Oceana Australian Fixed Income Trust

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

Superior

May 2024

INTRODUCTION

Key Principles

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

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

Currency of Reports

This Research Report is current as at the date on the report until it is replaced, updated or withdrawn. SQM Research reports are generally valid for a term of approximately 12 months but may be replaced, withdrawn or changed at any time as judged appropriate by SQM Research.

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

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Report Date: 28 May 2024

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

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

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

CONTENTS

SQM Rating

Superior. Suitable for inclusion on most APLs.

Trust Description	
Trust Name	Oceana Australian Fixed Income Trust
APIR code	N/A
Asset Class	Alternative private credit
Management and Service Providers	
Investment Manager	Oceana Management Pty Ltd
Responsible Entity	Not applicable
Trust Information	
Trust Inception Date	23-Jan-16
Trust Size	$1.13 billion as of Mar 2024
Return Objective (per IM)	Not Applicable
Internal Return Objective	Not Applicable
Risk Level (per IM)	Not Applicable
Internal Risk Objective	Not Applicable
Benchmark	No formal benchmark. RBA cash rate plus 2.5% used
Number of stocks/positions	Several hundred to thousands
Trust Leverage	No leverage used
Portfolio Turnover	Very high
Top 10 Holdings Weight	76.36%
Investor Information	
Management Fee	2% per annum (subordinated to investor distributions/principal)
TCR (Total Cost Ratio)	Not applicable
Buy Spread	Not applicable
Sell Spread	Not applicable
Performance Fee Rate	Nil
Minimum Application	$500,000
Redemption Policy	60-day redemption notice period
Distribution Frequency	Monthly
Investment Horizon	Not applicable
Currency Hedging Policy	AUD denominated

Trust Summary

Description

The **Oceana Australian Fixed Income Trust ("OAFIT" or the "Trust")** aims to provide investors with a superior risk-adjusted return by offering **fixed-rate, securitised "ABS" (asset-backed securities) notes**.

The Notes derive their return from the typically **short-term** provision of financing in the **trade and debtor finance market, secured corporate loans and lending to SMEs in Australia** only.

OAFIT's diversified underlying asset portfolio comprises thousands of individual loans providing access to the entire private debt spectrum, with a bias towards trade and debtor finance receivables coupled with significant credit enhancement features along with strong risk management processes in place and insurance coverage in the event of any defaults.

The Trust's investment objective is to provide investors with superior risk-adjusted returns, uncorrelated to most other asset classes, with a focus on non-cyclical / defensive industries. Portfolio construction is defensive by design, which aims to ensure a natural hedge against recessionary pressures and risk assets.

The Trust is structured as an open-ended unlisted, unregistered wholesale managed investment scheme available to sophisticated and wholesale investors as defined by the Corporations Act.

Trust Rating

The Trust has achieved the following rating:

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

Previous Rating: 4.00 stars (Issued May 2023)

SQM Research's Review & Key Observations

About the Manager

Oceana Management Pty Ltd is the Investment Manager of the Oceana Australian Fixed Income Trust. The Investment Manager is an Authorised Representative under AFSL 533233 held by Oceana Licensee Pty Ltd.

Oceana Management Pty Ltd is a Sydney-based specialist funds management company specialising in credit-based investments.

Both the Investment Manager and Oceana Licensee are wholly beneficially owned by Odeon Holdings Pty Ltd ACN 151 604 124. Odeon is owned by entities wholly owned and controlled by the CEO of OAFIT, **David Lewis.**

The Investment Manager is primarily responsible for the distribution of the Trust, engaging with and managing investor relationships, originating investments, overseeing underlying investments, deploying investor funds, monitoring performance, and implementing risk management.

OAFIT invests in credit assets solely funded via senior secured A Class notes issued by the Fixed Income Receivables Securities Trust ("**FIRST**") and the Finstro Asset Trust ("**FAT**"). FIRST and FAT then on-lend to the underlying borrowers in the book – i.e. these entities are the lenders of record in the market.

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.

FIRST and FAT are affiliated /co-located with OAFIT and the Investment Manager. Both entities have granted first ranking all assets security in favour of the Trustee. Further, the Investment Manager has a seat on each of their investment committees.

FC Funds Management Pty Ltd (AFSL 431245) is the underlying asset manager of OAFIT. FCFM is a manager of fixed interest and other structured credit assets and is headquartered in Sydney. FCFM is an established investment manager with a wholesale investor base spanning HNW, Family Offices, Wealth Managers, and Institutions and currently manages >A$900m, with underlying assets comprising debtor and trade finance, SME lending, corporate lending, property, and infrastructure.

Investment Team

The OAFIT Trust structure is comprised of several business units as outlined in the graphics appended and described in the Corporate Governance section;

- OAFIT (The 'Trust')
- Oceana Management Pty Ltd (Investment Manager / AFSL Authorised Representative)
- Oceana Licensee Pty Ltd (AFSL holder)

- FC Funds Management (Asset Manager/AFSL holder)
- Fixed Interest Receivables Securities Trust (FIRST) (Funding trust/originator)
- Finstro Asset Trust (FAT) (Funding trust/originator/ technology)

Each unit is run as a standalone, legally separate corporate group. However, there is considerable crossover and contributions of each into the operation of OAFIT. Each unit also has a dedicated management team. In total, there are more than 110 staff across the key business units, across functions including Risk/Analytics, Sales, Operations, Technology, Communications, and Finance.

The Board, Senior Management and the Senior Portfolio team are comprised of over 25 members. OAFIT has locations in Sydney, Denver, and Manila.

Given the scale of the OAFIT operation and the very high level of resourcing, SQM Research considers ***key person risk*** to be low.

1. Investment Philosophy and Process

Investable Universe

OAFIT offers investors access to the full range of private debt via its funding to both FIRST and FAT, operating in 3 distinct markets:

- Trade and debtor finance
- Corporate lending
- Micro-SME Lending

As of January 2024, the loan book composition is as follows:

Supplier Finance	$ 364,126,968
Invoice Finance	$ 384,449,615
SME Lending	$ 17,377,964
Secured Lending	$ 208,499,278
Cash	$ 134,910,195
Total	**$ 1,109,364,020**

Philosophy / Process / Style

The Trust's investment philosophy is to provide investors with a **superior risk-adjusted and uncorrelated return**, with a focus on **non-cyclical / defensive** industries. Portfolio construction is defensive by design, noting a funding bias towards trade and debtor finance, which ensures a natural hedge against recessionary pressures. The aim of the Trust is to provide investors with capital protection and regular monthly income.

The Trust is a fixed-income product that aims to offer investors access to the returns generated from the private debt market within a risk-mitigated strategy. The strategy aims to offer investors the benefit of a Trust structure in the form of fixed-rate notes, credit enhancement through first-loss protection available to all noteholders, and trade credit insurance. Underwriting and risk management are key to the success of the OAFIT strategy, evidenced by low arrears and loss rates since inception. Insurance policies over the underlying receivables enable coupon and principal payments to be made to Noteholders in the event of a credit loss.

The sector bias has been towards defensive sectors since the inception of the Trust, which launched with an invoice finance program in food & agriculture and a supplier finance program in pharmaceuticals and healthcare. Since then, the strategy has expanded into other defensive sectors, including wholesale trade, logistics, financial services, and enterprise software.

2. Performance & Risk

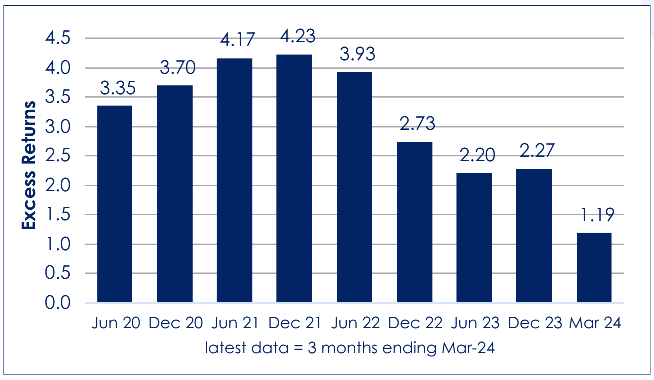
Return Objective

The return objective stated in the IM is the Trust aims "to make interest distributions to Note Holders specified in the applicable Note Certificate, by actively managing a portfolio of underlying investments".

The Information Memorandum does not mention any formal benchmark of the Trust.

For the purposes of quantitative analysis and comparisons, SQM Research has used the RBA Cash rate plus 2.5%

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



Length of Track Record

The Trust has a history of 8.2 years (or 98 months).

Observations and analysis of returns will have material statistical meaning as a result of the sample size of observations.

Risk Objective

The Trust's IM does not state any risk level.

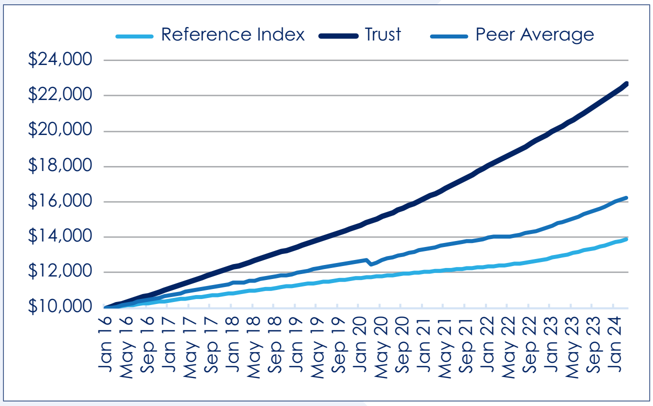
SQM notes that the quantified risk levels are not appropriate for the Trust. Kindly refer to the risk section of the report to understand the major risks associated with the Trust.

Trust Performance to 31 March 2024 (% p.a.)							
Total Return	**1-Month**	**3-Month**	**6-Month**	**1-Year**	**3-Year**	**5-Year**	**Inception**
Trust	0.96	2.92	5.90	11.63	11.20	10.66	10.54
Reference Index	0.58	1.73	3.47	6.89	4.71	4.06	4.09
Peer Average	0.68	2.34	4.80	9.45	5.69	5.54	6.18
Alpha	0.38	1.19	2.42	4.75	6.49	6.60	6.45

With distributions reinvested. Returns beyond one year are annualised. Return history starts Feb-2016

Reference Index: RBA Cash Rate + 2.5%

Growth of $10,000



Strengths

- The overall Oceana business has solid financial backing and is profitable. Considerable investments into the strategy and underlying technology platform have been made. There is a high degree of scalability apparent, and the potential addressable market is very large
- The strategy exploits a niche where SMEs and other businesses are finding it increasingly difficult to access short-term finance as the larger banks and other lenders under-service the space. The target market is very large, and the growth potential for the strategy is high
- While on face value, the Trust engages in somewhat riskier lending than the 'peer group', the track record of arrears of less than 2% per annum for the history of the Trust highlights the quality of the overall process, the very high level of diversification, and the detail across the risk management process. As of Jan 2024, the arrear is 1.37%. As of Mar 2024, 100% of underlying obligors have a weighted average Equifax score in the "Very Good" range
- Key quantitative outcomes show the strategy exhibits very low volatility and a negative to very low correlation with Australian and global equities and most other asset classes. Returns have been very consistent since inception. As such, the strategy displays true portfolio diversification characteristics
- The Trust has paid consistent monthly income distributions to investors with no capital losses since inception. Insurance policies over the underlying receivables enable coupon and principal payments to be made to Noteholders in the event of a credit loss. The value of the Class A Notes outstanding cannot exceed the value of the insured assets of the Trust. Therefore, all assets supporting the A Class Notes are always covered by insurance

Weaknesses

- The structure of the OAFIT and related businesses is relatively complex, with a number of entities and funding sources
- The 60-day redemption period may not suit some investors. The IM also states that it is unlikely for there to be any secondary market for trading notes

Other Considerations

- SQM Research notes the management 'fee' structure is uncommon. The Investment Manager receives remuneration out of the net interest margin (and not out of investor capital), and the fee is fully contractually subordinated to interest and principal obligations note holders, meaning that the Investment Manager only gets paid if there is excess net interest margin after all required payments to investors have been made. In effect, this is akin to a 'performance' fee, where the Investment Manager is at the bottom of the 'payment waterfall' relative to the A, B, and C Noteholders (and service providers)
- SQM Research notes the strategy is highly differentiated, and the peer group used (a mix of short and long-duration private credit, mortgage trusts and the like) for comparative analysis should not be considered on a like-for-like basis
- The Trust offers different classes of Notes according to the Trust deed, which differ only in terms of seniority/ ranking. Notes are typically on 5-year terms (shorter terms may be available) with 60-day redemption terms
- Notes are issued by the Trustee with a fixed interest rate. However, the fixed rates are dependent on the performance of the Trust and cash flow management. This should not be viewed as guaranteed rates of return
- The Trust is only offered to Wholesale and Sophisticated Investors as defined under the Corporations Act. The minimum investment is $500,000

Key Changes Since the Last Review

- There has been significant turnover at the management level in FINSTRO. All positions have been filled
- FC Capital has appointed two additional independent members of the board and credit committee
- Oceana had their record capital raising year to December 2023 successfully overseeing > $1 billion of funds under management
- Tony Goodhardt joined as Head of Data & Analytics for Oceana
- Launched institutional reporting portal for institutional investors
- Created a unitised feeder fund product with an independent fiduciary to facilitate inclusion on Netwealth, Mason Stevens and Praemium / PowerWrap

Investment Process Diagram

Process Description

Investment Process	
Research and Portfolio Construction Process	**Idea Generation** Lenders operate within a contractual framework as it relates to underwriting, deployment, and ultimately asset categorisation, "new investment ideas" per se are not really part of day-to-day operations. Strategic initiatives are largely focused on growing originations and investment at the trust level. Furthermore, for technology-enabled lending <$100k, the systems are designed to provide credit outcomes and/or referrals to a credit officer with a Delegated Lending Authority ("DLA"). Any loan above $500k, however, follows the investment processes. **Research Internal** OAFIT utilises independent due diligence reporting via Deloitte Transaction Services – this involves a full review of all OAFIT's underlying asset categories in addition to all operational due diligence. These reports are conducted every 6 months and provided to investors. At the funding trust levels, on the Finstro/FAT side of the business, all technology and systems are proprietary and have been the "DNA" of the business since its inception. Proprietary algorithms form part of the source code, which is the intellectual property of the business.

Investment Process	
Research and Portfolio Construction Process ***...continued***	The proprietary research is focused on the underwriting and processing of transactions – as described below: • Invoice Funding In terms of initiating each process, each client creates a transaction that includes the Name of the Supplier, including ABN/ACN (Validated via Equifax API), debtor Email Address, Invoice Number, and Amount & uploads a copy of the debtor invoice. The transaction value is validated by the client in concert with nominating a due date of the invoice, with the system calculating the settlement amount and approximate net retention payable to the client based on the due date of the invoice. • Supplier Finance Supplier finance is a trade and purpose-based solution where OAFIT pays suppliers directly on behalf of borrowers (i.e., no cash is advanced to the borrower directly). This aims to mitigate fraudulent or misappropriated use of funds. Most competitors provide funding to the borrower directly to either pay suppliers or fund receivables. This is a much riskier form of funding from both an underwriting and fraud perspective. • SME Lending In terms of initiating each process, each client creates the cash advance transaction and nominates the value of the drawdown and repayment term with the OAFIT system calculating the instalment amount. The audit is completed by the Credit Team to ensure there are no related party transactions or personal use items. • Corporate Underwriting approach Within FC Capital, OAFIT employs a more typical fundamental corporate underwriting process. The due diligence is managed and initiated by the Corporate Finance team with external (third-party) experts involved as required. The process is started by issuing a due diligence request list. Depending on the type of transaction, borrower, or industry, the request list will vary and is modified by the Corporate Finance team. A documented Q&A process is also undertaken. As part of due diligence, a credit check for all directors is undertaken via Equifax reports, internet searches and independent reference checks.

Investment Process

Research and Portfolio Construction Process

...continued

Research External

OAFIT uses a wide range of external providers across the business units:

- Equifax is an independent credit scoring agency that assigns credit scores and probable loss percentages associated with said scores to business borrowers across Australia. OAFIT uses Equifax in conjunction with Finstro and FC Capital to calculate Probable Loss percentages for the various financial covenants
- Allianz & QBE, Trade Credit Insurance Providers: Both providers regularly review credit underwriting risk management and procedures
- Equifax Fraud Focus Group ("FFG") comprises the Australian Financial institutions and utility providers who contributed to an industry fraud database hosted by Equifax where members can check against potential fraudulent persons/entities
- ThreatMetrix is a LexisNexis Risk Management solution. ThreatMetrix code is embedded in Finstro's Client Onboarding and Transaction processes to enable a check to be completed for the device history, name, geolocation, browser, Internet service provider and the number of profiles
- All prospective borrowers are required to upload bank statements via the Illion portal, a web-based solution for the retrieval of bank statement data. The client logs onto this website using their Internet banking logins and password. This then retrieves their bank statements from the bank automatically, categorising the details and providing the analysis back to Finstro
- FC Capital also use Bloomberg and various specialist consultants to assist in their underwriting, specifically for a particular sector, mining services, as one example

Security screening and selection

Underwriting

OAFIT always takes a top-down approach to underwriting due to the Eligibility Requirements and Concentration Limits (the "Limits"). The asset categorisation of the Trust is dictated by the Limits, ensuring that capital structuring is in line with the maximum A Note advance rate, insured assets are maintained, and excess spread is met, leading to the overall return of a transaction and its associated risks, and liquidity is available at the Trust level to meet any upcoming maturities/redemption requests. This is why OAFIT has a seat on both the FC Capital and Finstro Investment Committees.

The underwriting process is managed differently by the two funding trusts due to the nature of their relevant originations.

Fraud Risk Mitigation

- Fraud is a material risk factor in all non-bank lending, given the nature of the returns generated and the profile of the SME borrower base (where applicable in OAFIT's underlying asset portfolio)
- There have been less than 10 frauds since 2017, with most of these incidents occurring between 2017 and 2018, all involving identity takeover and theft. To mitigate the risks, the following tools were implemented: Equifax Fraud Focus Group, including identifying high-risk fraud ZIP codes, ThreatMetrix and Bank Statements (through the Iliion platform) as part of credit assessment/underwriting criteria

Investment Process	
Research and Portfolio Construction Process ***...continued***	• Portfolio diversification also provides fraud risk mitigation. The underlying loan book contains ~ 7,000 obligors with an average loan size of < $100,000. The capital structure of the Oceana Fund and structural subordination available to all Noteholders is a form of credit enhancement/fraud risk mitigation in respect of Noteholders capital protection, i.e. the equity of OAFIT, funded by the B Notes at the Trust level, is the first-loss capital within the Trust (after excess margin) therefore, OAFIT's Unitholders are the first risk capital ensuring alignment with Noteholders • Finally, from a regulatory and reputational protection standpoint, they maintain rigorous AML/CTF standards, utilising ID Verification, as well as PEP ("Politically Exposed People") and Sanction Screening, all through the Equifax ID Matrix. Finstro and FC Capital are also both required to report to Austrac (https://www.austrac.gov.au/) with respect to the source of funding and AML / CTF verification *Trade Credit Insurance ("TCI")* • TCI has been used since the inception of the Trust, having maintained and expanded its coverage every 2-3 years, pending depending on the growth of the Trust in the relevant period • TCI is not viewed as a substitute for responsible underwriting and risk management. It's an additional form of credit enhancement. The most ever claimed in a policy period is $750k approx. Therefore, when they increased the maximum claim amount from $100m to $200m in 2022, it was to reflect the increased size of the Trust and the associated optics of a larger overall claim limit • The Manager never provides an advance rate in invoice and supplier finance lending programs that are not consistent with the maximum advance rate under the insurer policy and generally below the 90% level, as every facility limit is>$25k with Allianz, and $100k with QBE needs to be shadow approved by the relevant insurer and assigned a limit **Portfolio Construction** OAFIT adopts a "**top-down**" approach to Portfolio Construction, first considering OAFIT's Financial Covenants, Eligibility Requirements, Concentration Limits and any upcoming maturities requiring liquidity. These facets are the core of portfolio construction and underlying asset management. The Trust's financial covenants have been in place since its inception in 2016 and even prior to that, with the establishment of FIRST. The limits were established in February 2021 with the onboarding of a significant US institutional investor based on the underwriting track record and portfolio construction at the time. The portfolio has always had a funding bias towards invoice and supplier finance receivables - they were the founding asset categories and also drive a key financial covenant around the requirements for A Class Notes to be at least 100% supported by insured receivables, including cash. The portfolio has never been below 100% since its inception. As OAFIT is contractually required to maintain the Limits for certain institutional investors, all Noteholders benefit from this. As such, the limits function as a further form of governance and rigour around the underwriting process.

Investment Process

Research and Portfolio Construction Process

...continued

The underwriting at the funding trust levels (FIRST and FAT) is governed by the relevant credit policy and procedure documentation. Each of these businesses has an Investment Committee, where all exposures of $500,000 or greater are required to be presented.

In terms of reducing positions, the Investment Manager has only been required to do this during the height of COVID, when there was some demand from investors to return capital.

Arrears Management

OAFIT suggests the single biggest contributor to the track record since inception has been quality underwriting, evidenced by low arrears and loss rates, that is, defaults not greater than 2% on a static basis at any point in the history of the Trust.

As lenders, arrears and, subsequently, defaults are part of the ordinary course of business, with thousands of underlying borrowers. OAFIT publishes arrears data every month for investors by the obligor, including the reasons behind the arrears.

Write-offs (defaults) are published quarterly. All write-offs have come from either SME Lending, Supplier Finance, or Single Invoice Factoring and work out to be 0.51% of the original principal advanced since 2016 (across all product categories). SME Lending represents the largest cohort of write-offs, which is expected given the nature of these borrowers and the kind of lending under this category, i.e., giving cash directly to the business owner versus any kind of trade-based solution. SME Lending is also the highest earning portion of the book with APR's >40%, so excess margin is maintained to cover any losses.

Noteholder capital has never been impacted by write-offs due to the excess margin at the funding trust level, i.e. 17% on average versus OAFIT's historic gross returns of ~14%; this excess spread has covered losses historically and even in the event of this not being sufficient, Noteholders have at least $16m of first-loss protection via the B Notes in FIRST & FAT, which be increased by Unitholders as required, i.e. during COVID where redemption requests 'spiked'.

The Asset Manager has used bad debt sales infrequently, having internalised much of the Collections Process. Overall bad debt book sales have been only a very small proportion of the overall portfolio size.

Risk Management

Using a "top-down" approach, OAFIT's risk management is guided by its financial covenants, eligibility requirements and concentration limits. Both funding trusts mirror OAFIT's financial covenants in their own respective Series Notices.

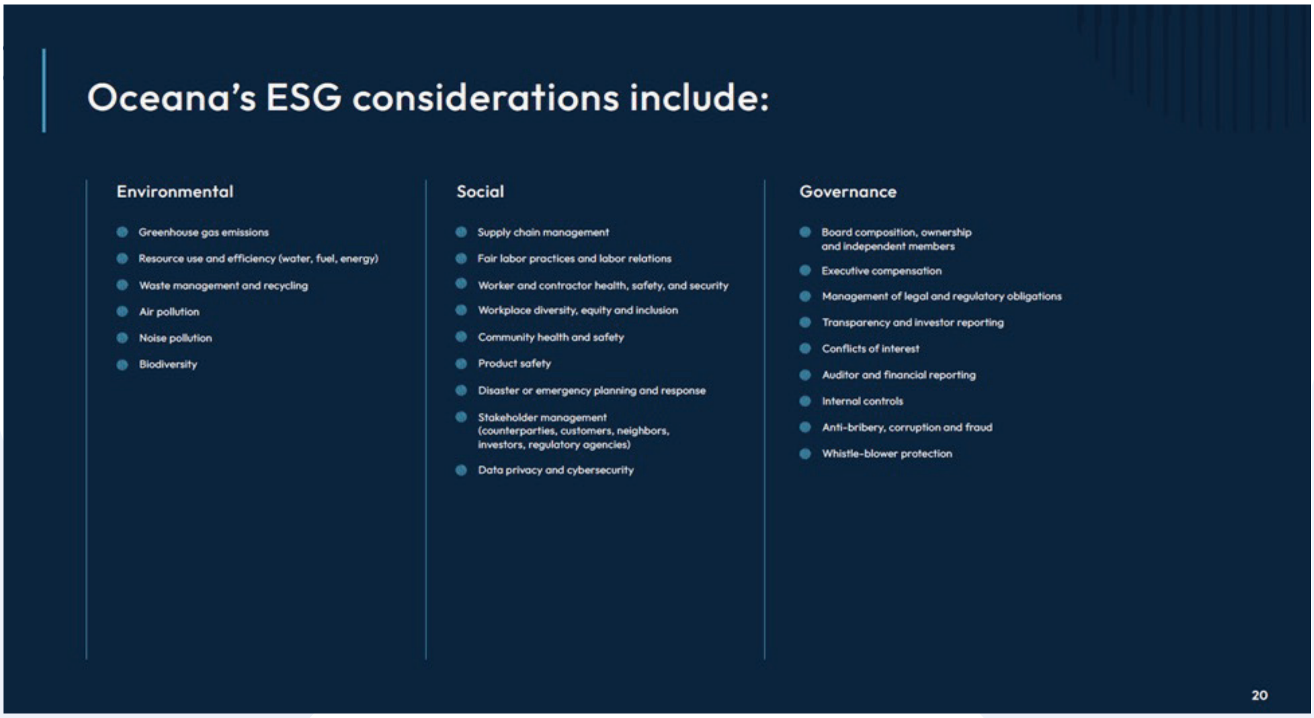
The group risk management framework is governed under four key foundations:

- Business & Operating Model
- Monitoring and Reporting
- Data, Analytics and Technology
- Governance and Culture

These cornerstones (principles) are operationalised through a risk management framework that encompasses the totality of systems, structures, policies, processes and people that identify, measure, monitor, report and control or mitigate all internal and external sources of material risk.

Investment Process	
Research and Portfolio Construction Process ***...continued***	Risk Management at Finstro occurs through an ongoing process that ensures the consistent and effective identification, management, monitoring and reporting of risk. This lifecycle process is set out below. • Risk Identification – Risk identification is an ongoing process integrated into decision-making at the Finstro business functional level. It is conducted as part of the strategic planning process and day-to-day tactical decision-making. Incident Management is also a critical part of identifying issues, assessing the nature of the issues and ultimately treating them or forming a risk response. Incidents may represent non-compliance to Finstro's frameworks, policies and procedures or legal and regulatory obligations • Risk Assessment – Formal risk assessments (known as risk profiling) are conducted to measure the likelihood (probability) of risks occurring and the consequences (financial and non-financial impacts) if the risks do occur. These assessments of inherent risk occur at the Enterprise level and are cascaded to the business functions where there are material risks. Business Function risk assessments are also performed annually and are escalated up to an Enterprise level where material risks are evident • Risk Response - A response is determined based on the likelihood and consequence of the event. Mitigating controls are applied to the inherent risk. The remaining risk is called the residual risk. A response to the residual risk is determined, which could include avoiding the risk, minimising the risk (often through the application of further controls), accepting the risk, and transferring or actively managing the risk. Major risks that could have the potential to significantly impact the financial position, business or reputation of Finstro must be treated • Monitoring, Reporting and Assurance – The risk should be monitored regularly for changes through checking, validating and testing the control environment. Controls Assurance is ensuring that the agreed processes and controls are in place to minimise risks and are operating effectively. Control assurance activities include Quality Assurance (QA) reviews and Controls-Self Assessment (CSA) conducted by the business functions or through auditing activity • Governance - Finstro has in place appropriate governance and oversight of all material risks to support its strategic intent and protect against losses and any reputational impacts that may be caused by operational incidents. The Finstro Board Risk and Compliance Committee regularly consider the risks arising from strategic initiatives and business activities

Investment Process



Material Risks

Material risks which are associated with the Trust include:

- **Investment Risk:** Investments in the Trust can be impacted by various risks. These include potential declines in initial capital value (especially in short-term investments), income variability over time, and the risk that investment returns may not keep up with inflation
- **Market Risk:** Market risk stems from various factors that may impact an investment's value and the income derived from it. These include interest rate fluctuations, exchange rate changes, government policies, political instability, natural disasters, and overall economic conditions. Such risks can affect businesses' ability to meet obligations and influence the value of the Trust's assets
- **Counterparty Risk:** Counterparty risk in the Trust is tied to the performance of each investment counterparty's / borrower's business. The Investment Manager conducts due diligence to assess their business strength and ability to meet obligations. Adverse effects can arise from macroeconomic changes, competition, disputes, regulatory shifts, market sentiment, and natural disasters affecting counterparty's business
- **Default Risk:** This risk arises when investments lack tangible security. Unsecured loans carry higher risk, and if a borrower defaults, legal proceedings may be necessary to recover the Trust's investment. Even with secured loans, the Trust may not fully recover owed amounts and in some cases where security is limited to depreciating assets (e.g., plant and equipment) may erode in value over time. If a borrower defaults, the Investment Manager may take possession of secured assets, but their sale value could be insufficient to meet the amount owed to the Trust

Investment Process	
Research and Portfolio Construction Process	• **Diversification Risk:** This risk refers to the impact of adverse events on an investment portfolio. A well-diversified portfolio mitigates the effects of negative events affecting individual securities. While the Investment Manager strives for diversification across businesses and industries, success is not guaranteed
...continued	• **Capital Risk:** Capital risk arises from the use of capital raised from Note Holders in the Trust's investment activities. The Trust's performance is directly tied to borrowers' ability to meet obligations and creditors' adherence to payment terms. Here, success will largely depend on the Investment Manager's ability to generate sufficient returns through suitable investments. Insufficient capital may limit investment activities, impacting revenue needed to meet obligations under the Notes
	• **Liquidity Risk:** An investment in the Trust provides limited liquidity since there is unlikely to be any secondary market for trading Notes. Investors may redeem their Notes on the terms set out in the Series Notice and applicable Note Certificate. An investment in the Trust is suitable only for certain sophisticated investors
	• **Cash Flow Management:** Capital raised from investors will be used in the investment activities of the Trust. The income from the investment activities will be used to make interest distributions to Note Holders. The ability of the Investment Manager to manage cash flow will be imperative to the success of the Trust and meeting obligations under the Note
	• **Hedging Transaction:** The Investment Manager may use a variety of instruments, such as derivatives, options, financial futures and forward contracts for risk management purposes. These risks include the inability to complete option contracts caused by an illiquid secondary market and an imperfect correlation between the price movements of the options and with price movements of the underlying security. The Manager has advised that in reality OAFIT uses no hedging at all given all amounts are AUD denominated. Furthermore, all Noteholders (irrespective of their jurisdiction) also only invest in AUD, so there is no currency risk throughout the structure

Portfolio Characteristics

Portfolio Biases/Preferences

OAFIT uses a combination of deep value fundamental analysis combined with technologically enabled credit underwriting policies and procedures. The two funding trusts (FIRST and FAT) have unique credit policies and procedures but cross-pollinate opportunities with each other.

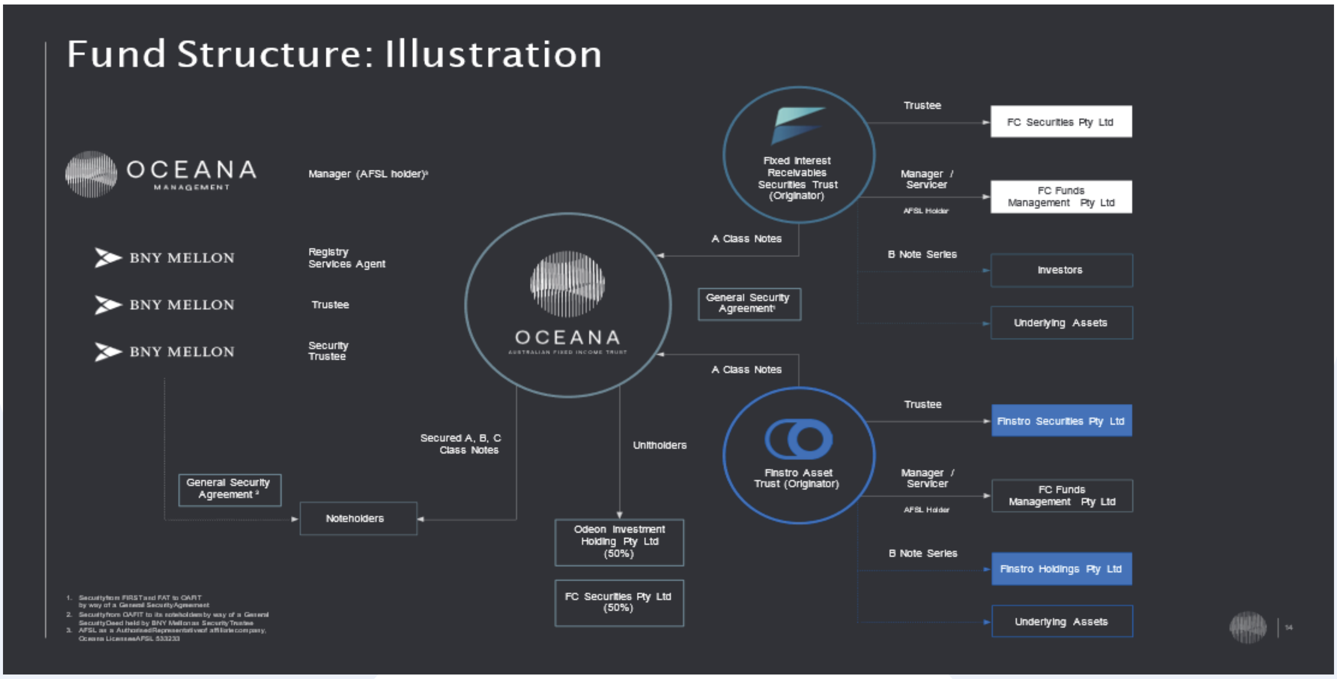
Any loan and/or facility limit >$500k is subject to a full corporate underwrite and a deep fundamental and technical analysis, evidenced by corporate due diligence reports.

Portfolio Turnover and Active Share

As a typically short-duration portfolio of underlying assets, the average duration of the entire loan book is roughly 93 days. However, it is always the intention that good borrowers repay and redraw their facilities and utilise OAFIT funding as part of their working capital and cash flow management. The nature of trade and debtor finance receivables ensures a high relative portfolio turnover, approximately 4.5 times per year. However, most of this capital is repaid and redrawn.

Investment Process	
Research and Portfolio Construction Process ***...continued***	The borrower retention rate is over 65% for SME borrowers who have reached the end of their funding cycles. Corporate loans have longer durations due to the nature of these bespoke funding arrangements, ranging from 6 months up to 3 years in exceptional cases. The weighted average duration of the secured lending book cannot be longer than the weighted average duration of OAFIT Notes outstanding. Secured corporate loans are required to be repaid at the end of the funding term in all cases. **Liquidity** OAFIT notes reflect fixed interest rates, which can vary by vintage. Maturities are typically for a 5-year fixed-rate period subject to 60-day redemption terms. Staggered maturities / non-call periods are negotiated with institutional investors with larger ticket sizes to better manage the maturity versus redemption profile. Upcoming Noteholder maturities are managed against the ongoing deployment of OAFIT's capital to FIRST and FAT to ensure a sufficient liquidity buffer to facilitate any redemptions. In respect to duration, the portfolio has shorter duration underlying assets than OAFIT's liabilities, or when deploying capital for longer-term corporate loans, the Investment Manager ensures that the weighted average duration of the corporate loan book is no longer than the weighted average duration of the portfolio liabilities. Strong liquidity is a priority from OAFIT''s perspective, and it has declined transactions at the IC level specifically to ensure adequate headroom. The aim is to maintain a liquidity buffer of 6% to 9%, ensuring the Investment Manager can meet any unscheduled redemptions and remain nimble should a portfolio of receivables become available to purchase and/or enter a particularly busy period of deployment requests. As an open-ended Trust, raising and returning capital is part of the ordinary course of business. **Leverage** This Trust does <u>not</u> employ direct leverage (through borrowing by the Trust) **or** economic leverage (through the use of derivatives). All assets and liabilities are AUD only, and all underlying loans/exposures are to Australian-domiciled obligors only. Derivatives are also not used at any of the funding trust levels, nor are they required. Overseas investors may undertake their own currency hedging requirements.

Key Counterparties



Parent Company

Both the Investment Manager and Oceana Licensee are wholly beneficially owned by **Odeon Holdings Pty Ltd ACN 151 604 124 ("Odeon").**

Odeon is wholly owned by entities wholly owned and controlled by the CEO of OAFIT, **David Lewis**.

Investment Manager

Oceana Management Pty Ltd is the Investment Manager of OAFIT and is an Authorised Representative under AFSL Number 533233 held by Oceana Licensee (which received its AFSL license on 22nd April 2022 and appointed the Investment Manager as its authorised representative on 17th May 2022).

The Investment Manager is primarily responsible for the distributions of the Trust, engaging with and managing investor relationships, originating investments, overseeing underlying investments (via credit committee membership), deploying investor funds, monitoring performance, and implementing the risk management framework.

Prior to the establishment of the Investment Manager, a related group entity, Oceana Investments (Asia) Limited, was the Promoter of the Trust since its establishment in 2016 and successfully raised approximately $2bn whilst overseeing the return of $1.15bn to investors in the same period, highlighting the liquidity of the underlying assets and strategy overall.

Asset Manager

FC Funds Management Pty Ltd (AFSL 431245) ("FCFM") is the underlying asset manager of OAFIT.

FCFM is a manager of fixed interest and other structured credit assets and is headquartered in Sydney, Australia.

FCFM is an established investment manager with a large wholesale investor base spanning HNW, Family Offices, Wealth Managers, and Institutions and currently manages >A$900m of funds with underlying assets comprising debtor and trade finance, SME lending, corporate lending, property and infrastructure.

FCFM has a proven track record of providing customised secured lending solutions for small to medium enterprises in Australia. In-house expertise in asset and cash flow finance as well as corporate finance capabilities encompassing due diligence, structuring, valuation, financial analysis, and modelling. The executive management team has significant experience in relevant areas of credit, sales and marketing, funds management and financial technology.

Governance

Trustee

A Responsible Entity is not applicable in this case, as OAFIT is a wholesale unregistered managed investment scheme that is offered solely to wholesale investors. OAFIT does not accept retail investors.

BNY Trust Company of Australia is the independent Trustee holding OAFIT's assets (secured A Class notes in FIRST and FAT). Permanent Custodians Limited, a BNY Mellon-controlled company, is the security trustee. BNY Mellon was previously the custodian of the OAFIT; however, upon the appointment of an independent trustee and security trustee structure, the custodian role has been retired.

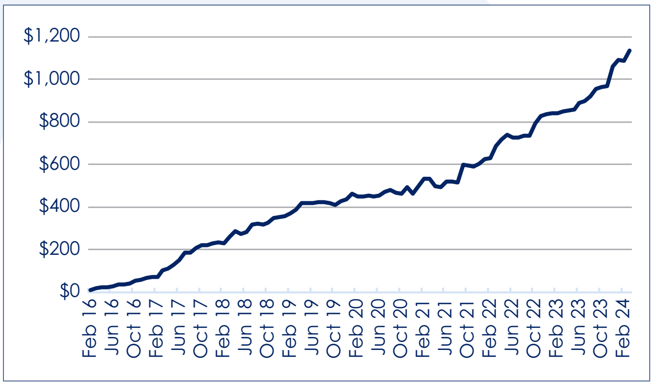
Trust administration is primarily managed internally by the Investment Manager and FCFM, together with BNY Mellon (and affiliated entities) as Trustee and Security Trustee.

ASIC Regulatory Guide 97 applies to fee disclosure for product disclosure statements and periodic statements – these obligations apply only to funds that offer investment to retail clients. The Trust has no retail clients, so RG97 does not apply.

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

Funds under Management (FUM)

FUM for Fund under Review ($mill)



Distributions

OAFIT receives interest monthly from the two funding trusts, FIRST & FAT, and in turn, pays investors monthly. An investor will start accruing interest on their investment from the day their funds arrive in the Trustee's bank account. Interest is paid to investors on the 10th business day of the month following their investment for the life of their investment. There are no "ad hoc" distributions at any point for either investors or for OAFIT's A Notes in FIRST & FAT.

An investor's distribution amount will depend on the coupon attributable to their Notes on an annualised basis. OAFIT's current WACC is 11.55%, which is the weighted average cost of capital of OAFIT's liabilities, i.e. the total amount of Notes issued to all investors at a point in time, i.e. $1,086,853,892.10 as of Jan 24.

Since OAFIT's inception in January 2016, OAFIT has never missed a monthly distribution payment to any note holder across A-C.

Name	Responsibility / Position	Location	Years at Firm	Years in Industry	Qualifications
David Lewis	CEO, OAFIT - Fund Manager	Sydney	11.0	20.0	BBA (Cum Laude), MBA (Honours)
Gary Segal	COO, GC - OAFIT	Sydney	2.0	17.0	B.Com - Finance/IT; LLB
Kevin Wong	CFO, OAFIT	Sydney	6.0	7.0	B.Com - Accounting and Finance
Tony Goodhardt	Head of Data & Analytics, OAFIT	Sydney	3.0	8.0	B.Com - Information Systems, MCOM
Christian Brehm	CEO, FC Capital	Sydney	6.0	17.0	B.A Economics/Law, Masters, Economics
Ryan Ritoff	Director, FC Capital	Sydney	1.0	19.0	B.Com - (Honours International Trade and Finance
Kieran McKee	Director, FC Capital	Sydney	1.0	17.0	B.Com - Comm. Law and HR Management
Kevin Cheng	Quantitative Analyst, FC Capital	Sydney	9.0	8.0	B.Com - Accounting and Finance
Claire Vuong	Associate Director, Private Markets - FC Capital	Sydney	2.0	8.0	B.Bus, Master of Analytics
Sean Swinton	Head of Credit - Finstro	Sydney	11.0	28.0	B.Com
Scott Michael Marinchek	CEO, Finstro	Sydney	1.0	35.0	MBA, Masters in Finance, Wharton Business School
Matt Bauld	Chief Commercial Officer	Sydney	2.0	20.0	Hawker College

Investment Team

The OAFIT Trust structure is comprised of several business units, namely:

- OAFIT (The 'Trust' vehicle)
- Oceana Management Pty Ltd (Investment Manager/AFSL Authorised Representative)
- Oceana Licensee Pty Ltd (AFSL holder)
- FC Funds Management (Asset Manager/AFSL holder)
- Fixed Interest Receivables Securities Trust (FIRST) (Funding trust/originator)
- Finstro Asset Trust (FAT) (Funding trust/originator/ technology)

Each unit is run as a standalone, legally separate corporate group. However, there is considerable crossover and contributions of each into the operation of OAFIT.

Each unit also has dedicated management. In total, there are more than 110 staff across the key business units, across functions including Risk/Analytics, Sales, Operations, Technology, Communications, and Finance.

The Board, Senior Management and the Senior Portfolio team are comprised of over 25 members. OAFIT has locations in Sydney, Denver, and Manila.

Meeting Schedule

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

Meeting	Agenda	Frequency	Participants
Meeting 1	Weekly directors update	Weekly	Directors and key executives
Meeting 2	Credit Committee	Weekly	Chairman, CEO - Oceana, CEO - FC Capital, Presenters - transactions being considered
Meeting 3	Transaction Pipeline Review	Weekly	CEO, Executive Directors, Directors, Analysts
Meeting 4	Work in progress (WIP) meetings with distribution partners in the USA / Australia	Fortnightly	CEO, COO, Distribution Partners
Meeting 5	Compliance and portfolio review meeting – 1st Tuesday of the month	Monthly	CEO, Head of Compliance, General Counsel
Meeting 6	Board meetings	Monthly	Directors and key executives
Meeting 7	Meetings with Deloitte Transaction Services to commission biannual DD process	Bi-annual	Deloitte, CEO, COO
Meeting 8	Management updates to institutional investors	Annual	CEO, COO

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

Staffing Changes

Departures		
Date	**Name**	**Responsibility**
Sep 23	Brad Prout	CEO, Finstro
November 23	Nathan Phillips	CTO, Finstro
December 23	Cormac McGann	CFO, Finstro
October 23	Damian Speziali	ED, FC Capital

Additions / Hires		
Date	**Name**	**New Responsibility**
Jul-23	Ryan Ritoff	Director, FC Capital
November 23	Kieran McKee	Director, FC Capital
October 23	Anthony Carr	Non-Executive Director, FC Capital
October 23	Joanna White	Non-Executive Director, FC Capital
September 23	Scott Michael Marinchek	CEO, Finstro
December 23	Dustine Pang	CFO, Finstro
November 23	Jacqui McPherson	CTO, Finstro

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

Remuneration and Incentives

Salary reviews are conducted annually in June each year, with bonuses rewarded in December. Bonuses are split into two separate payments, one in December and then in June of the following year. This ensures the business is not exposed to a large bonus payment followed by a departure and ensures sustained staff retention, alignment, and engagement.

Bonuses are determined by the overall financial performance, followed by KPIs for an individual. Separately, employees may find an "ad hoc" performance review for exceptional or unexceptional performance. Bonuses are determined based on an individual's base salary and their defined financial performance (where applicable) relative to their salary post costs. Other KPIs are also taken into account, i.e., work ethic, non-financial performance, and throughput of strategic objectives.

Senior employees of the Investment Manager have been issued equity in one of Oceana Funds' strategies, again, to ensure alignment and long-term loyalty. Equity stakes (where applicable) are offered and allow employees to share in the financial success of a particular strategy and their contribution. The investment team of the Investment Manager all have equity in at least one Oceana Funds' strategy, and some have equity across both strategies.

OAFIT Noteholders have full strategic alignment afforded to them by management and directors through the B Notes in FIRST & FAT, which are held exclusively by the OAFIT founders and their related entities/parties. The B Notes in FIRST & FAT represent the true "first-loss" of the Trust and are at least $16.25m in value.

In addition, the senior Oceana team, either directly or through their family trusts, have significant note holdings in OAFIT directly of circa $35m. The team have also invested directly in a direct equity property strategy, Oceana Property Partners ("OPP"), and represents significant Noteholders across all four of OPP's assets.

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

Fees and Costs	Trust	Peer Avg
Management Fee – see notes (% p.a.)	2.00%	0.79%
Other Costs (GST)	0.10%	–
Performance Fee (%)	–	–
Total Cost Ratio TCR (% p.a.)	2.10%	0.79%
Buy spread (%)*	–	0.03%
Sell spread (%)*	–	0.03%

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

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

Management Fee

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

SQM Research notes the management 'fee' structure is uncommon.

The Investment Manager receives remuneration out of the net interest margin (and not out of investor capital or investor returns), and the fee is fully contractually subordinated to interest and principal obligations note holders, meaning that the Investment Manager only gets paid if there is excess net interest margin after all required payments to investors have been made.

In effect, this is a quasi 'performance' fee, where the Investment Manager is at the bottom of the 'payment waterfall' relative to the A, B, and C Noteholders (and service providers).

Performance Fee

The Trust does not charge a performance fee. SQM notes the bulk of strategies in the peer group (6 from 9) do not charge any performance fee.

SQM Research observes that:

- ***As the OAFIT remuneration is sub-ordinate to note holder returns and not paid out of investor capital, it could be considered akin to a 'combined' management and performance fee***

Risk/Return Data to 31 March 2024							
Total Return	**1-Month**	**3-Month**	**6-Month**	**1-Year**	**3-Year**	**5-Year**	**Inception**
Trust	0.96	2.92	5.90	11.63	11.20	10.66	10.54
Reference Index	0.58	1.73	3.47	6.89	4.71	4.06	4.09
Peer Average	0.68	2.34	4.80	9.45	5.69	5.54	6.18
Alpha	0.38	1.19	2.42	4.75	6.49	6.60	6.45
Metrics				**1-Year**	**3-Year**	**5-Year**	**Inception**
Volatility - Trust (% p.a.)				0.15	0.14	0.24	0.23
Volatility - Peer Average (% p.a.)				0.42	0.94	1.63	1.61
Volatility - Reference Index (% p.a.)				0.07	0.53	0.47	0.37
Beta based on the stated Reference Index				1.58	0.08	0.19	0.20

Distributions reinvested. Returns beyond one year are annualised. Return history starts Feb-2016

Reference Index: RBA Cash Rate + 2.5%

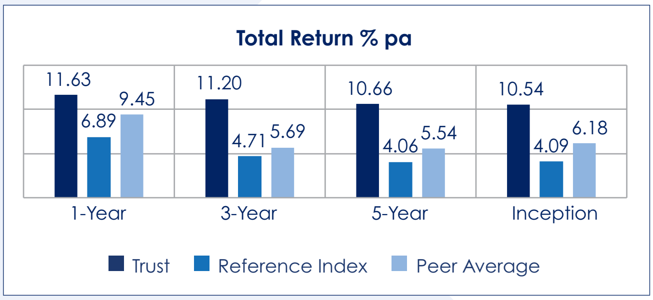
Investors should note that as a fixed-income Trust with high capital stability, with a 'cash plus' benchmark comparison, volatility will be very low and broadly have much less meaningful results than equities for example.

Similarly, statistics such as Sharpe Ratio, Tracking Error, Capture and Drawdowns do not provide meaningful numbers.

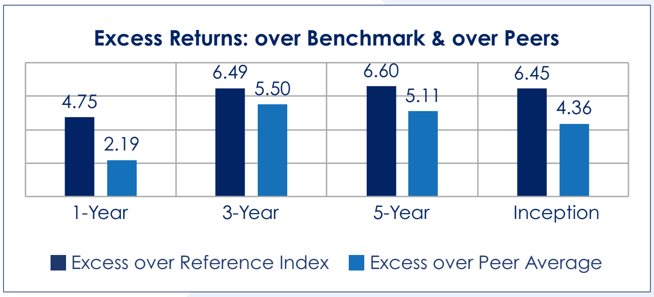
Quantitative Insight[1]

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

Returns



Excess Returns (Alpha)

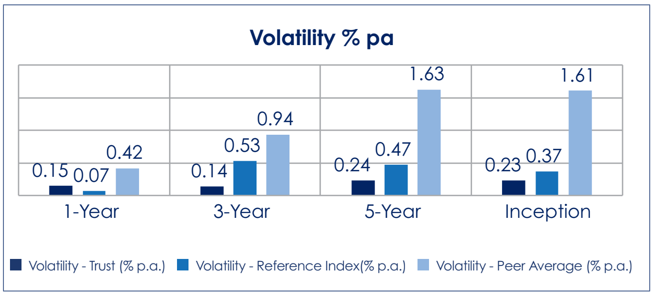


The Trust has displayed solid performance across all periods when compared with the comparative reference index and peers, noting the Trust is not directly comparable to the peer group.

The return outcomes, as described above, are in line with the IM objective and are in line with SQM's expectations for the Trust relative to its fee level and volatility.

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

Risk



The Trust's **volatility** (annualised standard deviation of monthly returns) has tended to be materially lower than the reference index and peers.

Correlation of Trust to Asset Classes

Market	3 years	Inception	Market Indexes
Aust Bonds	+16.4%	-15.1%	Bloomberg AusBond Composite 0+Y TR
Aust Equity	+16.4%	+5.7%	S&P/ASX 300 TR
Global Bonds	+26.8%	-11.3%	Bloomberg Global Aggregate Hdg AUD
Global Equity	+24.9%	+7.6%	MSCI World Ex Australia NR AUD

SQM Research notes the strategy has a negative to very low correlation to both equities and bonds, thus providing good portfolio diversification characteristics.

Correlation Key

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

Tail Risk

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

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

Extreme Market Returns vs Trust Return Same Month

Index: S&P/ASX 300 TR **From Feb-16 to Mar-24**

Rank	Date	Market	Trust	Difference
1	Mar-20	-20.83%	+0.79%	+21.62%
2	Jun-22	-8.97%	+0.85%	+9.82%
3	Feb-20	-7.76%	+0.79%	+8.56%
4	Jan-22	-6.45%	+0.88%	+7.33%
5	Sep-22	-6.29%	+0.84%	+7.14%
6	Oct-18	-6.16%	+0.73%	+6.89%
7	Oct-23	-3.80%	+0.95%	+4.75%
8	Mar-18	-3.73%	+0.79%	+4.52%
9	Sep-20	-3.59%	+0.81%	+4.40%
10	Dec-22	-3.29%	+0.85%	+4.14%
Totals		**-70.88%**	**+8.28%**	**+79.16%**

			No. of Months
Correlation	+27.1%	Positive Return	10
Capture	-11.7%	Outperform	10

Tail Risk Observations:

The data in the table indicate that the strategy displays strong defensive characteristics in the face of extreme Australian equity tail risk.

Snail Trail

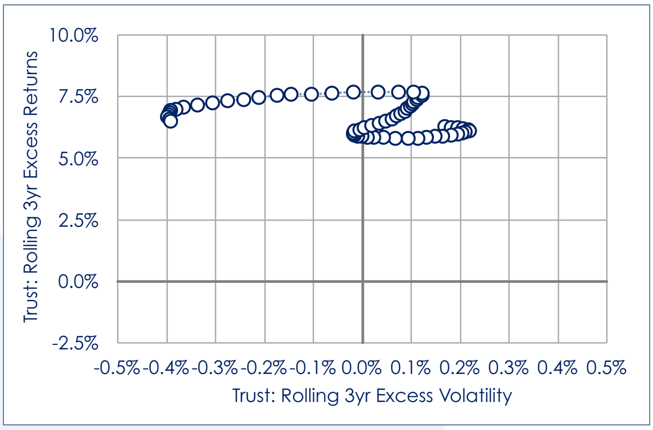
The snail trail chart and tables below show the combination of the Trust's rolling 3-year excess returns and volatility.

There are 63 observations in total.

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

Snail Trail Distribution			
Frequency	**Lo-Vol**	**Hi-Vol**	**Total**
Hi-Return	**25**	38	63
Lo-Return	0	0	0
Total	**25**	**38**	**63**

63 rolling 3-year observations			
% of Total	Lo-Vol	Hi-Vol	Total
Hi-Return	**39.7%**	60.3%	100.0%
Lo-Return	0.0%	0.0%	0.0%
Total	**39.7%**	**60.3%**	**100.0%**



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

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

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

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

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

Consistency

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

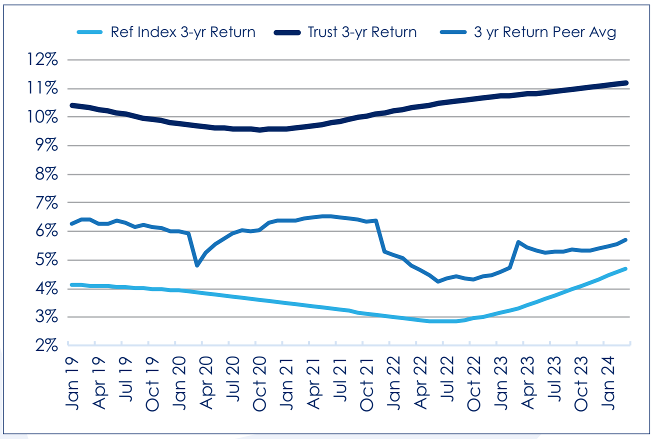
Annual Returns

Year	Trust	Reference Index	Peer Avg	vs. Ref Ind	vs. Peers
2017	+10.84	+4.07	+6.27	**+6.77**	**+4.57**
2018	+9.52	+4.07	+4.88	**+5.46**	**+4.65**
2019	+9.11	+3.72	+5.98	**+5.39**	**+3.13**
2020	+10.11	+2.84	+5.24	**+7.27**	**+4.87**
2021	+11.28	+2.60	+4.74	**+8.68**	**+6.54**
2022	+10.74	+3.83	+4.71	**+6.90**	**+6.03**
2023	+11.27	+6.60	+9.09	**+4.67**	**+2.18**
Mar-24	+2.92	+1.73	+2.14	**+1.19**	**+0.77**

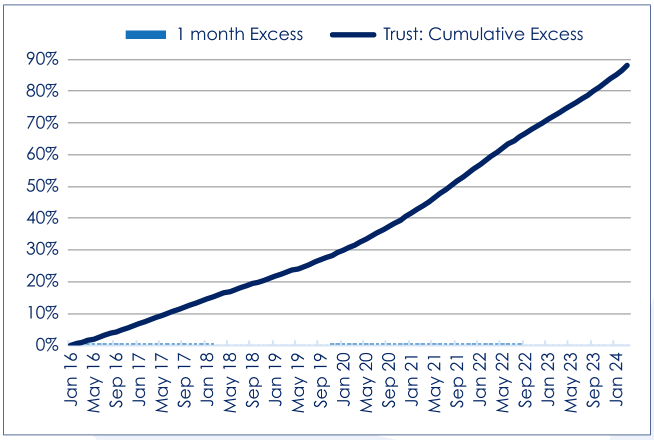
2024 data = 3 months ending Mar-24

Return and Risk

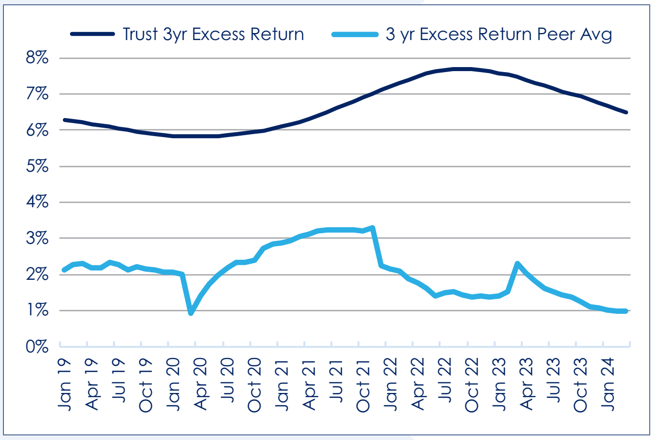
Rolling Returns



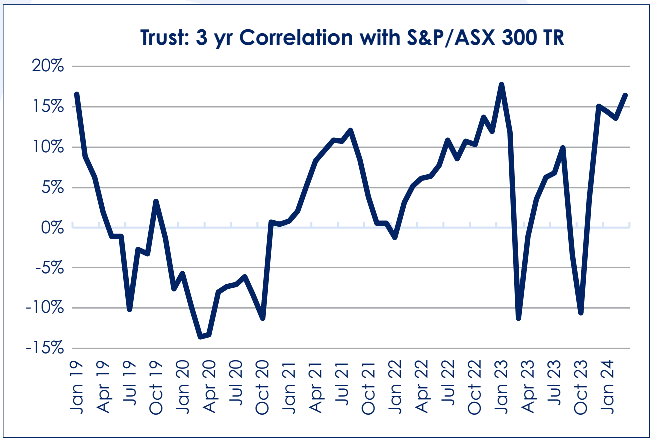
Cumulative Excess Returns



Rolling Excess Returns



Rolling Correlation



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

Trust Constraints and Risk Limits	Permitted Range or Limit
Constraint or Risk Limit 1	Single obligor limit of 15% of FUM
Constraint or Risk Limit 2	A single industry limit of 30% of FUM
Constraint or Risk Limit 3	The top five industries cannot exceed 80% of FUM
Constraint or Risk Limit 4	Supplier finance obligors cannot be less than 27.5% of FUM
Constraint or Risk Limit 5	Invoice finance obligors cannot be less than 27.5% of FUM
Constraint or Risk Limit 6	Cash advance obligors cannot exceed 15% of FUM
Constraint or Risk Limit 7	A Class Notes cannot exceed the performing assets of the Trust
Constraint or Risk Limit 8	Insured assets must be greater than or equal to the outstanding balance of A Class Notes
Constraint or Risk Limit 9	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
Constraint or Risk Limit 10	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.
Other Constraints	
Maximum exposure to a single security	Not applicable
Maximum exposure to single stock/company	15.00%
Maximum exposure to a single sector	30.00%
Maximum exposure to a single country	Not applicable
Maximum exposure to geographic region	Not applicable
Limit for Holdings Not in Benchmark	Not applicable

Drawdown

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

Alpha

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

Alpha = Fund Return – Benchmark Return

A General Note on Distributions for Managed Funds

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

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

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

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

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

Total Cost Ratio (TCR)

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

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

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