>Portfolio assets</b>				
Portfolio per Summary	525,838,109	735,620,964	614,304,436	848,500,813
Portfolio per Investor repo	522,635,950	737,596,064	614,304,436	848,500,814
<b>Trust assets</b>				
Total assets per B/S	519,621,789	728,621,664	605,442,692	836,857,398
Fund per Investor Reports	519,621,789	728,621,664	605,442,692	
<b>Fund assets per IR</b>				
Loan notes per B/S	(511,298,427)	(723,225,982)	(601,695,569)	(830,728,746)
Total loan notes per IR	(511,298,426)	(723,225,982)	(601,695,569)	(830,728,746)
A, B and C Class Notes	(511,298,426)	(723,225,982)	(601,695,569)	(830,728,746)
Other funding & accrued interest	(6,430,000)	(6,430,000)	(6,430,000)	(6,430,000)
<b>Total funding structure</b>	<b>(517,728,426)</b>	<b>(729,655,982)</b>	<b>(608,125,569)</b>	<b>(837,158,746)</b>

Source: Unaudited accounts for Dec-21 and Dec-22; 03.01.07 OAFIT - Financial Statements FY22

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 \$848.5m as at Dec-22 and has grown at a compounded monthly growth rate of 1.7% since Jun-19. Based on the Equifax Australia credit score range the portfolio has a weighted average probable loss of 1.02% (\$7.8m) as at Dec-22

Diligence area	Observations	Implications
<b>Receivables portfolio credit risk and sector concentration profile</b>	<ul style="list-style-type: none"> <li>100% of the portfolio has an industry credit score between 601-900 which is classified as Very Good by Equifax Australia at Dec-22 and Jun-22.</li> <li>The balance of the receivables portfolio as at Dec-22 was \$848.5m and has grown at a compounded monthly growth rate of 1.7% 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 63.2% of the underlying portfolio assets as at Dec-22.</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 Financial and Insurance Services (17.9%), Media &amp; Telecommunications (17.3%) sectors, Wholesale Trade (15.1%), and Agriculture, Forestry and Fishing (12.8%).</li> <li>Refer to Portfolio analysis section for more information.</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 Dec-22 was \$12.4m and the average arrears rate was 1.7% as compared to 1.9% as at Jun-22.</li> <li>The SME lending product has the highest level of arrears across the receivables portfolio at \$3.3m (18.7%). 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 Dec-22 (\$17.8m) covers 2.1% of the total portfolio as compared to 1.9% of total portfolio as at Jun-22.</li> <li>Loss reserve portfolio coverage ratio was 2.3, relative to the probable loss. 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>Payment amendments and support packages</b>	<ul style="list-style-type: none"> <li>Total balance of loans which have received payment amendment support is \$14.8m, with \$0.7m deferred payments in the period to Dec-22 as compared to \$5.2m in Dec-21 with \$0.5m deferred payments. There are 459 clients who have received support via payment amendment/re-profiling. These amounts include COVID-19 support packages and other forms of repayment relief.</li> </ul>	<ul style="list-style-type: none"> <li>As at Dec-22, 1.7% of the receivables portfolio was receiving support, compared to 1.3% 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, Oceana Management Pty Ltd, 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 \$150m to \$200m (Allianz \$100m, QBE \$100m) effective 1<sup>st</sup> December 2022 when the maximum payout for Alliance policy increased from \$50m to \$100m. Fraud is no longer an excluded item under the Allianz policy.</li> <li>Refer to pages 64-66 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 31 December 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>Priority of Manager fees and expenses in the Payment Waterfall was amended from ranking after interest and principal repayments to A Noteholders, to subordinated to interest and principal repayments to all Noteholders (A-C) in 1H22 via a Deed of Amendment. This ensured alignment with all Noteholders and reflected the fund's growing subordinated Note program.</li> </ul>



## Executive summary | Key findings

AML/CTF checks are undertaken for all investors and customers and appropriate data security policies are in place to safeguard storage and transmission of investor and customer data

Diligence area	Observations	Implications
<b>AML/CTF checks are undertaken for onboarding all new investors and customers</b>	<ul style="list-style-type: none"> <li>The Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML / CTF Act) requires entities to have a program in place in order to identify, mitigate and manage money-laundering and terrorism-financing (ML/TF) risks. It also lays down procedures for identifying and verifying the identity of customers and beneficial owners, including Politically Exposed Persons (PEPs).</li> <li>Oceana Management as the appointed Manager of the Fund, has appointed third party registered service provider, FIRST AML, to perform AML / CTF onboarding for all new and existing investors. Existing investor's re-verification is undertaken if there has been any kind of change.</li> <li>FC Securities and Finstro undertake customer AML/CTF checks in accordance with their internal AML/CTF Program to identify ML/TF risks and regularly report to AUSTRAC.</li> </ul>	<ul style="list-style-type: none"> <li>AML/CTF Program of FIRST AML, Finstro and FC Securities is in accordance with the AML / CTF Act.</li> <li>AML/CTF Program of Finstro and FC Securities is independently reviewed by an external party at least once every two years.</li> <li>Refer to the AML/CTF Compliance section for more information.</li> <li>Deloitte has not independently verified the operation of the AML/CTF compliance processes and the summary presented opposite is based on the internal compliance documents of FIRST AML, Finstro and FC Securities.</li> </ul>
<b>Various security practices are in place to ensure safe storage and transmission of customer data</b>	<ul style="list-style-type: none"> <li>Investor data is managed and protected by FIRST AML, a registered third-party service provider whereas data security on the borrower side is managed by Finstro. Finstro manages data for both FIRST and FAT customers.</li> <li>All investor and customer data is hosted on Amazon Web Services ("AWS") in an encrypted format, both at rest and in transit.</li> <li>Various security practices have been documented in FIRST AML's and FINSTRO's data security policies to ensure safe storage and transmission of customer data.</li> <li>Finstro is subject to a data security and integrity audit performed by two independent firms under SOC II Audit Part 1 and Part 2 respectively, as of 31 December 2022. FIRST AML is also independently audited.</li> </ul>	<ul style="list-style-type: none"> <li>First AML and Finstro data storage systems and controls are audited by an independent third party.</li> <li>Refer to the data security policies section for more information.</li> <li>Deloitte has not independently verified the operation of the data security policies and the details presented are based on the internal compliance documents of FIRST AML and Finstro.</li> </ul>

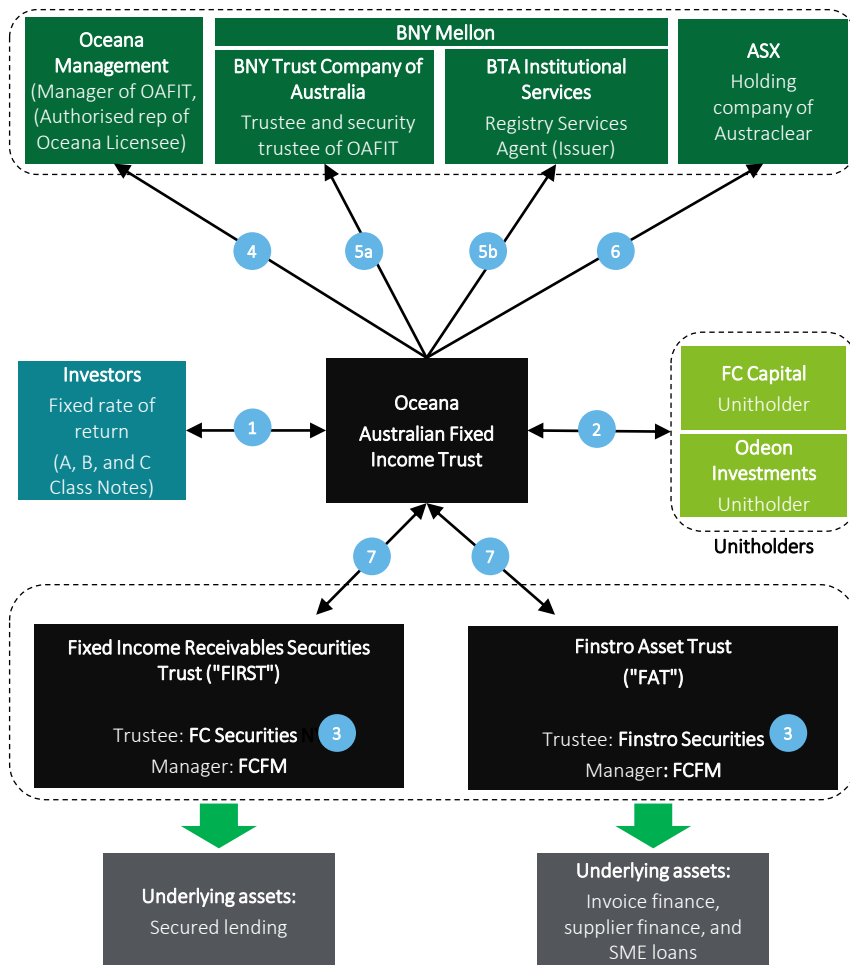


# OAFIT overview

Executive Summary	6
<b>OAFIT overview</b>	<b>14</b>
Funding analysis	27
Portfolio analysis	39
Appendices	66

# 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

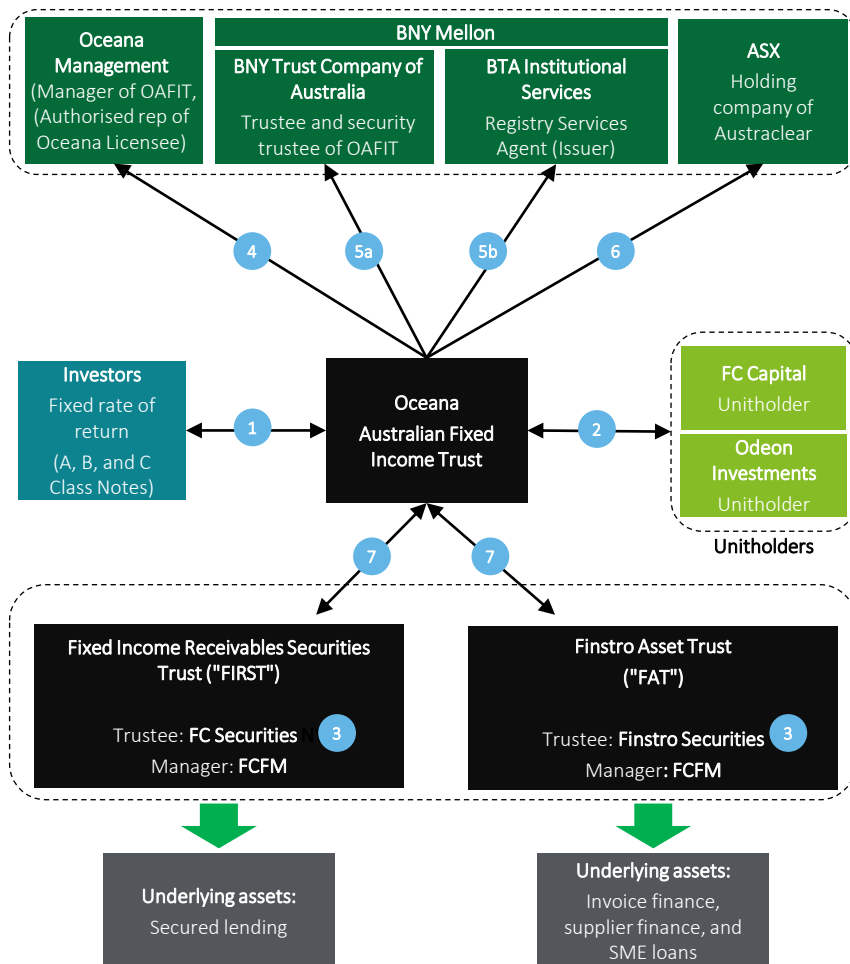
- 1 Institutional and sophisticated investors apply for a subscription in the fixed rate notes issued by the OAFIT. The maturity and weighted average cost as at Dec-22 for each Note Class are listed below in order of seniority:
  - A Class Notes: 1.8 year avg. maturity & 9.98% WACC
  - B Class Notes: 2.1 year avg. maturity & 10.43% WACC
  - C Class Notes: 1.6 year avg. maturity & 11.78% 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 Dec-22, the OAFIT maintains 9.8% of the portfolio in cash.
- 3 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).
- 4 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



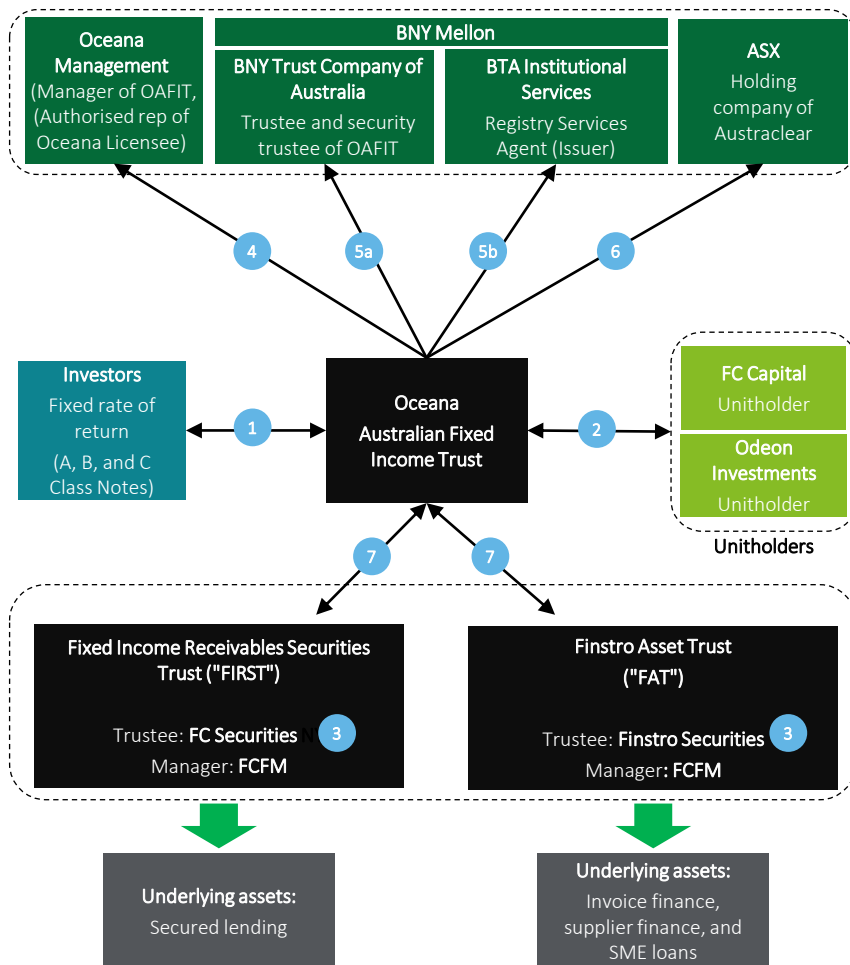
### Trust management services (continued)

- 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

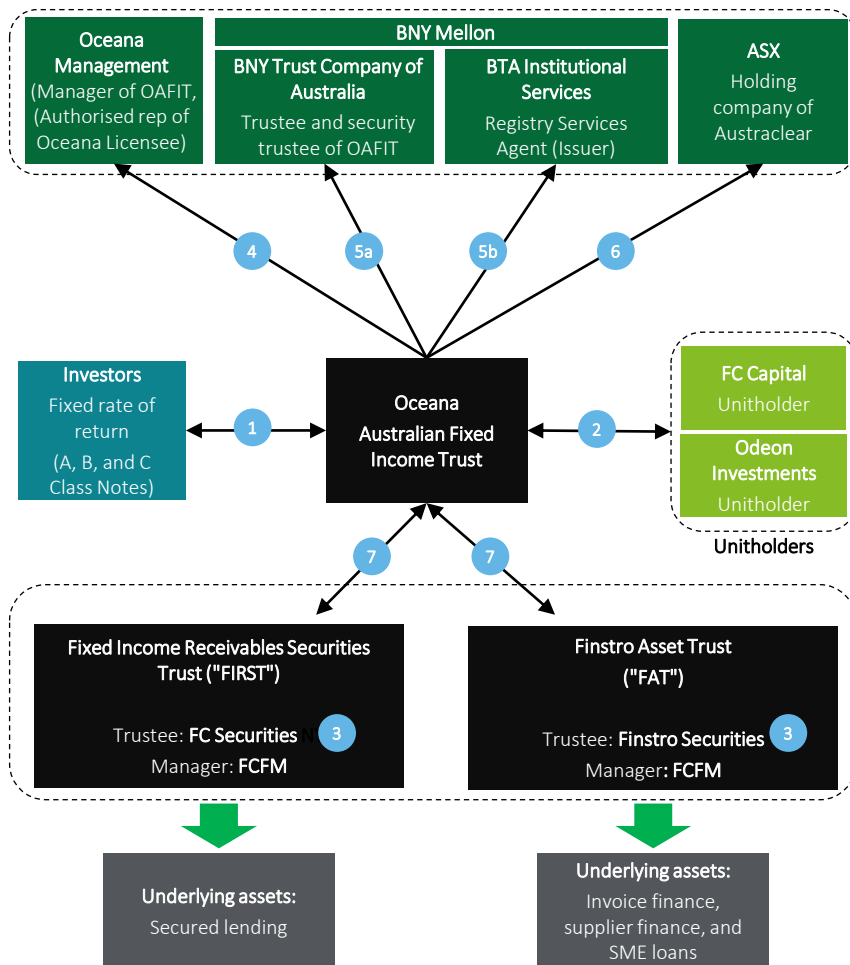


### Trust management services (continued)

- 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, Jun-22 and Dec-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

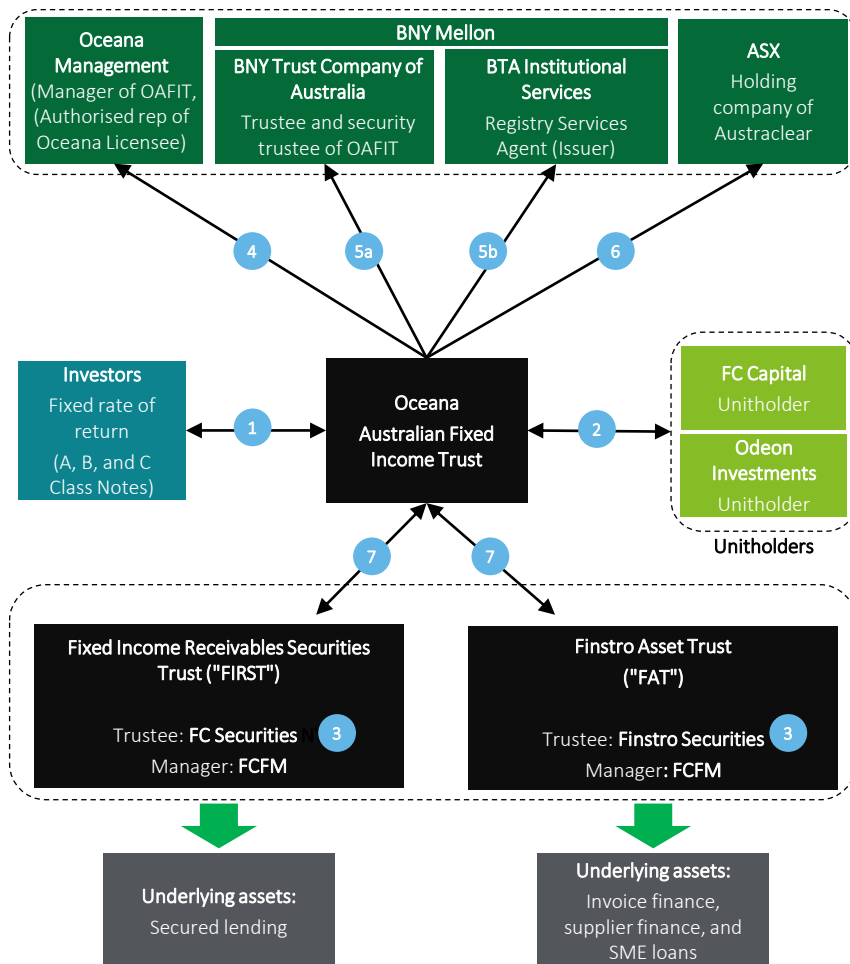


### Portfolio investment

- 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

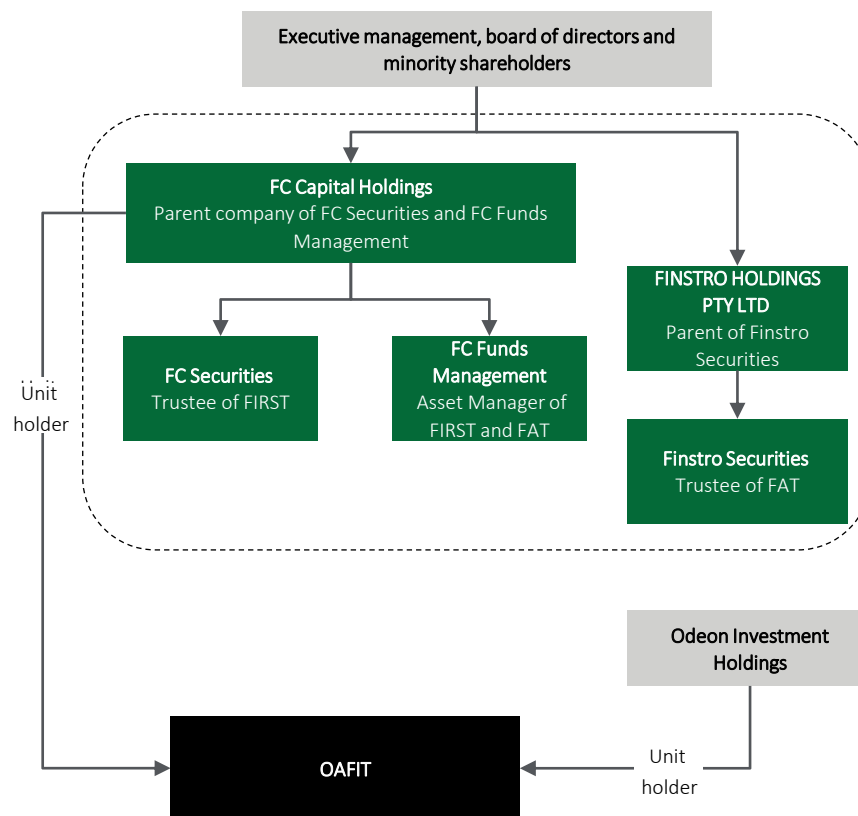
FC Funds Management is the asset manager of FIRST and FAT. FC Securities is the Trustee of FIRST and Finstro Securities is the trustee of FAT

## 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 and FY22 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. Logicca Assurance Pty Limited signed off on Oceana Licensee's financial statements for the period 9<sup>th</sup> June 21 to 30<sup>th</sup> June 22 with no adverse opinion.
- 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.

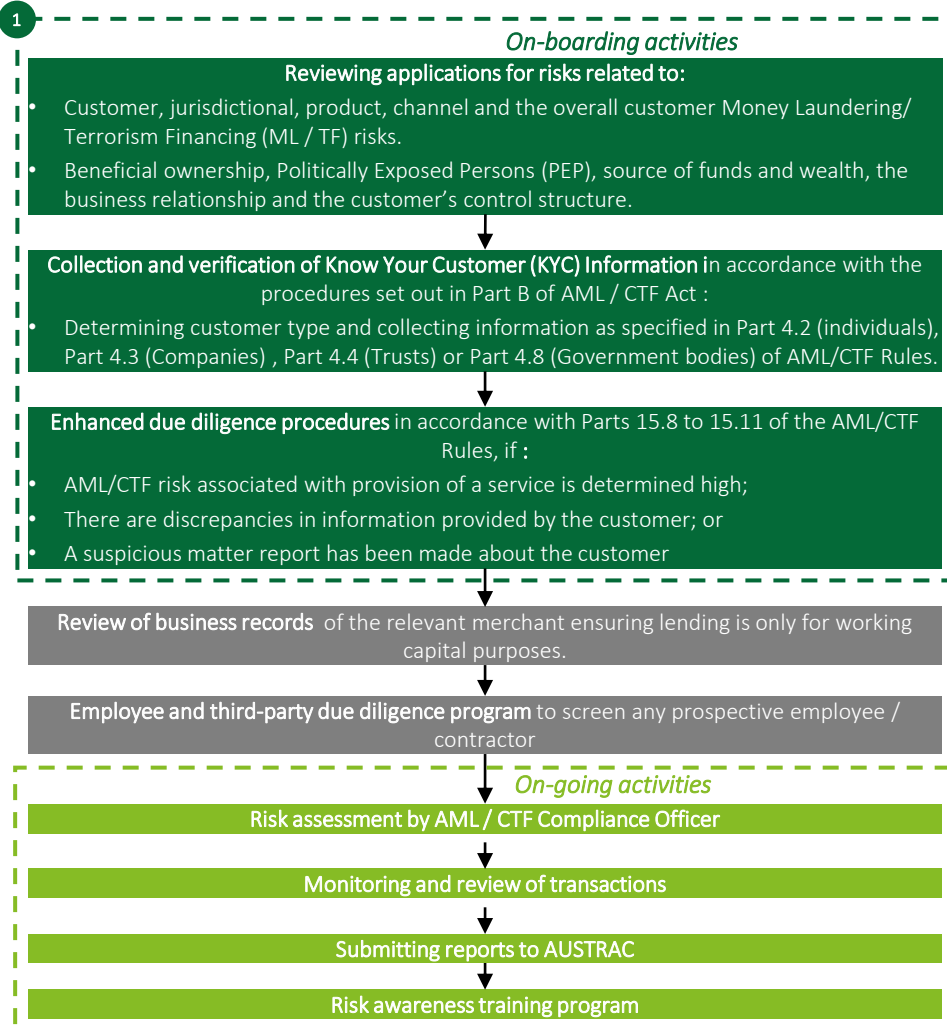
## Compliance checklist – FC Funds Management

- 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.



# OAFIT overview | AML/CTF Compliance

## AML/CTF Overview and Compliance Process



### AML/CTF Overview

- The Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML / CTF Act) requires reporting entities with designated services to have an AML / CTF program in place in order to identify money-laundering and terrorism-financing, and to regularly report to AUSTRAC.
- The AML/CTF Act comprises two parts:
  - Part A – processes and procedures to help an entity identify, mitigate and manage the ML/TF risks;
  - Part B – procedures for identifying and verifying the identity of customers and beneficial owners, including Politically Exposed Persons (PEPs).
- Oceana Management as the appointed Manager of the Fund, has appointed third party registered service provider, FIRST AML, to perform AML / CTF onboarding for all new and existing investors.

- 1** As OAFIT , does not provide any lending, FIRST AML's AML/CTF policy mainly includes customer due diligence and collection of information in accordance with procedures set out in Part B of AML / CTF Act. Summary of methodology for conducting KYC/AML/CTF checks has been presented alongside.
- Existing investor's re-verification is undertaken if there has been any kind of change.

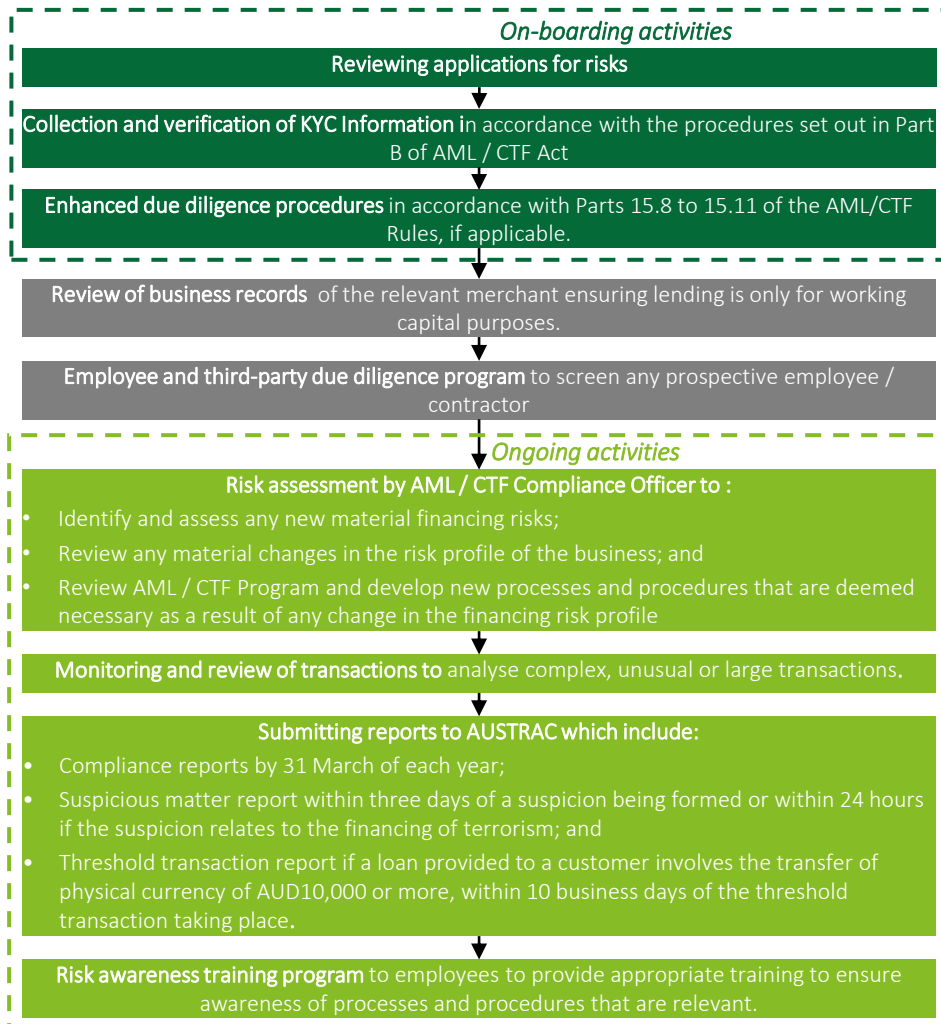
Source : AML CTF Program FC Securities; AML CTF Program Finstro and First-AML-Standard-Operating-Procedure-AUS-0.4

Project Orange - Final due diligence report | 24 February 2023

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

# OAFIT overview | AML/CTF Compliance

## AML/CTF Overview and Compliance Process



### AML/CTF Overview (continued)

- FC Securities and Finstro are designated entities as per the AML/CTF act as they fall under the purview of lending business :
  - making a loan in the course of carrying on a loan business;
  - in the capacity of a lender;
  - in the capacity of factoring a receivable.
- FC Securities and Finstro have documented their AML/CTF Program which is independently reviewed by an external party at least once every two years. The AML/CTF Compliance officer undertakes internal review against the AUSTRAC Compliance Checklist in the year there is no audit.
- We have presented the AML/CTF Program in the process chart alongside.
- Deloitte has not independently verified the operation of the AML/CTF compliance processes and the process chart presented alongside is based on the internal compliance documents of FIRST AML, Finstro and FC Securities.

Source : AML CTF Program FC Securities; AML CTF Program Finstro and First-AML-Standard-Operating-Procedure-AUS-0.4

Project Orange - Final due diligence report | 24 February 2023

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





# OAFIT overview | Data security policies

FIRST AML manages investor data security for OAFIT and Finstro manages the data security for both the FAT and FIRST customers

Particulars	Investors	Borrowers
Responsible Entity	<ul style="list-style-type: none"> <li>FIRST AML</li> </ul>	<ul style="list-style-type: none"> <li>Finstro – For both FAT and FIRST</li> </ul>
Customer data storage and transmission	<ul style="list-style-type: none"> <li>Customer data is hosted on Amazon Web Services (AWS) and physical security is managed by AWS.</li> <li>Data transmitted and stored is encrypted both in transit and at rest using the industry standard AES-256 encryption algorithm to encrypt data. All data in transit utilises TLS 1.2+ encryption.</li> </ul>	<ul style="list-style-type: none"> <li>Customer data is hosted on Amazon Web Services (“AWS”) hosts and is subject to the AWS cloud security environment.</li> <li>All customer data is stored in a 256 Bit encrypted format, both at rest and in transit.</li> </ul>
Authentication and Authorization	<ul style="list-style-type: none"> <li>Access is issued on a least privilege basis and is reviewed on a quarterly basis.</li> <li>Offices have restricted entry, protected with badge reader access controls, and security cameras at entry points.</li> <li>All visitors must sign in and be escorted by First AML staff. Visitors are restricted to common areas only.</li> <li>Site Reliability Engineers and On Call team are the only staff with access to production AWS systems, controlled by MFA.</li> </ul>	<ul style="list-style-type: none"> <li>Access to applications is possible only via VPN controlled by a Multi-factor authentication (MFA) which requires - ID, password and a valid MS Authenticator code.</li> </ul>
Security Testing and Compliance	<ul style="list-style-type: none"> <li>Platform is penetration tested on a quarterly basis by an independent third party.</li> <li>All operating systems, dependencies and container images are continuously scanned and vulnerabilities are addressed based on severity and impact.</li> <li>Audited every twelve months by the British Standards Institute.</li> </ul>	<ul style="list-style-type: none"> <li>Chief Risk Officer and Chief Information Security Officer oversee data security process.</li> <li>Regular penetration testing of the IT Network, core mobile applications, web portals, and deployed API’s.</li> <li>In the past 6 months, Finstro has undertaken detailed Threat Vector Analysis, supported by an expert and third-party Cybersecurity consultancy.</li> <li>Finstro systems are SOC2 Audited.</li> </ul>

Note : Deloitte has not independently verified the operation of the data security policies and the details presented are based on the internal compliance documents of FIRST AML and Finstro. Finstro is subject to a data security and integrity audit performed by two independent firms under SOC II Audit Part 1 and Part 2 respectively, as of 31 December 2022.

Project Orange - Final due diligence report | 24 February 2023

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



## OAFIT overview | Data security policies

FIRST AML manages investor data security for OAFIT and Finstro manages the data security for both the FAT and FIRST customers

Particulars	Investors	Borrowers
Vulnerability management	<ul style="list-style-type: none"> <li>• Developers are made aware of potential vulnerabilities early in the software development life cycle to ensure remediation.</li> <li>• Anomalous network activity is automatically identified, logged and will raise alerts 24x7.</li> <li>• All cloud storage is encrypted, private by default, and is continually monitored for changes in configuration that could expose data.</li> </ul>	<ul style="list-style-type: none"> <li>• Detailed playbooks in place for Data Breach, Distributed denial-of-service (DDoS) and Malware events to assist in the response, management and remediation of any incident.</li> <li>• Specific guidelines for technologists during software development to mitigate and avoid common vulnerabilities.</li> </ul>
Network security	<ul style="list-style-type: none"> <li>• Firewalls to protect against malicious traffic and requests.</li> <li>• Devices have full disk encryption, anti-virus/anti-malware protection and can be remotely wiped.</li> <li>• Network segmentation is applied to prevent guests provided wifi access to access any resources on the internal network.</li> </ul>	<ul style="list-style-type: none"> <li>• Finstro uses Barracuda Email Security Gateway to protect against email borne threats and data leaks.</li> <li>• Finstro uses Sophos Endpoint security to provide a 24 x 7 proactive threat monitoring and detection service.</li> </ul>
Employee training	<ul style="list-style-type: none"> <li>• Employees are required to accept the information security policies while on-boarding.</li> <li>• Employees undergo security awareness training including secure development training for our software engineer.</li> </ul>	<ul style="list-style-type: none"> <li>• Cybersecurity training program mandatory for all staff on onboarding with annual refresher training.</li> </ul>

Source : FGH Board Paper - Cybersecurity Enterprise Risk Profile V1.0 2022.10.15 and First AML Security Statement

Note : Deloitte has not independently verified the operation of the data security policies and the details presented are based on the internal compliance documents of FIRST AML and Finstro. Finstro is subject to a data security and integrity audit performed by two independent firms under SOC II Audit Part 1 and Part 2 respectively, as of 31 December 2022.



# Funding analysis

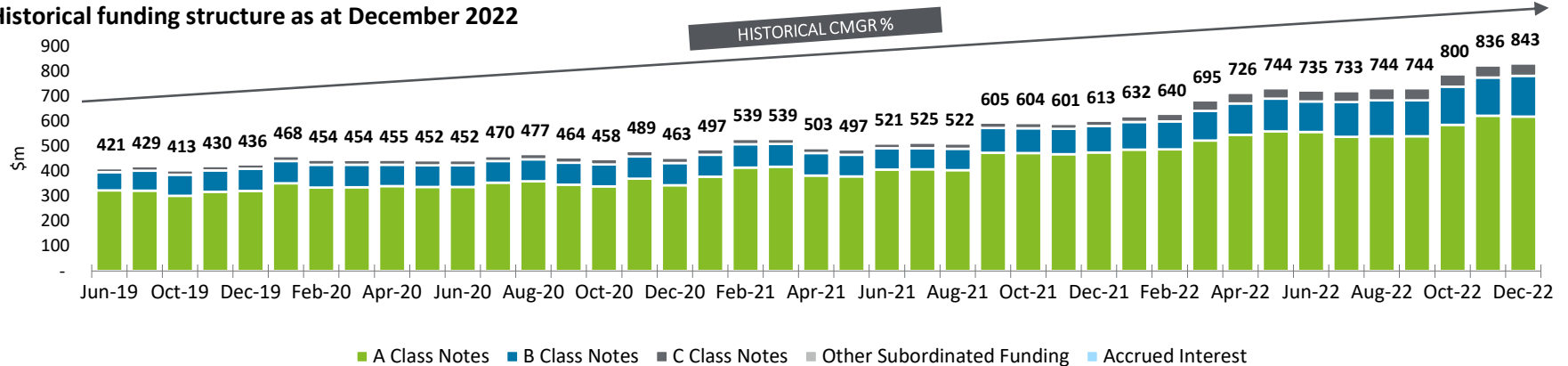
Executive Summary	6
OAFIT overview	14
Funding analysis	27
Portfolio analysis	39
Appendices	66



# Funding analysis | Composition

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

## Historical funding structure as at December 2022

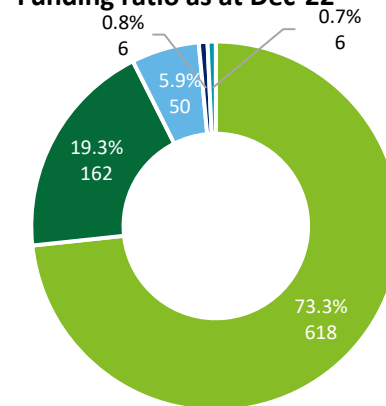


Source: : 07.01.27 Portfolio Summary - December 2022

## 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 33-35 for a summary of the application of the payment waterfall and ranking of interests in the OAFIT.
- Refer to page 36 for funding concentration analysis by investor.
- Refer to page 37 for a summary of investor transactions by applications and redemptions and by Note type.

## Funding ratio as at Dec-22



Other subordinated funding relates to additional funding provided by unitholders.

- A Class Notes (73.3%)
- B Class Notes (19.3%)
- C Class Notes (5.9%)
- Other Subordinated Funding (0.8%)
- Accrued Interest (0.7%)

Source: 07.01.27 Portfolio Summary - December 2022



# Funding analysis | Covenants

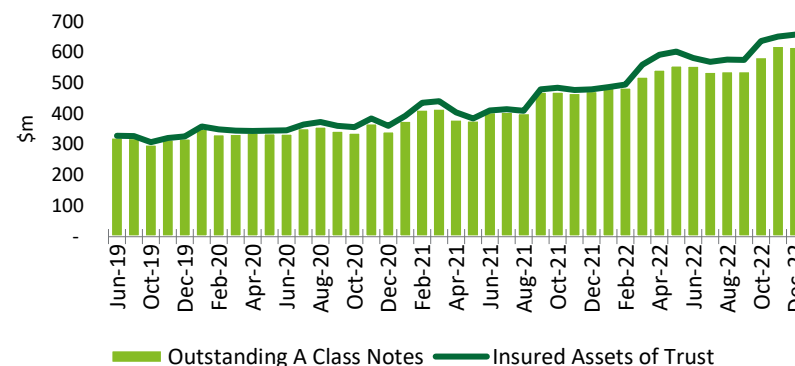
OAFIT was in compliance with insurance coverage and subordinated B and C Class covenant requirements over the historical period

## Series Notice key covenants

Key covenants affording protection to Noteholders include:

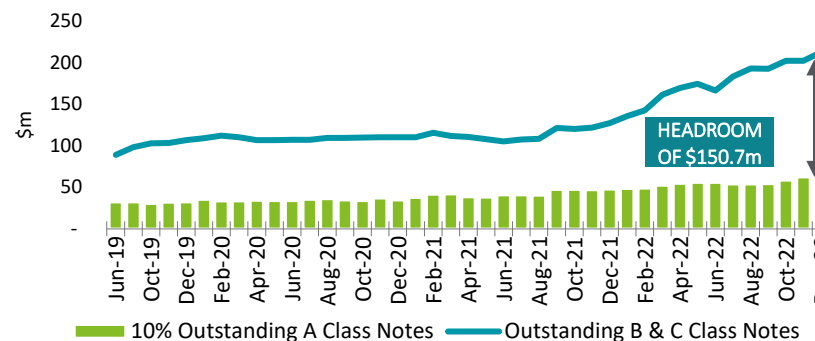
- a) **Per the Series Notice, para 3.1(a), insured assets of the OAFIT must be greater than or equal to the outstanding balance of A Class Notes.**
- Insured assets of OAFIT are calculated as Supplier and Invoice Financing receivables covered by in-force insurance policies and cash balances held with Authorised Deposit Taking Institutions.
  - As at Dec-22, outstanding A Class notes were \$618.2m and insured assets were \$657.9m (106.4%).
  - 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 \$200m (Allianz \$100m, QBE \$100m). Refer to page 64 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 Dec-22 the balance of 10% of outstanding A Class Notes was \$61.8m and outstanding B Class and C Class Notes were \$212.6m. This represents a surplus of \$150.7m 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 Dec-22)



Source: 07.01.27 Portfolio Summary - December 2022

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



Source: 07.01.27 Portfolio Summary - December 2022



# Funding analysis | Covenants

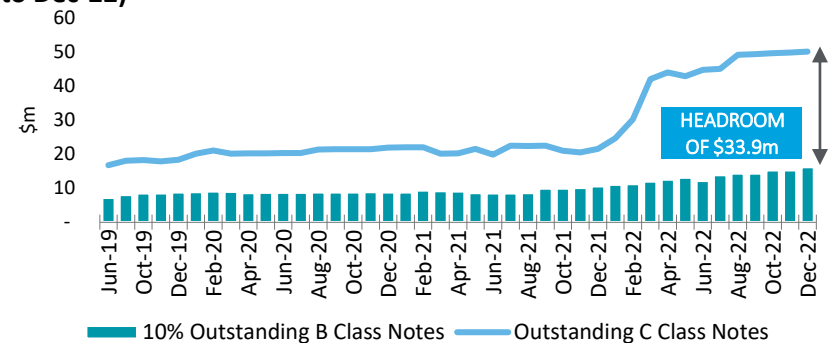
OAFIT was in compliance with available loss reserve and subordinated C class covenant requirements over the historical period

## Series Notice key covenants (continued)

Key covenants affording protection to Noteholders include:

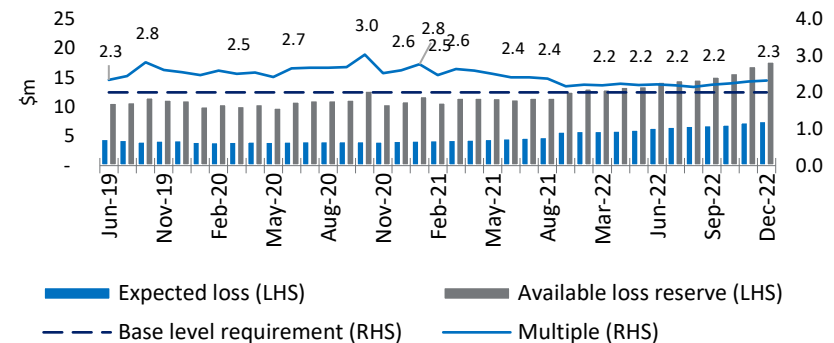
- c) **Per the Series Notice, para 11.2(a), the balance of subordinated C Class Notes must be greater than or equal to 10% of the outstanding balance of B Class Notes.**
  - As at Dec-22 the balance of 10% of outstanding B Class Notes was \$16.2m and outstanding C Class Notes totalled \$50.1m. This represents a surplus of \$33.9m 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 Dec-22 the expected loss was \$7.7m, the available loss reserve was \$17.8m, representing a loss reserve multiple of 2.3 and a buffer of \$10.1m.
  - 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 Dec-22)



Source: 07.01.27 Portfolio Summary - December 2022

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



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



# Funding analysis | Covenants

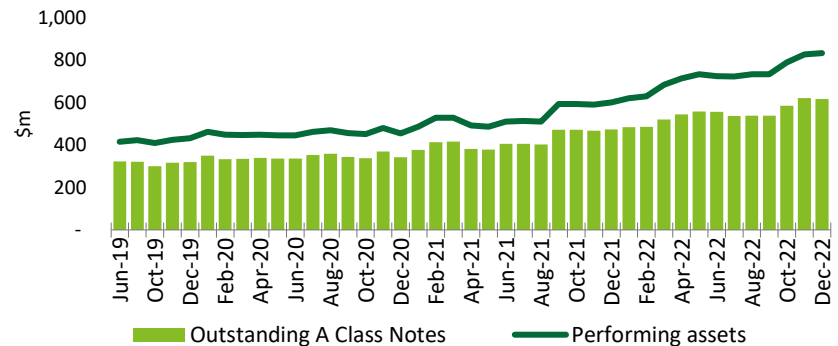
OAFIT was in compliance with outstanding A class notes and arrears covenant requirements over the historical period

## Series Notice key covenants (continued)

Key covenants affording protection to Noteholders include:

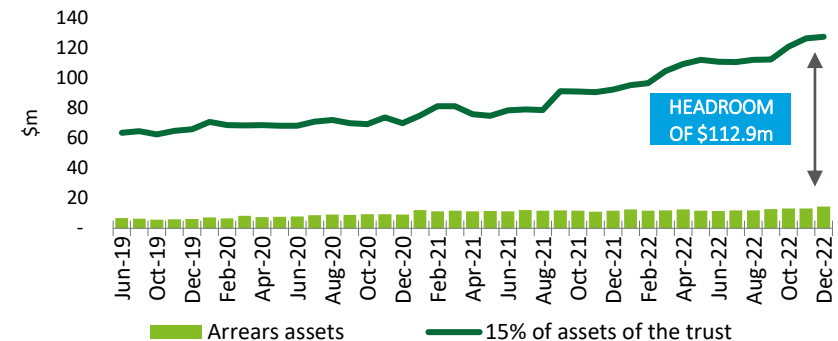
- e) **Per the Series Notice, para 3.1(a), the outstanding amount of the A Class Notes should not be greater than the value of the Performing Assets of the Trust.**
  - As at Dec-22, outstanding amount of A class notes was \$618.2m and value of Performing assets of the trust was \$834.2m. This represents a surplus of \$216.0m 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 Dec-22 assets in arrears were \$14.3m and 15% of the assets of the trust totalled \$127.3m. This represents a headroom of \$112.9m 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 Dec-22)



07.01.27 Portfolio Summary - December 2022

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



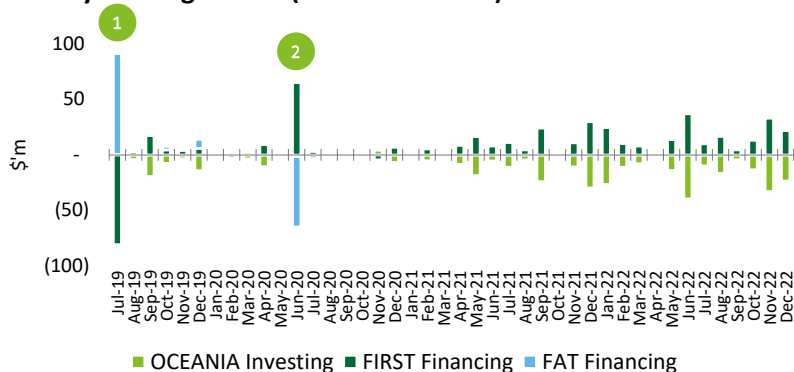
Source: 07.01.27 Portfolio Summary - December 2022



## Funding analysis | OAFIT investing fund flows

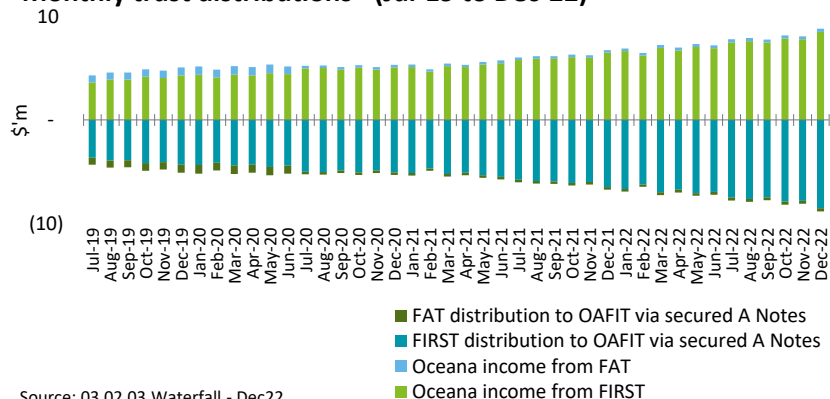
The spike in funding flows in Jul-19 and Jun-20 relate to the establishment of the FAT and to prepare FAT for expansion into the US market respectively

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



Source: 03.02.03 Waterfall - Dec22

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



Source: 03.02.03 Waterfall - Dec22

### Basis of preparation

- The adjacent charts have been prepared sourcing data from the December 2022 OAFIT waterfall. For OAFIT, cashflows to/from investors are financing activities and cashflows to/from FIRST and FAT are investing activities.
- Financing activities for OAFIT relate to the issuance of debt notes (A, B and C Class Notes), refer to page 36.
- For FIRST and FAT, cashflows to/from OAFIT are financing activities and investing activities relate to investments made in the underlying receivables portfolio, refer to page 40.

### Commentary

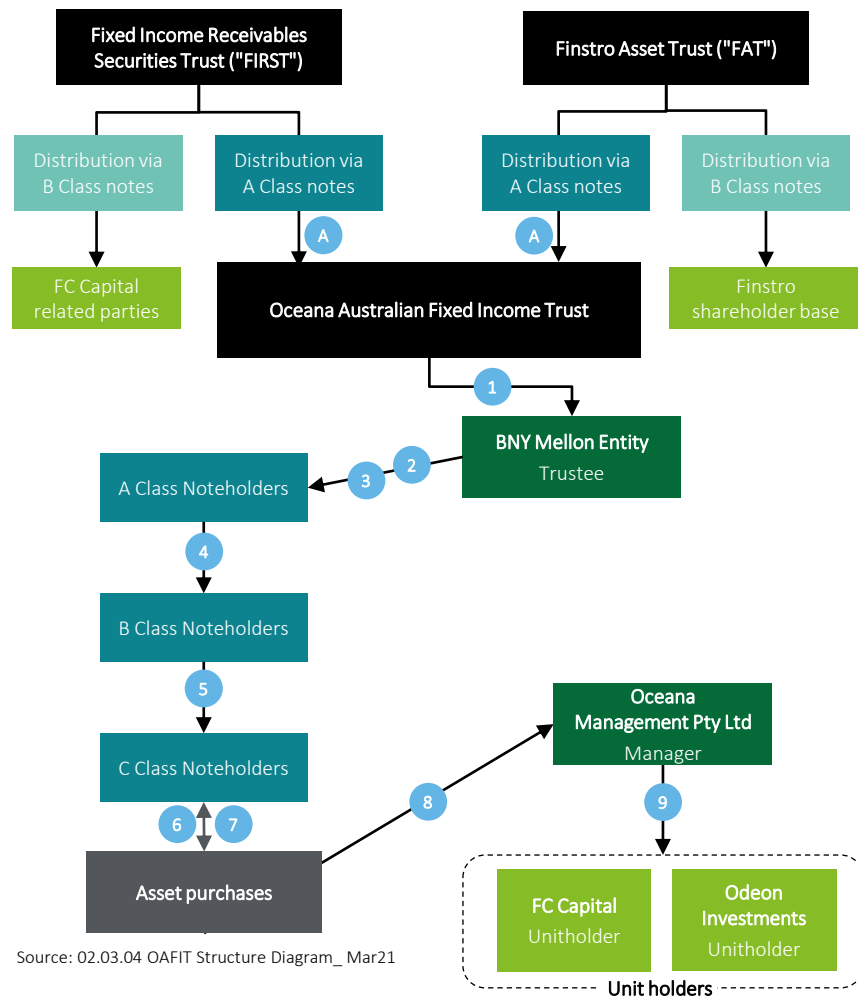
- FAT was established in Jul-19. At establishment, OAFIT provided funding to FAT to purchase receivables from FIRST. FIRST then used the proceeds to repay A Notes held by OAFIT. The net result of these transactions was to transfer assets from FIRST into FAT, with no cash impact for OAFIT.
- In Jun-20,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

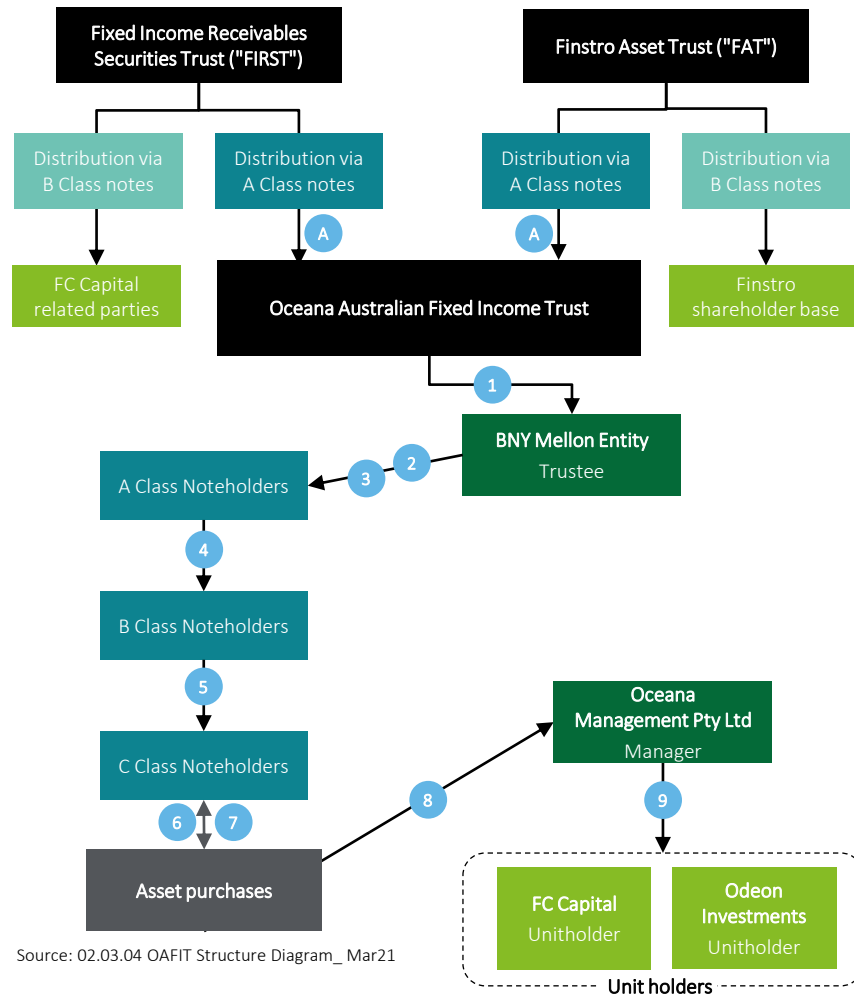
## Priority of cash flows – BAU scenario under section 5.1 of Series Notice

- 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 FC Capital 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, Jun-22 and Dec-22

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

\$	Dec-21	Jun-22	Dec-22
<b>FIRST</b>			
Income from FIRST receivables	7,576,209	8,180,153	10,102,116
Distribution to A Class noteholders	(6,497,810)	(6,956,309)	(8,524,216)
Distribution to B Class noteholders	(73,750)	(71,371)	(73,750)
Other expenses	(20)	(110,607)	(10,127)
<b>Net profit</b>	<b>1,004,629</b>	<b>1,041,866</b>	<b>1,494,023</b>
<b>FAT</b>			
Income from FAT receivables	656,117	818,727	713,563
Distribution to A Class noteholders	(249,649)	(276,314)	(299,954)
Distribution to B Class noteholders	(101,918)	(98,630)	(101,918)
Other expenses	(116,500)	(33,489)	(291,830)
<b>Net profit</b>	<b>188,051</b>	<b>410,293</b>	<b>19,862</b>
<b>OAFIT</b>			
Income from A Class noteholders - FIRST	6,497,810	6,956,309	8,524,216
Income from A Class noteholders - FAT	249,649	276,314	299,954
Other income	4,922	62,079	189,267
<b>Total income</b>	<b>6,752,381</b>	<b>7,294,703</b>	<b>9,013,437</b>
Other expenses	1,020,239	753,382	1,692,509
A Class noteholders	4,193,063	4,572,582	5,238,033
B Class noteholders	796,002	1,125,172	1,418,471
C Class noteholders	219,918	416,192	493,801
<b>Total expenses</b>	<b>6,229,222</b>	<b>6,867,328</b>	<b>8,842,815</b>
<b>Net Profit</b>	<b>523,159</b>	<b>427,375</b>	<b>170,622</b>

OAFIT A Notes principal	474,661,514	556,748,512	618,176,524
Return on A Class notes	10.60%	9.86%	10.17%

Source: 2. Waterfall - Dec21 ; 03.02.02 Waterfall - Jun22 and 03.02.03 Waterfall - Dec22

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

\$	Dec-21	Jun-22	Dec-22
<b>FIRST</b>			
Receipts from FIRST receivables	6,450,893	6,867,659	8,494,650
Payments (predominantly to OAFIT)	(7,081,898)	(8,305,433)	(9,374,818)
<b>Net flows</b>	<b>(631,005)</b>	<b>(1,437,774)</b>	<b>(880,168)</b>
<b>FAT</b>			
Receipts from FAT receivables	654,915	678,025	713,013
Payments (predominantly to OAFIT)	(613,244)	(359,402)	(212,104)
<b>Net flows</b>	<b>41,671</b>	<b>318,623</b>	<b>500,909</b>
<b>OAFIT</b>			
Receipts from FIRST and FAT A Class notes	6,253,005	7,669,268	7,797,584
Payments of noteholder interest & expenses	(6,267,935)	(7,555,847)	(8,664,784)
Investing in FIRST & FAT A Class notes	(29,900,000)	(39,500,000)	(23,500,000)
Financing from issuance of OAFIT notes	11,728,023	(9,327,257)	7,013,298
<b>Net cash flow</b>	<b>(18,186,908)</b>	<b>(48,713,836)</b>	<b>(17,353,901)</b>

Source: 2. Waterfall - Dec21 ; 03.02.02 Waterfall - Jun22 and 03.02.03 Waterfall - Dec22

Note 1: Cash flows for the months of Dec-21 , Jun-22 and Dec-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

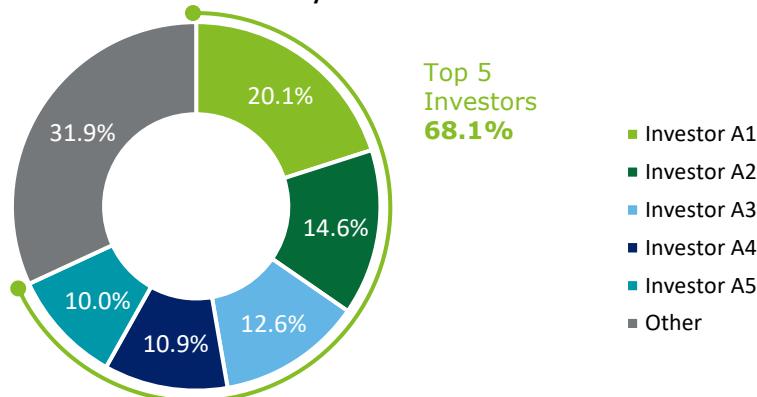
- Income and expenses in the OAFIT P&L are recorded on an accrual basis, however income receipts and distribution payments from FIRST and FAT are made the following month. Expenses are paid as they become due. Therefore income and distributions in the P&L do not align with payments and receipts in the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



## Funding analysis | Investor concentration

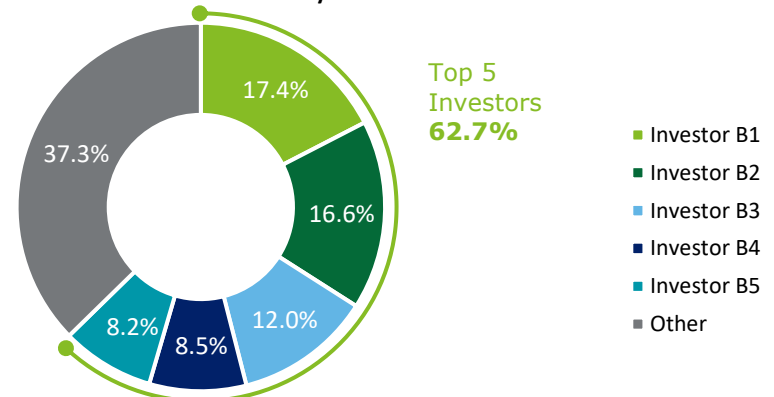
The top 12 investors account for 83.5% of the outstanding funding balance. Investors subscribe to debt instruments issued by the fund via multiple legal entities and across several note classes

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



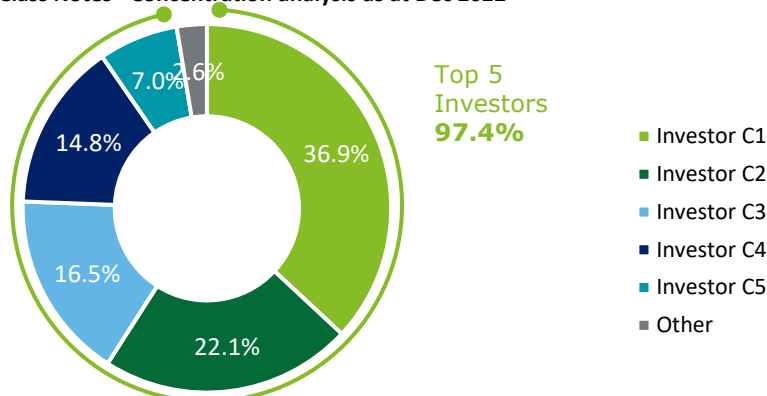
Source: 07.04.11 Investor Maturity - Dec22

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



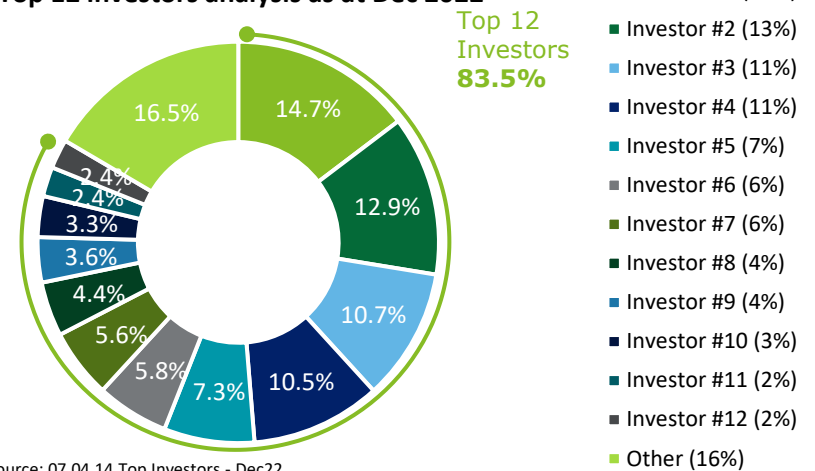
Source: 07.04.11 Investor Maturity - Dec22

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



Source: 07.04.11 Investor Maturity - Dec22

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



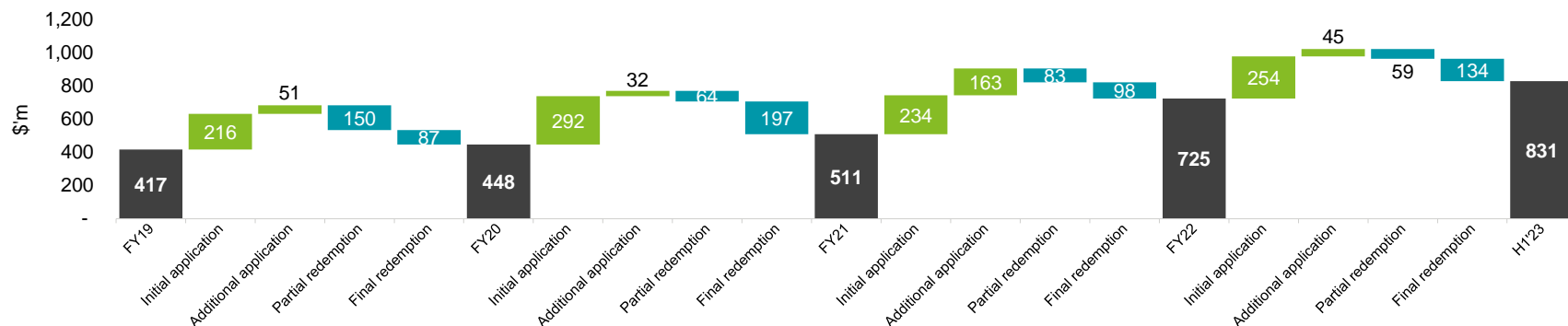
Source: 07.04.14 Top Investors - Dec22



## Funding analysis | Investor transactions - applications and redemptions

Since Jun-19 the funding of the OAFIT has grown from \$417.1m to \$830.7m in Dec-22 representing a CAGR of 21.8% over the historical period

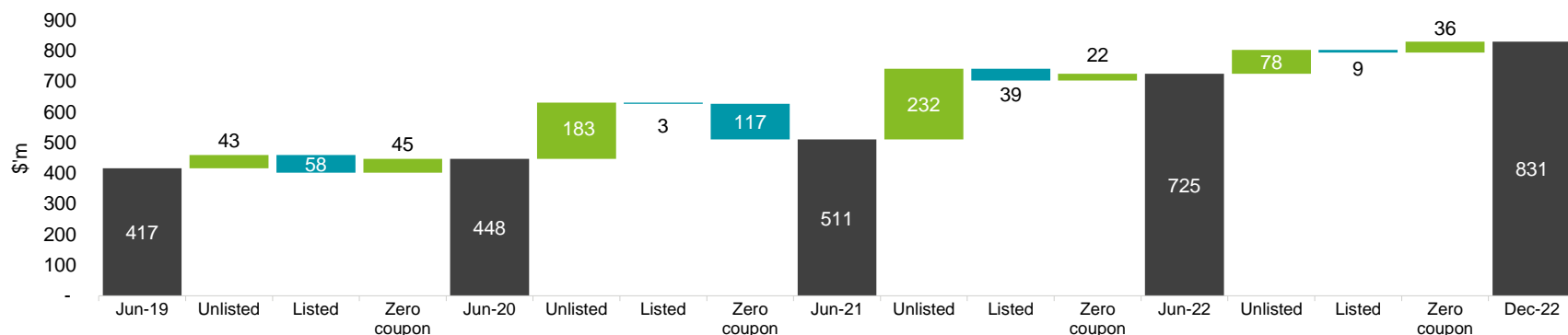
### Investor transactions - Applications and redemptions as at Dec-22



Source : 07.04.12 Investor Transactions - Dec22

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 Dec-22



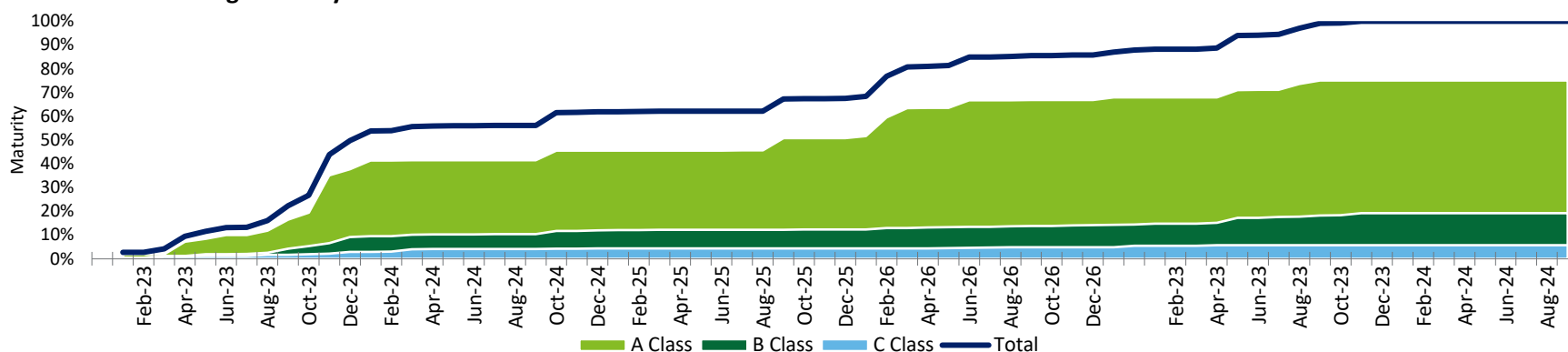
Source: 07.04.12 Investor Transactions - Dec22



## Funding analysis | Maturity analysis

For A, B and C Class investors, the weighted average contractual maturity is 1.9, 2.1 and 1.6 years respectively, and 1.9 years across the total funding portfolio

### Cumulative Funding Maturity Profile - Contractual



Source: 07.04.11 Investor Maturity - Dec22

### Maturity Analysis

- The weighted average contractual maturity across the total funding portfolio as at Dec-22 is 1.9 years.
- Principal outstanding of A class investors as at Dec-22 is \$612.1m with a weighted average contractual maturity of 1.9 years.
- Principal outstanding of B class investors as at Dec-22 is \$156.0m with a weighted average contractual maturity of 2.1 years.
- Principal outstanding of C class investors as at Dec-22 is \$47.0m with a weighted average contractual maturity of 1.6 years.



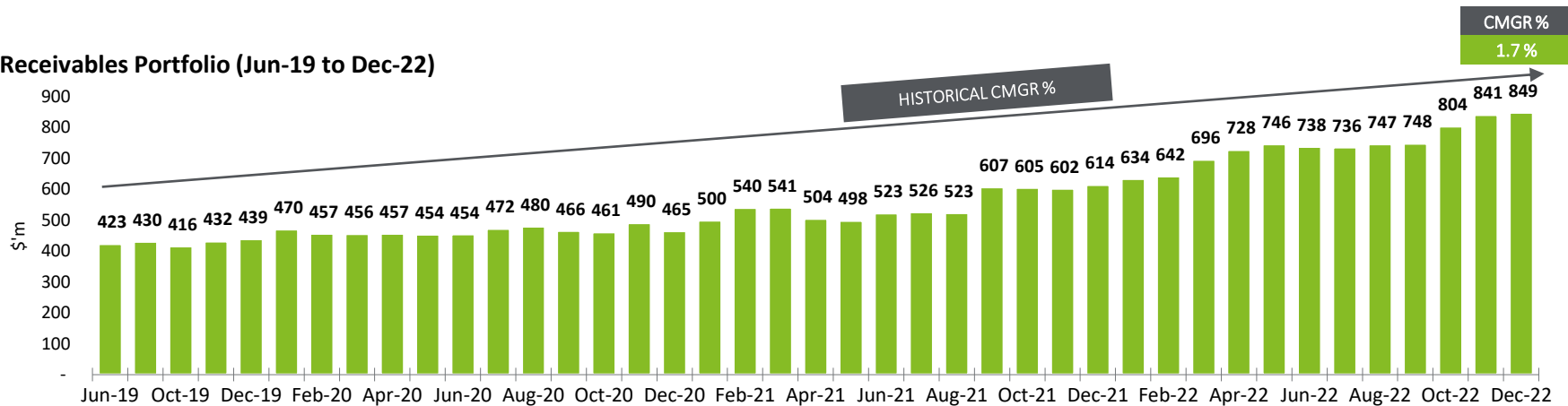
# Portfolio analysis

Executive Summary	6
OAFIT overview	14
Funding analysis	27
Portfolio analysis	39
Appendices	66

## Portfolio analysis | Overview

The receivables portfolio was \$848.5m as at Dec-22, and has grown at a compounded monthly growth rate of 1.7% since Jun-19, driven by supplier finance (2.4%) and invoice finance (1.5%)

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



Source: 07.01.27 Portfolio Summary - December 2022

#### 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 49 for a reconciliation of product offerings within each category, categories and products maintained on each platform and additional platform level analysis.

#### Invoice Finance

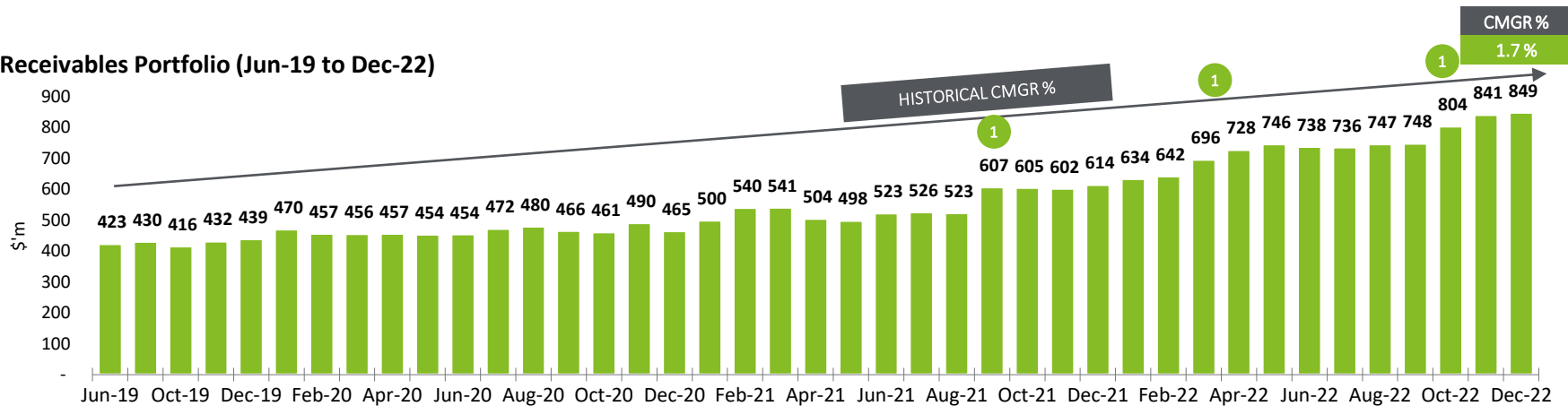
- Invoice Finance programs involve funding scenarios where the underlying asset is a receivable related to the client's sale of goods and services. Typically < 60 days and priced at 80% to 90% of the trade invoice value.
- Products in this category include invoice discounting, XLR8R, SPARC, AG Debtor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



## Portfolio analysis | Overview

The receivables portfolio was \$848.5m as at Dec-22, and has grown at a compounded monthly growth rate of 1.7% since Jun-19, driven by supplier finance (2.4%) and invoice finance (1.5%)

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



Source: 07.01.27 Portfolio Summary - December 2022

#### 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.

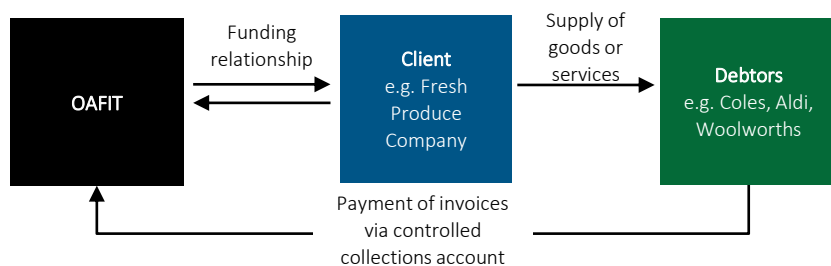
#### Other - Secured Lending, SME Lending (Cash Advance) and Cash

- Secured lending relates to short term structured corporate funding programs with a duration of typically 6-24 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, Apr-22 and Oct-22 and Nov-22 were primarily driven by an increase in cash as a result of institutional capital raises in the US market.

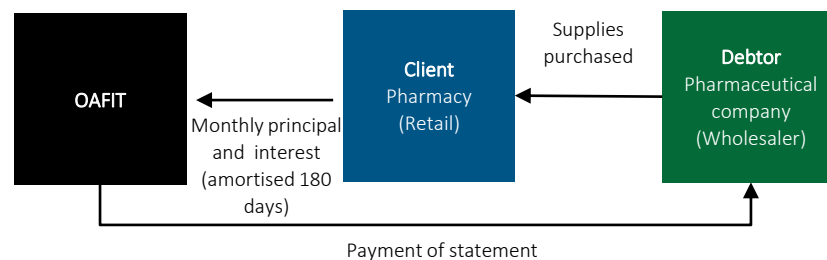
## Portfolio analysis | Overview

The underlying receivables portfolio is invested in four key categories; invoice finance, supplier finance, secured lending and SME finance. Refer to page 49 for a reconciliation of product offerings within each category, categories and products maintained on each platform and additional platform level analysis

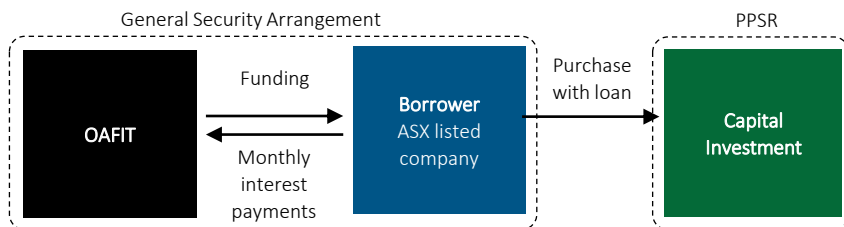
### Invoice finance example



### Supplier finance example



### Other - Secured lending example



### Other - SME guarantee finance example

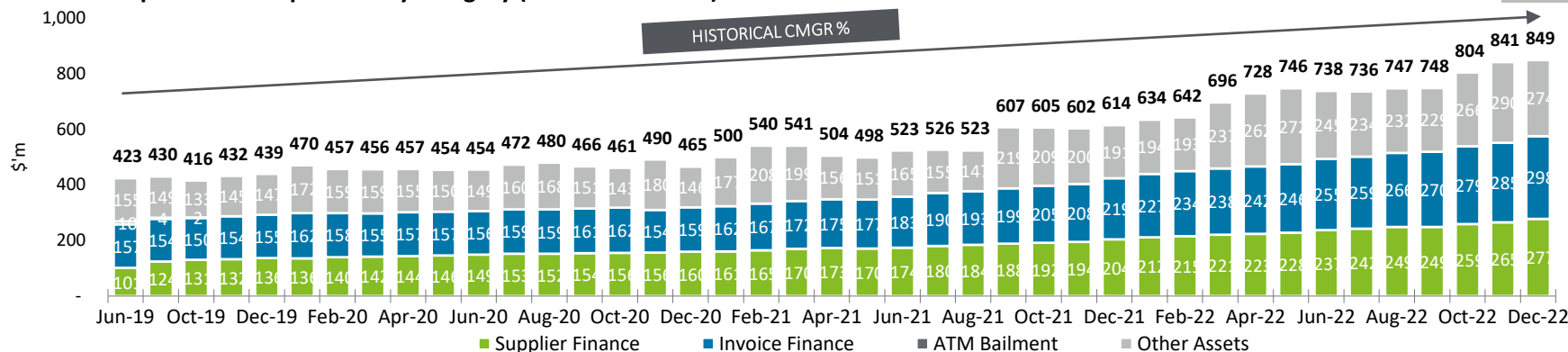


Finstro Securities (trustee of the underlying Finstro Asset Trust) has qualified as a participating lender in the Australian Government's "SME Guarantee Scheme"

# Portfolio analysis | Overview

The receivables portfolio was \$848.5m as at Dec-22, and has grown at a compounded monthly growth rate of 1.7% since Jun-19, driven by supplier finance (2.4%) and invoice finance (1.5%)

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



Source: 07.01.22 Portfolio Summary - Jun22

### Supplier Finance

- Receivables of \$277.0m as at Dec-22.
- Compounded monthly growth rate of 2.4% from Jun-19 to Dec-22.
- 1,977 obligors with an average balance of \$140.1k at Dec-22.
- Covered under the QBE - Policy Doc - Supplier Finance - 2022\_2023 Trade Credit Insurance policy for inventory purchases and the pharmacy program.

### Invoice Finance

- Receivables of \$297.9m as at Dec-22.
- Compounded monthly growth rate of 1.5% from Jun-19 to Dec-22.
- 4,492 obligors with an average balance of \$66.3k at Dec-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.

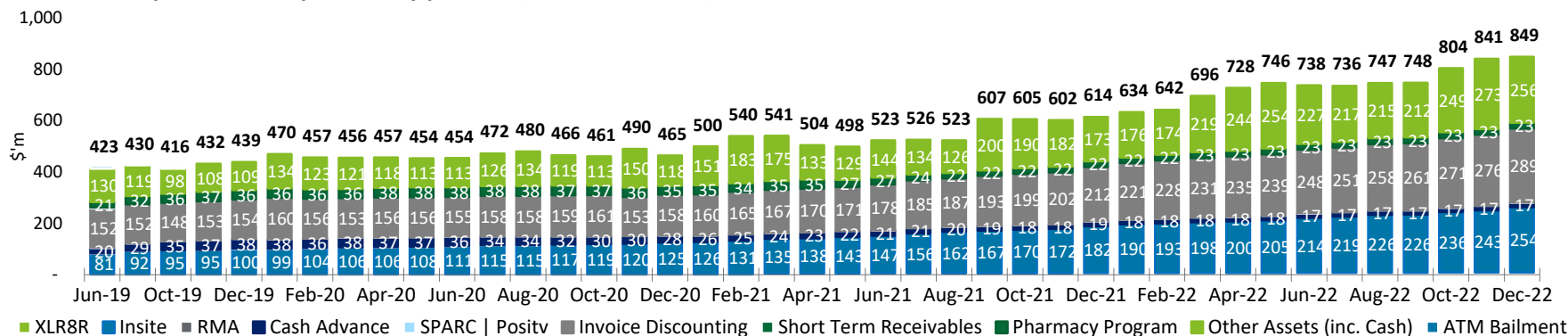
### Other Assets

- Receivables balance, compounded monthly growth rate (Jun-19 to Dec-22), number of obligors and average balance of other assets to Dec-22:
  - SME lending \$17.5m, (0.3)% CMGR, 741 obligors, \$23.6k average
  - Secured lending \$173.1m, 2.0% CMGR, 22 obligors, \$7867.7k average
  - Cash \$83.0m, 0.8% CMGR
- Total of 763 obligors with an average balance of \$358.6k at Dec-22.
- Other assets are not covered by insurance policies.
- Refer to page 49 for a reconciliation of product offerings within each category, categories and products maintained on each platform and additional platform level analysis.

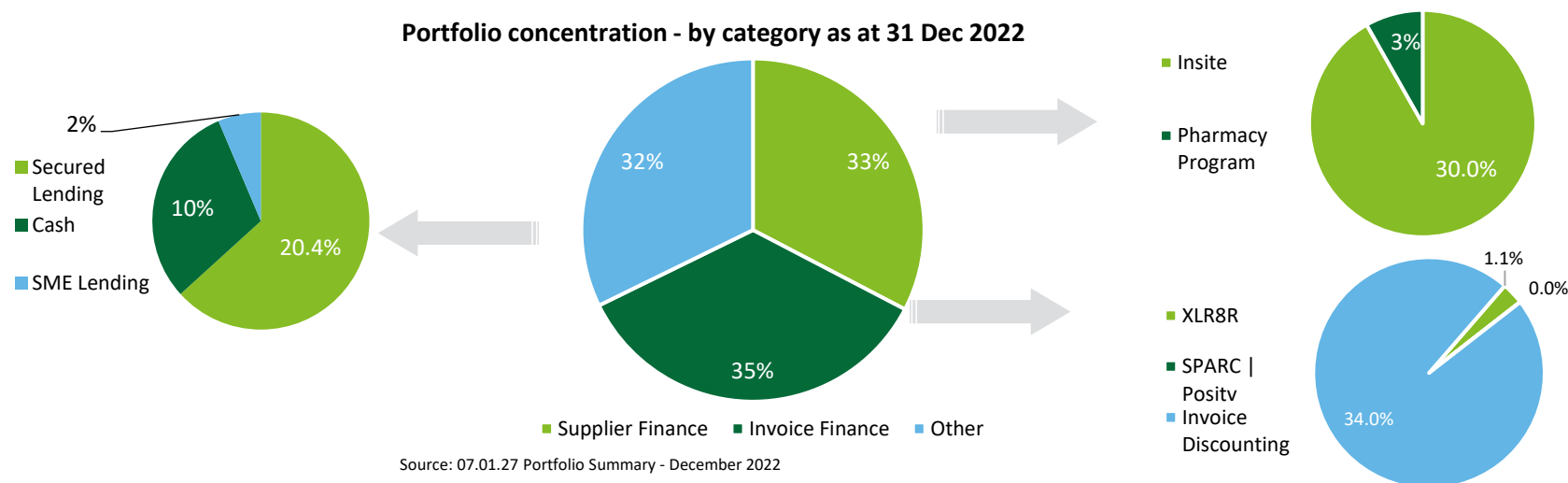
## Portfolio analysis | Overview

As at 31 Dec 2022, the receivables portfolio predominantly consisted of the Invoice discounting (34.0%) program within the invoice financing category, Insite (30.0%) with the supplier finance category, and secured lending (20.4%) within the other category

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



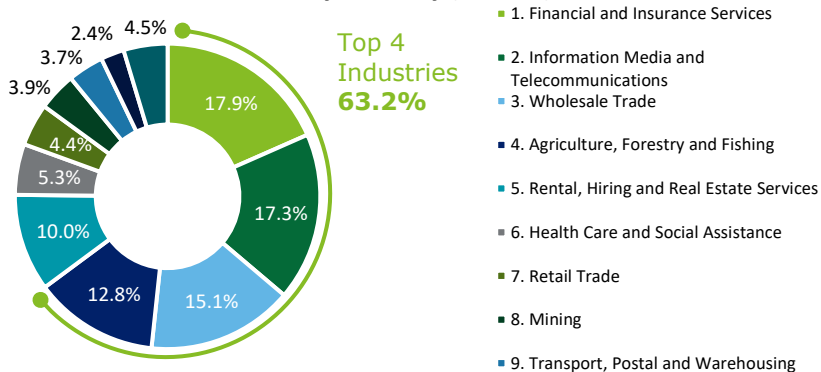
### Portfolio concentration - by category as at 31 Dec 2022



# Portfolio analysis | Overview

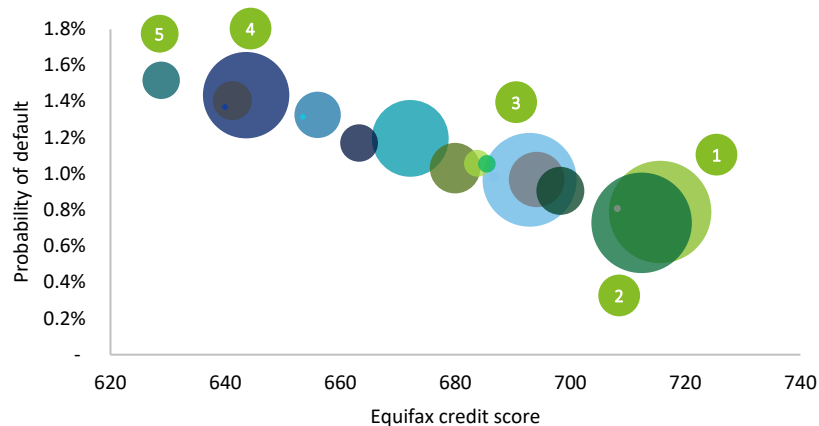
Based on the Equifax Australia credit score range the portfolio has a weighted average probable loss of 1.02% (\$7.8m) as at 31 December 2022

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



Source: 04.02.23 Loan Book Risk Profile - Dec22

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



Source: 04.02.23 Loan Book Risk Profile - Dec22

Project Orange - Final due diligence report | 24 February 2023

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

## 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

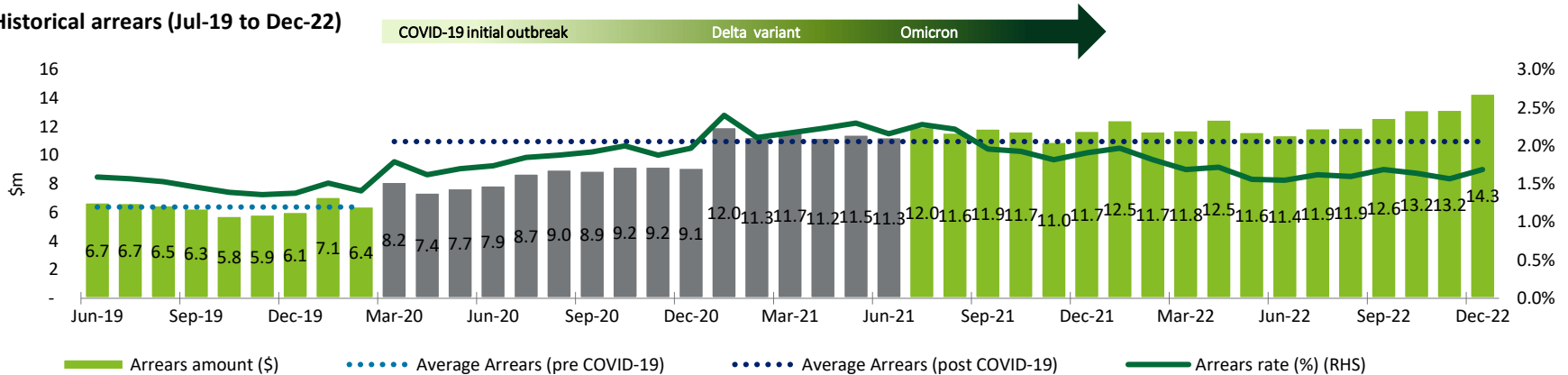
- The top 4 industry sectors, by total client loan amount outstanding account for 63.2% of the underlying portfolio assets as at 31 December 2022.
- The portfolio has significant concentration exposures to the Financial and Insurance Services (17.9%), Information Media & Telecommunications (17.3%), Wholesale (15.1%) and Agriculture, Forestry and Fishing (12.8%) sectors.
- 100% of the portfolio has an Equifax credit score between 601-900 as at Dec-22 and Jun-22 which is classed as very good by Equifax Australia.

- The Financial and Insurance Services sector has an Equifax credit score of 716 and a probability of default of 0.79%. This sub-portfolio has the second highest credit rating and third lowest probability of default.
  - The Information, Media & Telecommunications sector has an Equifax credit score of 712 and a probability of default of 0.73%. This sub-portfolio has the highest credit rating and lowest probability of default.
  - The Wholesale Trade sector has an Equifax credit score of 693 and a probability of default of 0.97%.
  - The Agriculture, Forestry and Fishing sector has an Equifax credit score of 644 and a probability of default of 1.44%.
  - The sub-portfolio with the lowest credit rating (629) and the highest probability of default (1.52%) is the accommodation and food services sector. 2.4% 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

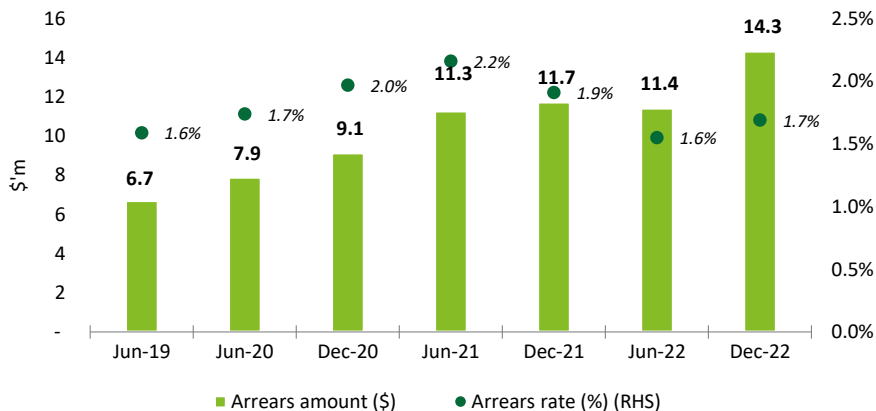
The average arrears balance for last 12 months ended Dec-22 was \$12.4m and the average arrears rate was 1.7%. The loss reserve as at Dec-22 covers 2.1% of the total receivables portfolio

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



Source: 04.02.25 FCFM\_Loan\_Book\_Arrears\_Position - Dec 22

## Historical Arrears - Comparison Periods



## Historical Arrears

- The arrears rate as at Dec-22 was 1.7%.
- The average arrears rate for the pre COVID-19 period from Jul-19 to Feb-20 was 1.5%.
- The average arrears rate for the COVID-19 period from Mar-20 to Dec-22 was 1.9%.
- The average arrears rate over the historical period from Jul-19 to Jun-22 was 1.8%.
- 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.
- The arrears rate was stable between Jun-22 (1.6%) and Dec-22 (1.7%). The increase in the dollar value of arrears from Jun-22 (\$11.4m) to Dec-22 (\$14.3m) was predominantly driven by Supplier Finance (\$1.5m) and SME Lending within the construction and accommodation & food services industries. The loan portfolio grew by \$110m over the same period, from \$737.7m (Jun-22) to \$848.5m (Dec-22).

# Portfolio analysis | Arrears

The SME lending product has the highest % level of arrears across the receivables portfolio driven by the construction, accommodation & food services and retail industries

## Portfolio arrears summary - as at 31 Dec 2022

	30 Days	60 Days	90 Days	90+ Days	Total
Supplier Finance	334,772	296,727	418,801	8,426,836	9,477,136
Invoice Finance	22,661	-	-	1,025,659	1,048,320
SME Lending	502,603	1,013,682	464,875	1,291,084	3,272,244
Secured Lending	-	-	-	509,214	509,214
Cash	-	-	-	-	-
<b>Total</b>	<b>860,035</b>	<b>1,310,409</b>	<b>883,676</b>	<b>11,252,792</b>	<b>14,306,913</b>

Source: 04.02.21 Arrears by Asset Category - Dec22

## Portfolio arrears summary - as at 31 December 2022

\$	30 Days	60 Days	90 Days	90+ Days	Total
Supplier Finance	0.12%	0.11%	0.15%	3.04%	3.42%
Invoice Finance	0.01%	-	-	0.34%	0.35%
SME Lending	2.88%	5.81%	2.66%	7.39%	18.74%
Secured Lending	-	-	-	0.29%	0.29%
<b>Total</b>	<b>0.10%</b>	<b>0.15%</b>	<b>0.10%</b>	<b>1.33%</b>	<b>1.69%</b>

Source: 04.02.21 Arrears by Asset Category - Dec22

## SME Lending arrears

Industry	Arrears (\$)	% of total	Facility Limit (\$)
Construction	715,515	22%	4,891,145
Accommodation and Food Services	553,498	17%	1,772,800
Retail Trade	614,787	19%	3,283,096
Other Services	277,565	8%	1,628,100
Professional, Scientific and Technical Se	223,371	7%	1,881,042
Wholesale Trade	217,632	7%	1,181,515
Arts and Recreation Services	132,908	4%	625,000
Administrative and Support Services	124,405	4%	383,000
Other	412,563	13%	6,182,328
<b>Total</b>	<b>3,272,244</b>	<b>100%</b>	<b>21,828,026</b>

## Arrears

- The SME lending product has the highest percentage level of arrears across the receivables portfolio, with 2.7% and 7.4% of balances in the 90 days and 90+ days past due buckets respectively. The SME lending balance as at Dec-22 is \$17.5m and the total amount in arrears is \$3.3m (18.7%).

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

No.	Industry	Arrears	Summary
1	Retail Trade	\$165k	<ul style="list-style-type: none"> <li>Last payment received: \$1.7k on 23/01/2023</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	Accommodation & Food Services	\$132k	<ul style="list-style-type: none"> <li>Last payment received: \$1,500 on 25/07/2022.</li> <li>Business entered liquidation in Oct-22 and the account has been referred to AMPAC Debt recovery in Dec-22.</li> </ul>
3	Construction	\$111k	<ul style="list-style-type: none"> <li>Last payment received: \$778 on 20/05/2022.</li> <li>Company entered liquidation in July-22</li> <li>In Aug-22, liquidator confirmed listing of goods and possible dividends from the Auction.</li> <li>Further details on auction date are awaited.</li> </ul>
4	Administrative & Support Services	\$109k	<ul style="list-style-type: none"> <li>Last payment received: \$500 on 30/11/2022.</li> <li>Guarantor had ceased payments as a result of interest being charged during the Covid lockdowns.</li> <li>Discussions are planned for 04/08/2022</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 \$308.3m (36.3%)	Dancerace \$109.1m (12.9%)	TIQ Platform \$98.1m (11.6%)	Corporate \$249.9 (29.5%)	ADI's \$83.0m (9.8%)		
	PRODUCTS						
Invoice Finance	XLR8 \$13.7m	Sparc \$0.1m	Invoice Discounting \$109.1m	Agricultural Debtor Funding \$98.1m	Sea Container \$76.8m		
Supplier Finance	Insite \$236.8m	Pharmacy Program \$40.2m					
Other Assets	RMA <i>Discontinued</i>	Cash Advance (SME Lending) \$17.5m				Corp. Lending \$173.1m	Cash \$83.0m
Finstro Asset Trust (FAT) <sup>1</sup>						FIRST	BOTH

Note 1 : Originated and / or managed via FAT





# 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 (\$m)

Category	Product	Jun-21	Dec-21	Jun-22	Dec-22
<b>Finstro platform</b>					
Supplier Finance	INSITE	136.7	161.1	193.5	236.8
Invoice Finance	XLR8R	5.2	6.8	7.5	13.7
Invoice Finance	SPARC   Positv	0.2	0.4	0.5	0.1
Other assets	Cash Advance	21.5	18.7	17.5	17.5
Supplier Finance	Pharmacy Funding	37.2	43.3	43.7	40.2
<b>Total Finstro platform</b>		<b>200.9</b>	<b>230.4</b>	<b>262.8</b>	<b>308.3</b>
<b>Aquarius/Dancerace platform</b>					
Invoice Finance <sup>1</sup>	Invoice Discounting	59.7	-	-	-
Invoice Finance	Invoice Discounting	-	71.6	88.1	109.1
<b>Total Aquarius/Dancerace platform</b>					
<b>TIQ platform</b>					
Invoice Finance	AG Debtor Funding	81.5	84.5	89.7	98.1
<b>Total TIQ platform</b>		<b>81.5</b>	<b>84.5</b>	<b>89.7</b>	<b>98.1</b>
<b>Corporate platform</b>					
Other assets	Corporate lending	90.7	115.9	138.7	173.1
Invoice Finance	Sea container funding	36.8	55.3	69.6	76.8
<b>Total Corporate Platform</b>		<b>127.5</b>	<b>171.2</b>	<b>208.2</b>	<b>249.9</b>
<b>Authorised Deposit Taking Institutions (ADI)</b>					
Other assets	Cash	53.1	56.7	88.8	83.0
<b>Total ADI</b>		<b>53.1</b>	<b>56.7</b>	<b>88.8</b>	<b>83.0</b>
<b>Total per Portfolio Summary</b>		<b>522.6</b>	<b>614.3</b>	<b>737.6</b>	<b>848.5</b>
<b>Total Loan book per Investor Reports</b>		522.6	614.3	737.6	848.5

Source: Portfolio Reconciliations

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

## Portfolio reconciliation by category - Product and platform (\$m)

Product	Platform	Jun-21	Dec-21	Jun-22	Dec-22
<b>Supplier Finance</b>					
INSITE	Finstro platform	136.7	161.1	193.5	236.8
Pharmacy Funding	Finstro platform	37.2	43.3	43.7	40.2
<b>Total for Supplier Finance</b>		<b>174.0</b>	<b>204.4</b>	<b>237.2</b>	<b>277.0</b>
<b>Invoice Finance</b>					
XLR8R	Finstro platform	5.2	6.8	7.5	13.7
SPARC   Positv	Finstro platform	0.2	0.4	0.5	0.1
Invoice Discounting <sup>1</sup>	Aquarius/Dancerace platform	59.7	71.6	88.1	109.1
AG Debtor Funding	TIQ platform	81.5	84.5	89.7	98.1
Sea container funding	Corporate platform	36.8	55.3	69.6	76.8
<b>Total for Invoice Finance</b>		<b>183.4</b>	<b>218.6</b>	<b>255.5</b>	<b>297.9</b>
<b>Other assets</b>					
Cash Advance	Finstro platform	21.5	18.7	17.5	17.5
RMA	Finstro platform	-	-	-	-
Corporate lending	Corporate platform	90.7	115.9	138.7	173.1
Cash	ADI	53.1	56.7	88.8	83.0
<b>Total other assets</b>		<b>165.2</b>	<b>191.3</b>	<b>244.9</b>	<b>273.6</b>
<b>Total per Portfolio Summary</b>		<b>522.6</b>	<b>614.3</b>	<b>737.6</b>	<b>848.5</b>
<b>Total Loan book per Investor Reports</b>		522.6	614.3	737.6	848.5

Source: Portfolio Reconciliations

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

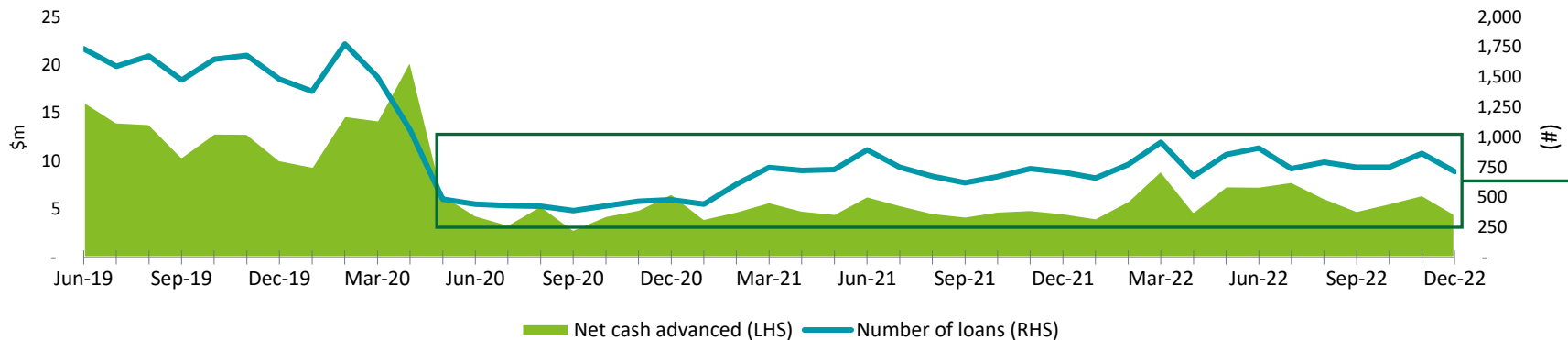
### Summary portfolio analysis

- Corporate Lending portfolio has grown over the historical period primarily due to the real estate 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. \$543.4m of net cash has been advanced over the platform since inception

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



Source: 07.01.24 Total Transactions Report (integration)\_&\_Write Offs\_31 December 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, 73.3k loans have been written on the Finstro platform with net cash advanced of \$543.4m 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.

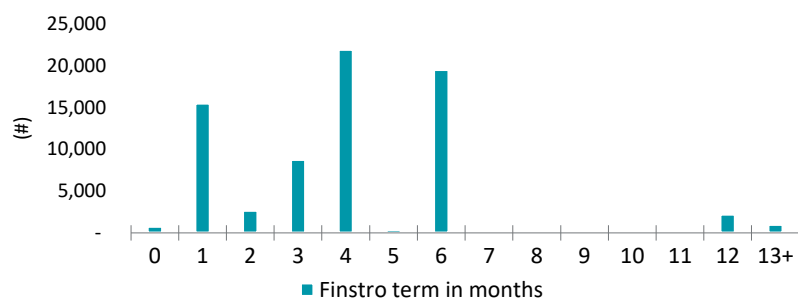
COVID-19 related rules relating to onboarding of new customers have been relaxed in the revised Aug-22 Credit Policy.



## Portfolio analysis | Finstro Platform

The majority of receivables (98.6%) on the Finstro platform have loan terms of up to 12 months.  
Finstro write-offs since inception represent 1.8% of gross principal advanced

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



Source: 07.01.24 Total Transactions Report (integration)\_&\_Write Offs\_31 December 22

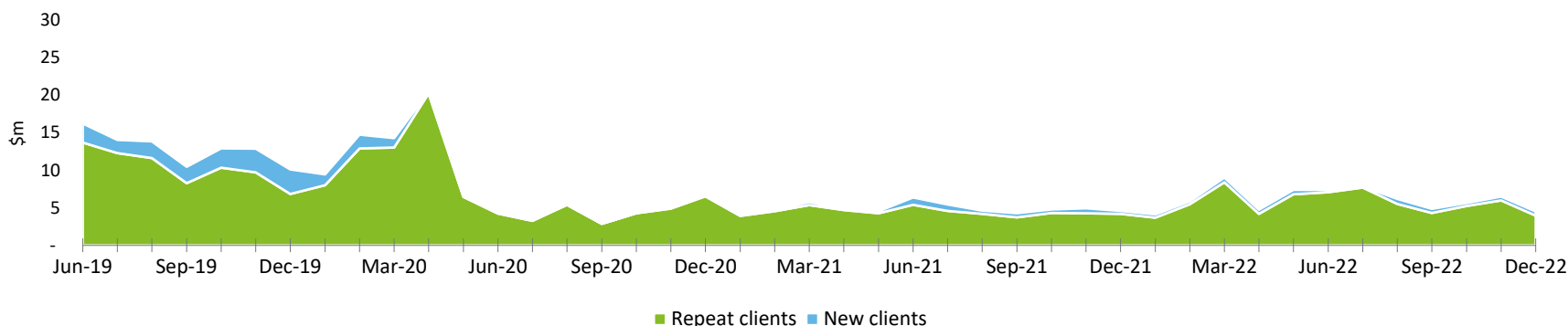
### Finstro platform – loan term analysis

- Core products on the Finstro platform have a loan term up to 12 months, with 98.6% of loans (72,312) having a term between one and twelve months since inception to Dec-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 5.1 months.
- 21,988 (30.0%) loans had a term of four months and 19,575 (26.7%) loans had a term of six months, since inception to Dec-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 \$21.4m (1.8% of original principal advanced since inception) and predominantly relate to the Cash Advance product.

## Portfolio analysis | Finstro Platform

Repeat clients constitute 89.6% of net cash advanced on a value basis and 90.6% 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 Dec-22)



Source: 07.01.24 Total Transactions Report (integration) & Write Offs 31 December 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, \$823.0m (95.8%) and \$36.2m (4.2%) of original principal advanced relates to repeat clients and new clients respectively.

#### Net cash advanced

- Between Jul-19 and Jun-22, \$273.0m (89.6%) and \$31.8m (10.4%) of net cash advanced relates to repeat clients and new clients respectively.
- Between Jul-19 and Jun-22, repeat clients accounted for 33,131 (90.6%) loans and new clients contributed 3,421 (9.4%) 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

As at Dec-22, 1.7% of the receivables portfolio was receiving support/ repayment re-profiling which included COVID-19 support packages provided during the period Mar-20 to Jul-21

### Total portfolio receiving support

\$	Dec-22
Total loans balance provided support (incl. COVID v1 and v2)	14,810,615
Amounts altered or deferred	690,725
Clients (#)	459
Movements (#)	794
Average Movement Amount	869.9
% of total portfolio receiving support	1.75%

Source: 07.05.02 Payment Movement December 2022

### Total portfolio related payment amendments

- Management separately tracks payment movement data for clients that have altered or deferred payments. This also includes clients who had received support during COVID-19 either via loan extensions, payment holidays or both.
- There are 459 clients receiving support/ repayment re-profiling, with an average payment movement amount of \$869.9 across 794 movements.
- Where payments under the agreements are not met arrears interest is charged.
- As at Dec-22, 1.7% of the receivables portfolio was receiving support/ repayment re-profiling compared to 1.3% 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 | 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 Dec-22
Client 1	165	2,368	14.4	110.0	\$667k	\$110.0m
Client 2	22	2,674	121.5	37.5	\$1,705k	\$37.5m
Client 3	13	3,900	300.0	27.8	\$2,141k	\$27.8m
Client 4	8	916	114.5	13.7	\$1,709k	\$13.7m
Client 5	89	3,034	34.1	25.8	\$290k	\$25.8m
Client 6	24	1,018	42.4	20.3	\$846k	\$20.3m
Client 7	1	800	800.0	75.3	\$75,346	\$75.3m

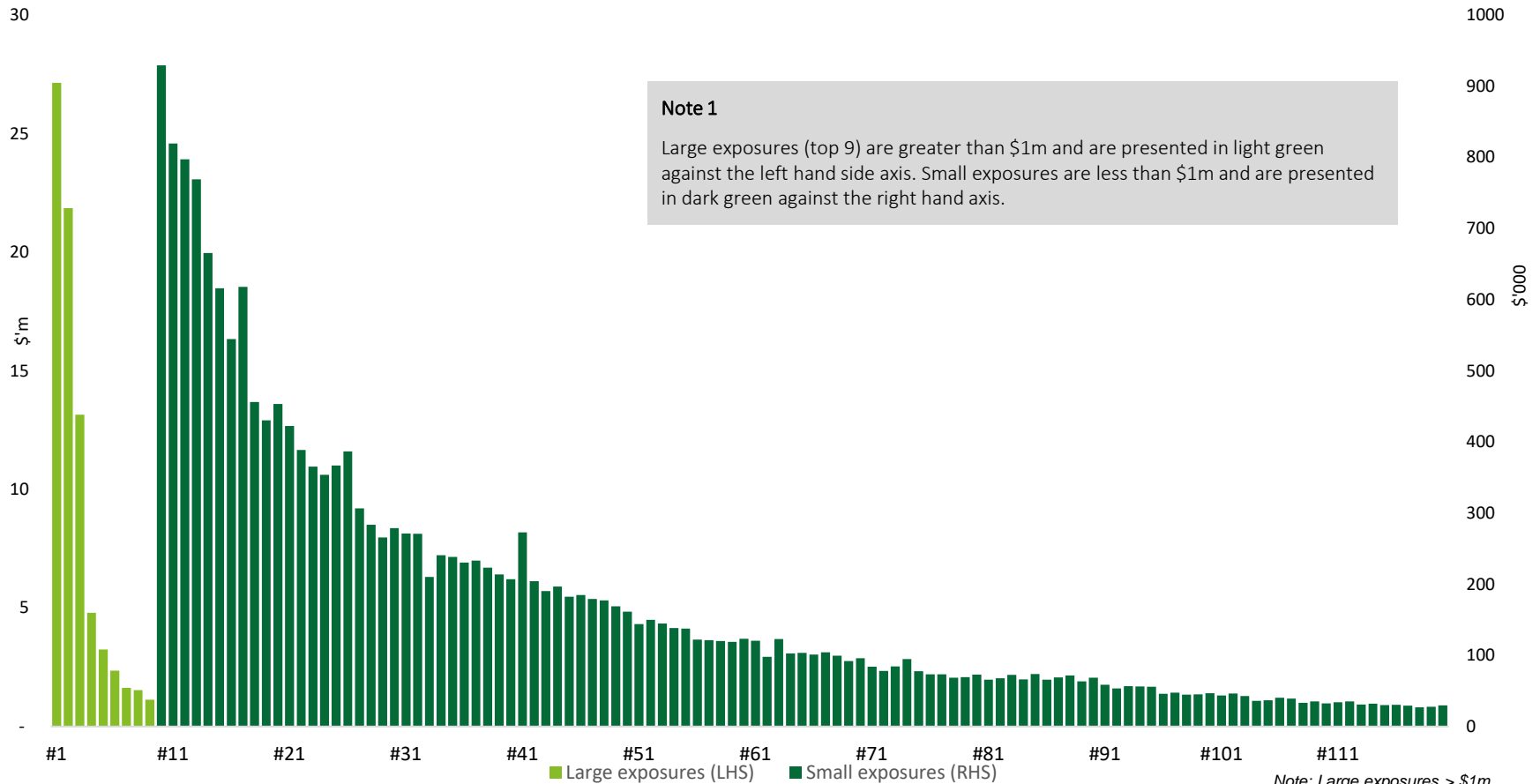
### Dancerace platform overview

- 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.\$310.5m from Jan-19 to Dec-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 | 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 Dancerace platforms. Refer to the following page for more information

### Agriculture debtors as at 31 Dec 2022



Source: 07.01.29 AG\_AR\_Receivables - December 2022

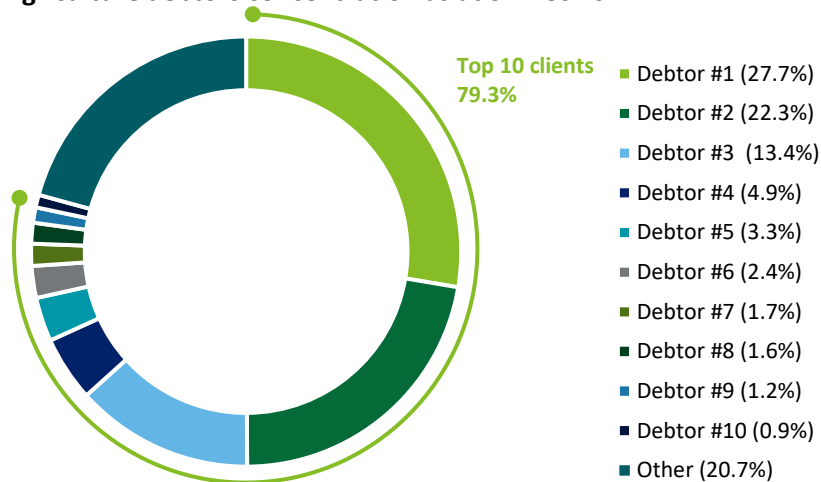
Project Orange - Final due diligence report | 24 February 2023

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

## Portfolio analysis | Agriculture Debtors

The largest agriculture debtor as at June 2022 accounts for 27.7% of all agriculture receivables and the top ten clients account for 79.3% of total receivables

### Agriculture debtors concentration as at 31 Dec 2022



Source: 07.01.29 AG\_AR\_Receivables - December 2022

### Agriculture debtor funding

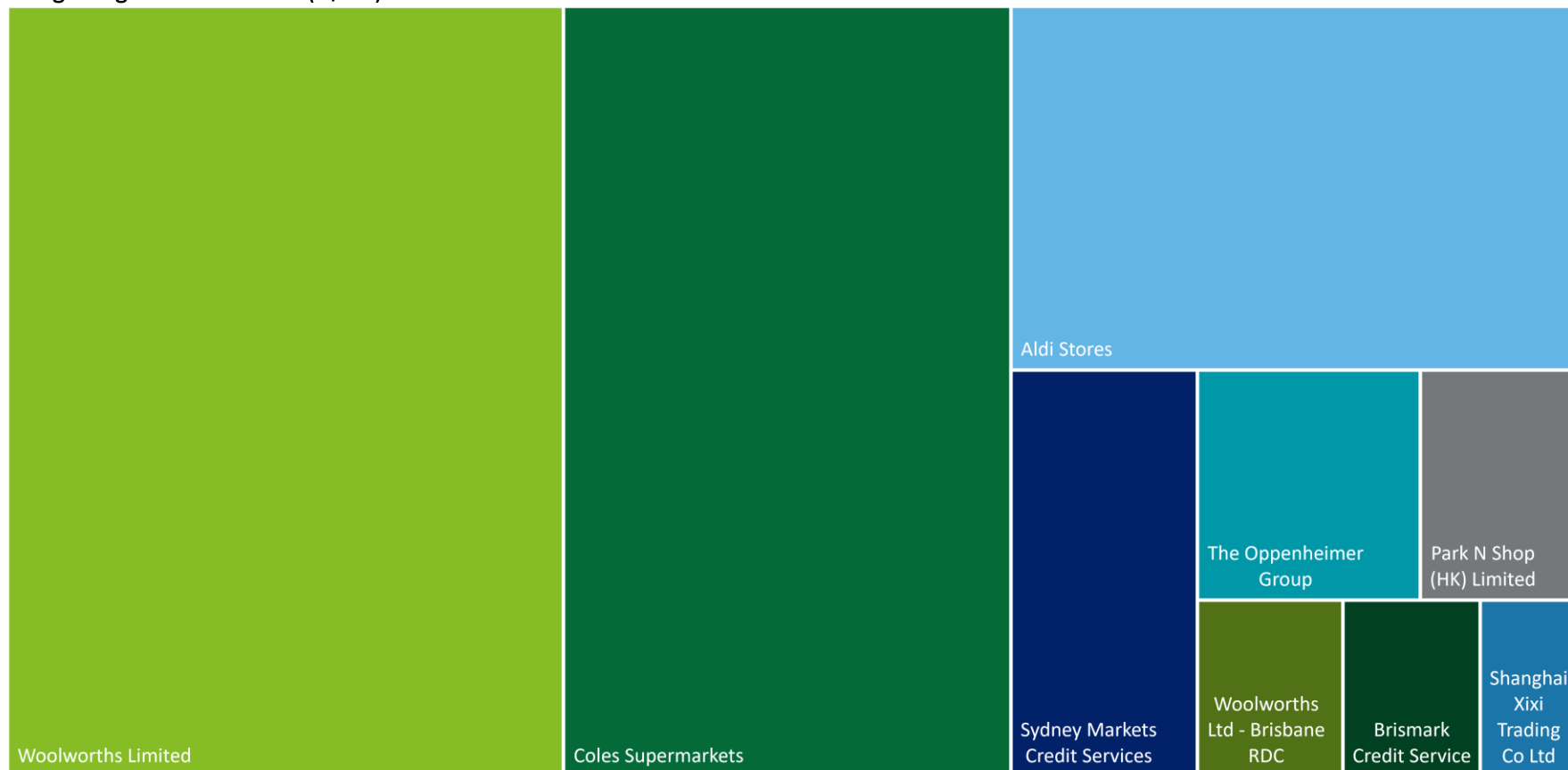
- Clients, such as farmers and food wholesalers, receive funds against receivables owed by major food retailers. The underlying debtors are dominated by the two largest listed supermarket retailers in Australia, Woolworths and Coles.
- Agriculture debtor funding is provided over the Dancerace and TIQ platforms.
- The largest agriculture debtor as at December 2022 accounts for 27.7% of all agriculture receivables and the top ten clients account for 79.3% 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 12.8% of the total portfolio as at Dec-22. Agriculture funding is provided over the TIQ (which also houses the pharmacy program) and Dancerace platforms

Largest Agriculture debtors (>\$1m) as at 31 December 2022

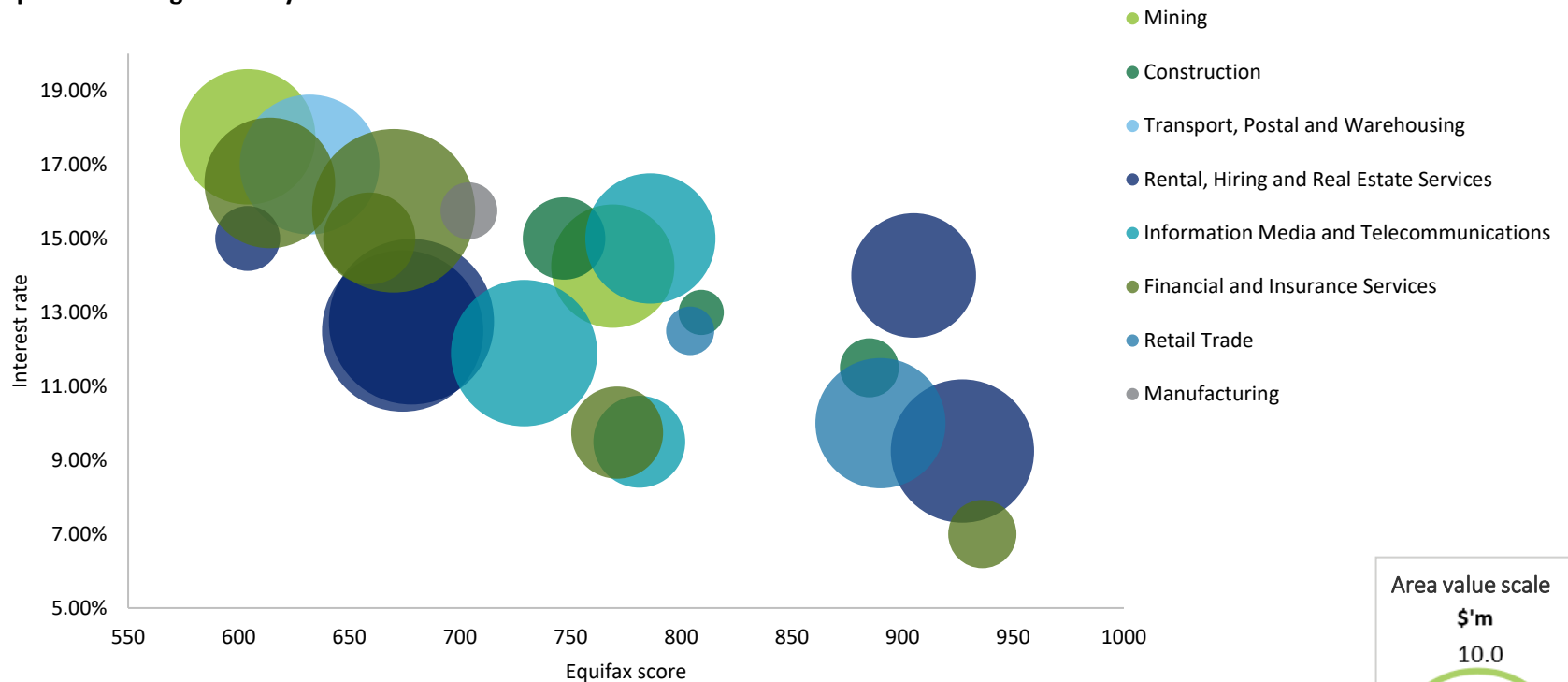


Note: Aldi Store – Stapylton refers to the distribution warehouse in Stapylton, QLD.

## Portfolio analysis | Corporate Lending

The corporate lending balance is \$173.1m across 22 clients, of which 100.0% have a “Very Good” or above Equifax credit rating. All loans were originated in 2020-2022, and their total value represents a \$34.4m increase on the Jun-22 balance. The average annual interest rate across the portfolio is 13.2%

### Corporate lending summary at 31 December 2022



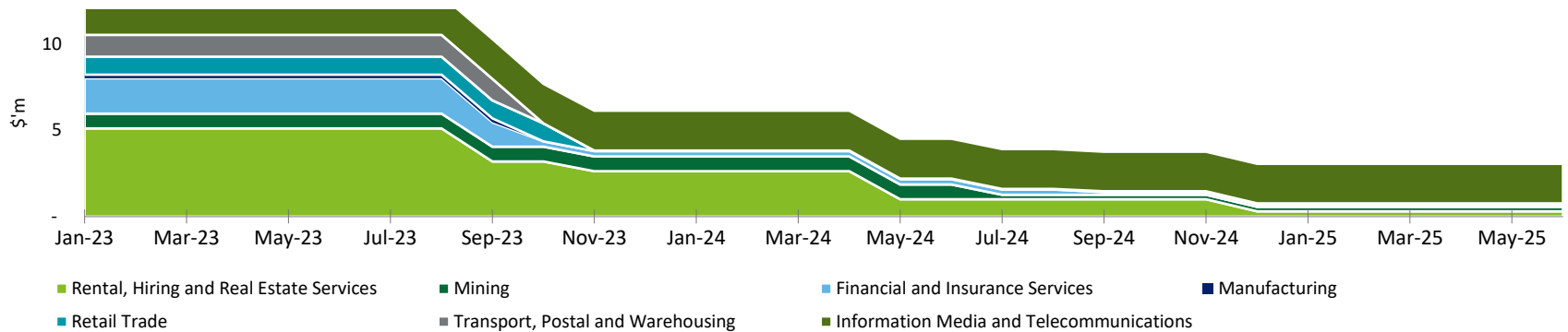
Source: 07.01.30 Secured Lending Dec22\_Data Tape



## Portfolio analysis | Corporate Lending

The average loan term and average remaining term across the corporate lending portfolio is 2.2 years and 1.5 years

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



Source: 07.01.30 Secured Lending Dec22 Data Tape

### Industry weighted average interest rate and exposure

Industry	Interest rate	Exposure (\$m)
Rental, Hiring and Real Estate Services	12.8%	55.2
Financial and Insurance Services	15.1%	38.5
Mining	15.9%	19.8
Information Media and Telecommunications	12.6%	27.6
Transport, Postal and Warehousing	17.0%	11.5
Retail Trade	10.3%	11.4
Construction	13.7%	7.2
Manufacturing	15.8%	1.9
<b>Total</b>		<b>173.1</b>

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

Source: 07.01.30 Secured Lending Dec22\_ Data Tape

### Corporate Lending

- Products on the corporate lending facility have a loan term of up to 48 months, with the shortest term in the current portfolio being 12 months. 26.5% of the portfolio have a term of 18 months or greater.
- The total interest payable on the portfolio is \$48.2m, with 72.3% of the portfolio made up of interest only loans.



## Portfolio analysis | Corporate Lending

Project Raptor and Mascot are new borrowers with initial drawdown in Nov-22 and Dec-22 respectively.

Borrower	Status	Due diligence scope	Compliance with ongoing reporting obligations	Compliance with financial covenants	Commentary
Project Raptor		<ul style="list-style-type: none"> <li>Financial due diligence</li> <li>Company/ Group review</li> <li>Management review</li> <li>Industry assessments</li> <li>Operational assessment</li> <li>Overall risk assessment</li> <li>Transaction &amp; risk pricing</li> </ul>	<ul style="list-style-type: none"> <li>Audited Consolidated Financial Statements (Annual)</li> <li>Unaudited consolidated half yearly Financial Statement (Half-yearly)</li> <li>Cashflow report (Quarterly)</li> <li>Borrowing Base Limit Computation and Modified Shareholder Funds signed by the Chief Financial Officer or a director of the Company (Annual and Half-yearly)</li> </ul>	<ul style="list-style-type: none"> <li>Modified Shareholder Funds (\$50k)</li> </ul>	<ul style="list-style-type: none"> <li>Initial due diligence undertaken in Nov-22</li> <li>All reporting obligations met from inception of loan to December 2022</li> </ul>
Mascot	Live	<ul style="list-style-type: none"> <li>Financial due diligence</li> <li>Company/ Group review</li> <li>Industry assessments</li> <li>Operational assessment</li> <li>Overall risk assessment</li> <li>Transaction &amp; risk pricing</li> </ul>	<ul style="list-style-type: none"> <li>Audited Consolidated Financial Statements (Annual)</li> <li>Valuation of the Real Property (Annual)</li> <li>Compliance Certificate signed by two directors of the Company (Annual)</li> <li>Group cashflow and development schedule (Annual)</li> <li>Property Management Report (Quarterly)</li> <li>Tenancy Schedule (Quarterly)</li> </ul>	<ul style="list-style-type: none"> <li>Loan to Value Ratio (75%)</li> <li>Net Rental Income (\$300k)</li> </ul>	<ul style="list-style-type: none"> <li>Initial due diligence undertaken in <b>Nov-22</b> with initial drawdown in Dec-22.</li> <li>Covenants and reporting obligations expected from Mar-23 onwards.</li> </ul>



## Portfolio analysis | Corporate Lending

Wagepay loans have met all obligations since inception since drawdown in Jul-22 and is expected to be repaid by Jul-25. Koh Group loans were rolled-over in Feb-22 and the loans have met all obligations since inception and is expected to be repaid in Dec-23

Borrower	Status	Due diligence scope	Compliance with ongoing reporting obligations	Compliance with financial covenants	Commentary
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>All reporting obligations met from inception of loan to December 2022</li> <li>Financial covenants tracked and met from inception of loan to December 2022</li> </ul>
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 November 2022</li> <li>Financial covenants tracked and met from inception of loan to November 2022</li> </ul>



## Portfolio analysis | Corporate Lending

Koh Group loans were rolled-over in Feb-22 and the loans have met all obligations since inception and is expected to be repaid in Dec-23 .The Flying Wombats have met all reporting obligations to Nov-22 and is expected to be repaid in Sep-23

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 October 2022</li> <li>Financial covenants tracked and met till September 2022</li> </ul>
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>Minimum cash reserve – Tranche A (\$402.5k)</li> </ul>	<ul style="list-style-type: none"> <li>All reporting obligations met till November 2022</li> <li>Financial covenants tracked and met till November 2022</li> </ul>



## Portfolio analysis | Insurance

As at Dec-22 there were \$574.9m of receivables with insurance coverage and \$83.0m of cash held with ADIs backing A Class Notes. The combined maximum payout under the in-force insurance policies is \$200m per policy period. Pandemics are not an excluded item

Product	Policy	Expiry	Maximum payout per policy period	Excluded items
Invoice financing	Allianz World Finance	30/11/23	\$100m	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 Dec-22, \$574.9m (100%) of supplier and invoice finance receivables had insurance coverage. The combined maximum payout under the in-force insurance policies is \$200m 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 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 provides 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 \$10,000. The maximum payout in a policy period is \$100m. The minimum premium excluding taxes is \$351k per annum.
- Allianz provides Trade Credit Insurance, so that any default from an eligible borrower is fully covered in OAFIT. The policy does not cover instances of political risk.
- 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, Jun-22 and as at Dec-22 there was \$574.9m of insured supplier and invoice finance receivables in favour of A Class Noteholders.



## Portfolio analysis | Insurance

As at Dec-22 there were \$574.9m of receivables with insurance coverage and \$83.0m of cash held with ADIs backing A Class Notes. The combined maximum payout under the in-force insurance policies is \$200m per policy period. Pandemics are not an excluded item

Product	Policy	Expiry	Maximum payout per policy period	Excluded items
Invoice financing	Allianz World Finance	30/11/23	\$100m	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

- FCFM 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 FCFM 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 FCFM 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 trading as Walkers Doughnuts	Bankruptcy/Liquidation	\$32,628	\$27,081	20/05/2020 – 07/08/2020
#5	MPS Family Pty Ltd ATF MPS Family Trust T/as Laneway on Darby	Liquidation	\$70,253	\$58,662	25/06/2020 – 30/04/2021
#6	FANCREST CORPORATION PTY LTD ATF AV Enterprises Trust T/as Verity Jewellers	Liquidation	\$5,062	\$4,141	11/09/2015 – 17/12/2015
#7	WINFIELD CONSTRUCTION PTY LTD	Liquidation	\$24,912	\$20,386	31/07/2015 – 27/08/2015



# Appendices

Executive Summary	6
OAFIT overview	14
Funding analysis	27
Portfolio analysis	39
Appendices	66



# 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 month periods ended 31 December 2021 and 31 December 2022. 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.15
- Summarise the operating environment of the OAFIT, appointed trustee, custodian and issuing agent, asset manager, and majority unitholders. Pg.15 - 19
- Perform high level analysis on the fund manager, including governance structure, audit status, AFSL licence, compliance committee and quarterly checklists if relevant. Pg.20- 22
- Analyse the capital preservation requirements of the Series Notice. Pg.29 - 31
- 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.33 - 34
- Summarise enforcement rights and voting thresholds. Pg.29 - 34
- Summarise the funding composition of the OAFIT, including historical balance, investment criteria and covenant protection, by tranche. Pg.28 - 31
- 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-22. Pg.35

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

- Analysis of investor funding base, including exposure, geographic concentration, and expected maturity. Pg.36 - 38
- Provide a summary of key onboarding activities for new clients and investors, including Anti-Money Laundering and Counter Terrorism Financing procedures, and the use of any third party providers. Pg.23- 24
- Provide an overview of key data security policies and procedures, including the use of third party providers. Pg.25- 26

### 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.40 - 42
- Analyse the underlying assets of the OAFIT in relation to:
  - Principal and term outstanding; and,
  - Analysis of customer/vendor/supplier concentration. Pg. 43- 44
- Insurance coverage:
  - 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. Pg.64- 66



# Appendices | A1: Scope

## Engagement letter

### 2. Credit Quality

- Analysis of trends in historical arrears since inception to 31 Dec 2022, including total and average arrears amounts, arrears rate, loss reserve amount, and portfolio coverage. **Pg.46-47**
- Reconciliation of applications and redemptions for the Historical Period to the cash flow statement **Pg.8 & 35**

### 3. Additional portfolio analysis

#### Finstro platform

- Reconcile data tape to previously provided portfolio summary reports. **Pg.48**
- 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;
  - Write-Off analysis.**Pg.50 - 53**

#### Pharmacy program

- Reconcile data tape to previously provided portfolio summary reports. **Pg.48**
- Analyse the repayment profile of the Pharmacy data tape. **Pg.54**

#### Agriculture debtors

- Provide a summary of agriculture debtors as at 31 December 2022, including:
  - Total number of debtors;
  - Total number of individual transactions; and,
  - Total exposure and average exposure.**Pg.56 - 58**

### 3. Additional portfolio analysis (continued)

#### Dancerace platform

- Assess sample of debtors on Dancerace debtor finance platform and client movement reports. **Pg. 55**
- Comment on the turnover of invoices and the range of debtors. **Pg.55**
- Analyse the invoice discounting proposal template. **Pg.55**

#### 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.59- 63**



# 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 12 December 2022 (the “Contract”) and Appendix A1 of this report. As agreed with you we have analysed unaudited management information up to 31 December 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.

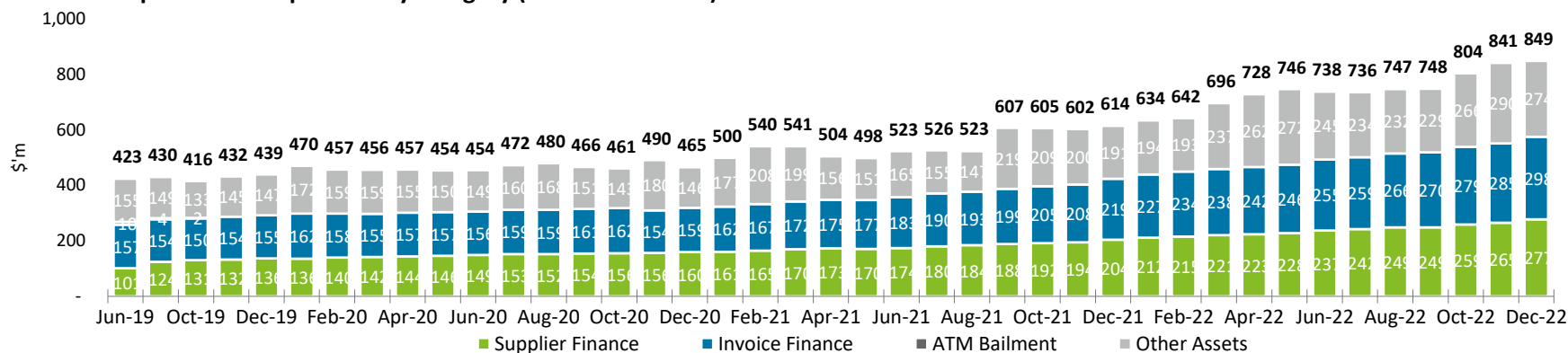
- We have held discussions and obtained information from the following sources:
  - David Lewis, Chief Executive Officer and Co-Founder;
  - Kevin Wong, Chief Financial Officer; and,
  - Gary Segal, General Counsel and Chief Operating Officer.
- The virtual dataroom hosted on Ansarada.
- Formal Q&A process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



# Appendices | A3: Receivables portfolio

## Portfolio concentration by category and product

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





## Appendices | A4: Equifax Credit Score Ranges

The Equifax Commercial Credit Score is an integer value in the range between -200 to 1200 and has a direct relationship with the Good Bad Odds, which is defined by the Equifax Masterscale

Rating	Credit Score Range	Chances of adverse in the next 12 months
Excellent (81% - 100%)	901 – 1,200	0.1% -0.7%
Very Good (61% - 80%)	601 – 900	0.8% - 5.8%
Good (41% - 60%)	301– 600	5.9% – 33.2%
Average (21% - 40%)	1– 300	33.3% -79.9%
Below average (Bottom 20%)	-200 – 0	80.0% - 94.1%

Equifax master Range	Good Bad Odds	Chances of adverse in the next 12 months
1,200	1024:1	0.1%
1100	512:1	0.2%
1000	256:1	0.4%
900	128:1	0.8%
800	64:1	1.5%
700	32:1	3.0%
600	16:1	5.9%
500	8:1	11.1%
400	4:1	20.0%
300	2:1	33.3%
200	1:1	50.0%
100	0.5:1	66.7%
0	0.25:1	80.0%
-100	0.125:1	88.9%
-200	0.0625:1	94.1%

Source: Company In-Depth Company Trading History Client Monitoring 2022Q3

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>1H22, 1H23</b>	First half of FY22 i.e. July to December 2021
<b>AG</b>	Agricultural Debtors	<b>1H23</b>	First half of FY23 i.e. July to December 2022
<b>AML</b>	Anti-money Laundering	<b>FAT</b>	Finstro Asset Trust
<b>APRA</b>	Australian Prudential Regulation Authority	<b>FCFM</b>	FC Funds Management Pty Ltd
<b>ASIC</b>	Australian Securities and Investments Commission	<b>FIRST</b>	Fixed Income Receivables Securities Trust
<b>ASLF</b>	Adjusted surplus liquid funds	<b>FY19, FY20, FY21, FY22, FY23</b>	Financial year ended 30 June 2019, 2020, 2021, 2022, 2023.
<b>Asset or Investment Manager</b>	Oceana Management Pty Ltd or FC Funds Management Pty Ltd	<b>MFA</b>	Multi Factor Authentication
<b>ASX</b>	Australian Securities Exchange	<b>OAFIT</b>	Oceana Australian Fixed Income Trust
<b>AUSTRAC</b>	Australian Transaction Reports and Analysis Centre	<b>PEP</b>	Politically exposed person
<b>BNY Mellon</b>	Bank of New York Mellon	<b>SME</b>	Small and Medium enterprises
<b>CAGR</b>	Compounded annual growth rate	<b>SOC2</b>	System and Organizational Controls 2 Type 1 Report
<b>CMGR</b>	Compounded monthly growth rate	<b>Trustee</b>	Finstro Securities
<b>CTF</b>	Counter Terrorism Funding		
<b>DDoS</b>	Distributed denial-of-service		



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organisation”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more.

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our network of member firms and related entities in more than 150 countries and territories (collectively, the “Deloitte Organisation” serves four out of five Fortune Global 500® companies. Learn how Deloitte’s approximately 312,000 people make an impact that matters at [www.deloitte.com](http://www.deloitte.com).

## **Deloitte Australia**

In Australia, the Deloitte Network member is the Australian partnership of Deloitte Touche Tohmatsu. As one of Australia’s leading professional services firms. Deloitte Touche Tohmatsu and its affiliates provide audit, tax, consulting, and financial advisory services through approximately 8000 people across the country. Focused on the creation of value and growth, and known as an employer of choice for innovative human resources programs, we are dedicated to helping our clients and our people excel. For more information, please visit our web site at <https://www2.deloitte.com/au/en.html>.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Asia Pacific Limited and the Deloitte Network.

© 2023 Deloitte Financial Advisory Pty Ltd. All rights reserved.