

Qualitas Real Estate Income Fund

(ASX:QRI)
ARSN 627 917 971

HY 2020 Results Presentation



QRI - Executive Summary

- 1** **Australian** owned, on-ground **real estate** investment manager, local knowledge, proven experience – partnering with clients to develop long term relationships.
- 2** QRI provides exposure to the Australian property market in a **liquid, regular income**¹ paying form with capital preservation characteristics.
- 3** **Diversified** from high yield fixed income bonds and equities.

¹ The payment of monthly cash income is a goal of the Trust only and neither the Manager or the Responsible Entity provide any representation or warranty (whether express or implied) in relation to the payment of any monthly cash income.

QRI Benefits

- ✓ Experienced, **local-based Manager** of Australian commercial real estate (CRE) loans
- ✓ Regular and stable **monthly cash distributions**¹
- ✓ **Capital preservation** characteristics as all loans secured by real property mortgages
- ✓ Provides exposure to **the property market** without downside risk of investing in direct property
- ✓ **Alignment of investor interest**, Qualitas co-investment \$10m

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Manager market outlook & strategy



Market Conditions & Outlook

HY 2020

- The Australian CRE debt market exhibited sound fundamentals due to RBA rate cuts and improving sentiment.
- Whilst core markets of office and industrial performed well, residential markets continued to recalibrate in readiness for the next cycle.
- Reduced bank CRE lending continued to fuel strong demand for land and investment loans.
- Competition from alternative lenders however has increased, and coupled with reduction in base rates, has resulted in lower returns for the same risk.
- Lower construction volumes and increased supply of senior loans have resulted in persisting reduced demand for mezzanine finance.

Market Outlook

- Start of year characterised by good momentum in lending activity off the back of improved sentiment and stable property prices.
- The Manager is closely observing any economic impact of the Australian bushfires and the recent coronavirus on market conditions and the Trust portfolio.
- Bank CRE lending is expected to remain subdued which will continue to favourably support borrower demand for alternative lending.
- Borrower enquiries are encouraging as developers look to progress plans to activate sites in 2020/21.

¹ Average monthly % p.a. premium over the HY 2020 period.

² For more information on the Trust's borrowing policy, please refer to the most recent Product Disclosure Statement (PDS) dated 11 September 2019.



Manager Strategy

- Given the market conditions and outlook, the Manager's strategy is to continue to be invested **predominantly in senior loans and underweight to mezzanine loans**.
- Whilst this investment strategy presents QRI with a lower risk return profile achieving total return of 6.17% p.a. for the HY 2020 period, in relative terms the strategy delivers a **healthy premium of 5.32% p.a.¹** to the RBA cash rate of 0.75%.
- Given the Manager's deep sector experience investing through the cycle, the above strategy is considered appropriate for the current market conditions.
- To improve capital efficiency and support further portfolio growth, the Manager is considering introducing an appropriate level of **leverage in the short term** which may also provide a moderate lift to returns.²

Half-year results highlights – 31 December 2019

<p>Net Profit</p> <p>\$9.9m</p> <p>HY 2020</p>	<p>Distributions</p> <p>4.9932</p> <p>cents per unit¹</p>	<p>Net Tangible Assets</p> <p>\$1.6009</p> <p>per unit 31 December 2019</p>
<p>Net Return %</p> <p>6.17%</p> <p>p.a. HY 2020</p>	<p>Invested Capital</p> <p>91%</p> <p>% Total Net Tangible Assets</p>	<p>Net Tangible Assets</p> <p>\$361m</p> <p>Total as of 31 December 2019</p>

- ✓ Net Return 6.17% p.a. for the HY 2020 period is reflective of lower risk / return portfolio profile of predominantly senior loans and underweight to mezzanine loans, and lower base rates² from floating rate loans.
- ✓ During the HY 2020 period, the Manager delivered a healthy average premium of 5.32% p.a. of the monthly distribution return to the RBA cash rate.
- ✓ Delivered regular monthly distributions to unitholders since the IPO.
- ✓ Trust NTA per unit remained stable during the HY 2020 period, with no impairments made to loans in the portfolio demonstrating the strong capital preservation attributes of the Trust.
- ✓ Portfolio is well diversified by borrower, loan type, sector, geography (within Australia).
- ✓ 91% of total Trust capital invested as of 31 December 2019. Remaining uninvested capital is allocated to two senior loans awaiting settlement in early 2020.

¹ Reflects the total distributions paid during the reporting period on units entitled to the distribution.

² BBSY 90 day

Half-year financials summary – 31 December 2019

Trust Profit & Loss	HY 2020 \$000's	HY 2019 ¹ \$000's
Total investment income	12,915	727
Total expenses	2,971	423
Profit/(loss)	9,944	304

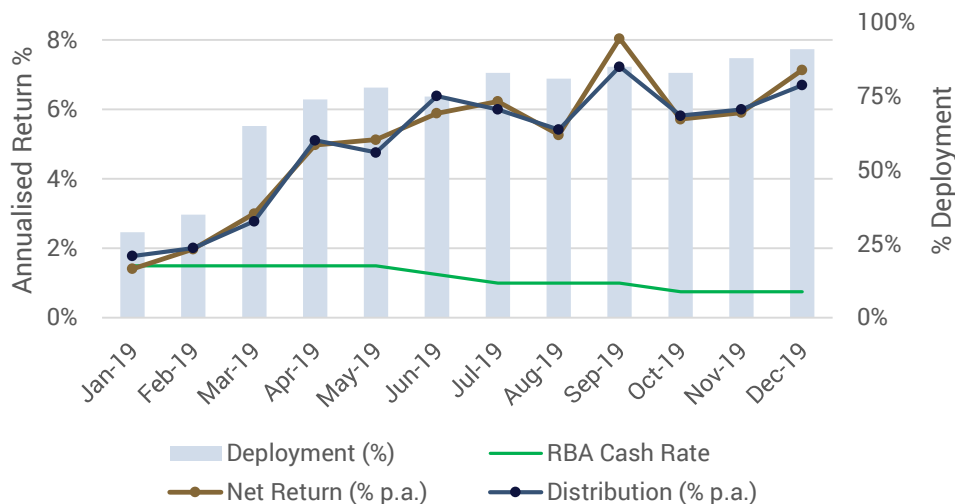
- ✓ HY 2020 Net Profit \$9.9m increased from HY 2019 Net Profit \$0.3m due to the progressive investment of capital in line with loan pipeline and settlements.
- ✓ Trust Net Tangible Assets (NTA) increased by \$94.3m to \$361m from new capital raised under the Accelerated Non-Renounceable Entitlement Offer completed in October 2019.

Trust Balance Sheet	31 December 2019 \$000's	30 June 2019 \$000's
Cash and cash equivalents	4,325	3,152
Other assets	2,645	1,565
Financial assets	356,482	262,947
Total Assets	363,452	267,664
Distributions payable	2,051	1,213
Payables	641	538
Total Liabilities	2,692	1,751
Net Assets	360,760	265,913
Units on issue	225,353	166,182
Net Tangible Assets per unit	\$1.6009	\$1.6001

¹ For the period 2 August 2018 to 31 December 2018. Nb. The Trust commenced operations on 22 November 2018.

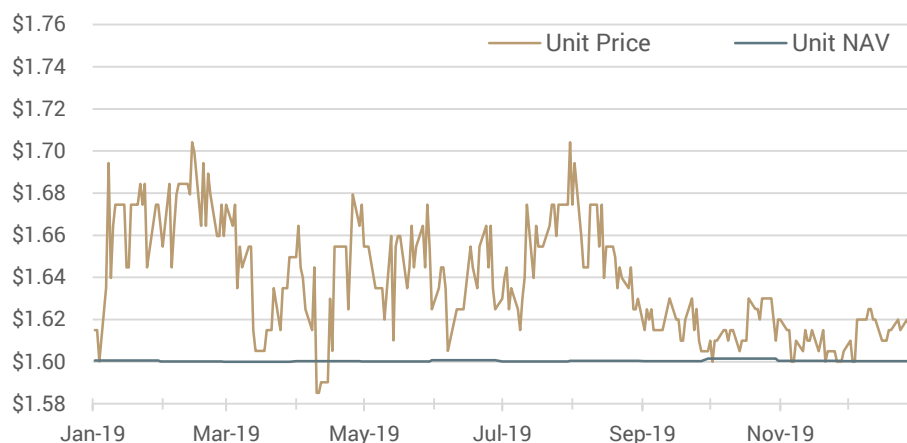
Fund performance

Investment performance



- ✓ Initial 6 month ramp up of deployment¹ of IPO capital and returns.
- ✓ Trust returns and distributions have increased in-line with deployment of capital.
- ✓ During HY 2020 period, achieved an average premium of 5.32% p.a. of the monthly distribution return to the RBA cash rate.
- ✓ Net Return 6.17% p.a. for the HY 2020 period is reflective of lower risk / return portfolio profile of predominantly senior loans and underweight to mezzanine loans.

Trading performance



Consistent monthly NAV at or above \$1.60

Current unit price ²	\$1.62
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NAV ²	\$1.6009
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Avg. daily trading volume ³	~207,000 units
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¹ Deployment represents the % of the Trust's total capital that has been committed and invested as at month end in investments, including the Trust Loan Receivable.

² As at 31 December 2019.

³ Approximate average daily trading volume over the HY 2020 period.

Key Fund Details

QUALITAS REAL ESTATE INCOME FUND

Investment Strategy	The Manager seeks to invest the Trust's capital in a portfolio of investments that provide Unitholders with exposure to predominantly Australian secured real estate loans.
Manager	QRI Manager Pty Ltd
Responsible Entity	The Trust Company (RE Services) Limited
Target Return	8.0% p.a. (net of fees and expenses) ¹
Distributions	Monthly ²
Management Fee ³	1.50% p.a. (excl. GST) of the Trust's Net Asset Value (NAV); or 1.54% p.a. (incl. GST, less RITC) of the Trust's NAV.
Performance Fee	20% of any outperformance over a return hurdle of 8.0% p.a. ⁴

¹ Target Return is 8.0% p.a. (net of fees and expenses) of the Trust's average NAV. This is a targeted return only. There is no guarantee the Trust will meet its Investment Objective.

² The payment of monthly cash income is a goal of the Trust only and neither the Manager or the Responsible Entity provide any representation or warranty (whether express or implied) in relation to the payment of any monthly cash income.

³ Management Fees form part of the Management Costs of the Trust which is 1.89% - 2.05% of the Trust's NAV. For more information, please refer to the most recent Product Disclosure Statement (PDS) dated 11 September 2019.

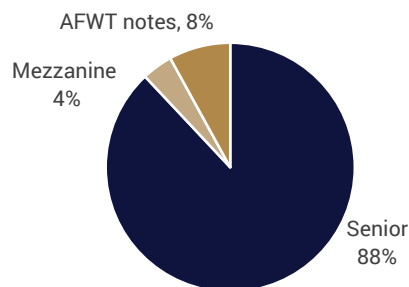
⁴ Calculated and accrued monthly based on average adjusted NAV over a performance calculation period of 3 years with aggregate accrued amounts paid annually in arrears. For more information, please refer to the most recent Product Disclosure Statement (PDS) dated 11 September 2019.

Portfolio Composition as of 31 December 2019¹

Loan Type

Predominantly invested in senior loans

Underweight to mezzanine loans
(Target 20%-35% of Trust capital)



Loan portfolio metrics

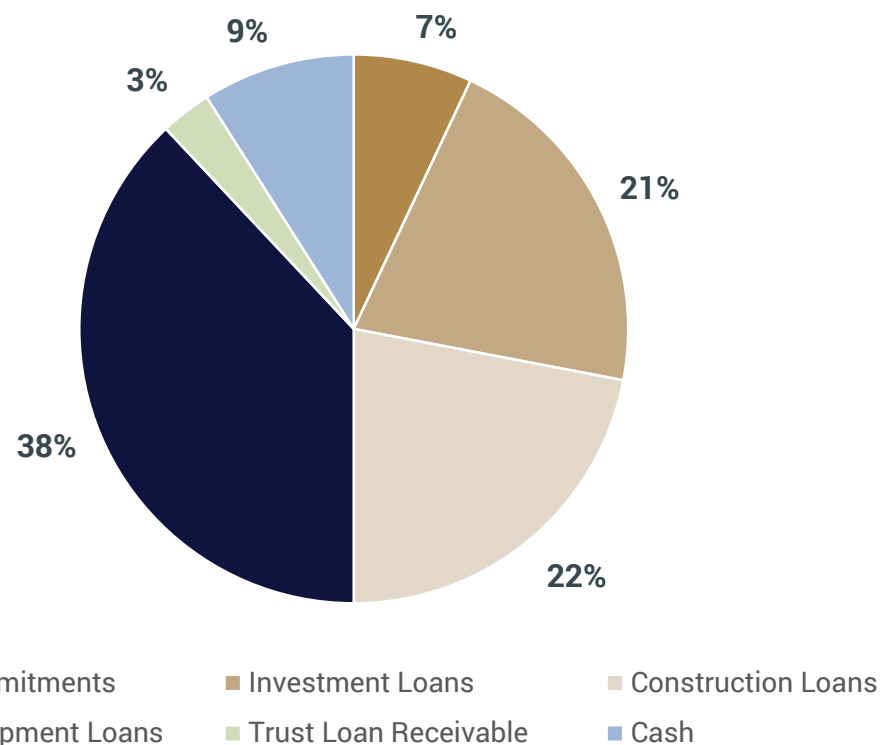
100% located in Australia, mainly NSW and VIC in Qualitas core markets

31 loans on look-through basis²

Diversified Borrower base of ~25 Sponsors²

Weighted loan maturity 0.9 years²

Weighted LVR 65%³



- Fund Commitments
- Investment Loans
- Construction Loans
- Pre-development Loans
- Trust Loan Receivable
- Cash

¹ All investments including direct loans are made by the Sub-Trust. The Sub-Trust is wholly owned by the Trust. Fund Commitments represent uninvested Trust capital amounts that have yet to be invested in direct loans by the underlying funds. Loan Classification and Investment Type excludes Trust Loan Receivable and Cash. The Manager classifies the Arch Finance Warehouse Trust (AFWT) subordinated notes as mezzanine as it ranks behind senior noteholders. Property Sector and Geography excludes Trust Loan and Cash, adjusted for AFWT loan portfolio.

² Represents total loans in the portfolio on a look through basis, via investments in direct loans and Qualitas wholesale funds. Excludes the AFWT loan portfolio.

³ Represents total LVR of loans in the portfolio on a look through basis, via investments in direct loans, Qualitas wholesale funds and AFWT loan portfolio.

Recent Investments

Loans within the Trust Portfolio¹:



Neutral Bay, NSW
Senior Construction

LVR 61%
LTC 73%

18 months



Beecroft, NSW
Senior Investment

LVR 74%

24 months



Merrylands, NSW
Senior Land

LVR 65%

12 months



Moonee Ponds, VIC
Senior Investment

LVR 75%

36 months



Arch Finance
Warehouse Trust
note program

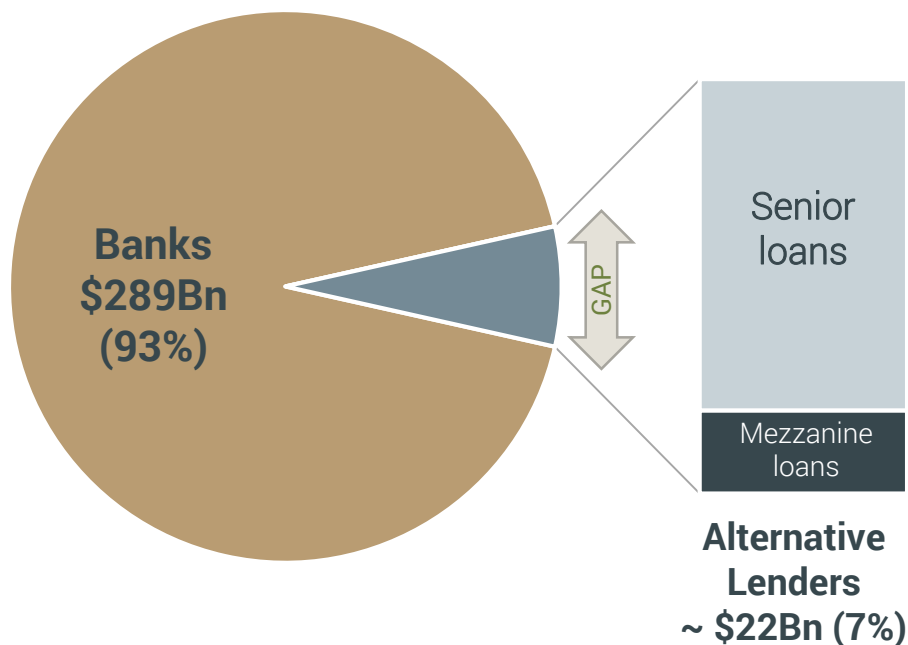
Exposure to portfolio of ~200
senior first mortgage loans
originated by
Arch Finance, a wholly owned
subsidiary of Qualitas

**CAP OF 15% OF
TRUST CAPITAL**

¹ As at 27 February 2020.

Market Opportunity

AUSTRALIAN COMMERCIAL REAL ESTATE (CRE) DEBT MARKET¹



Market Growth

CRE debt market grows year on year, +3.4% p.a. to Sep-19
Senior loans represent deepest pool of opportunities



Bank Withdrawal

Increased regulation (APRA, Basel III), rigid lending, Banking Royal Commission scrutiny, increasing the "gap".



Supportive Macroeconomics & Real Estate Market

Population growth ~380k (1.5% p.a.)², driven by eastern seaboard
Low interest rate environment, supports demand for credit



Private Debt Market Opportunity: Alternative Lenders

1. CRE debt provides risk adjusted returns to investors
2. Borrowers will pay a premium to access more flexible forms of finance



QUALITAS
VALUE PROPOSITION

Long standing
market
presence

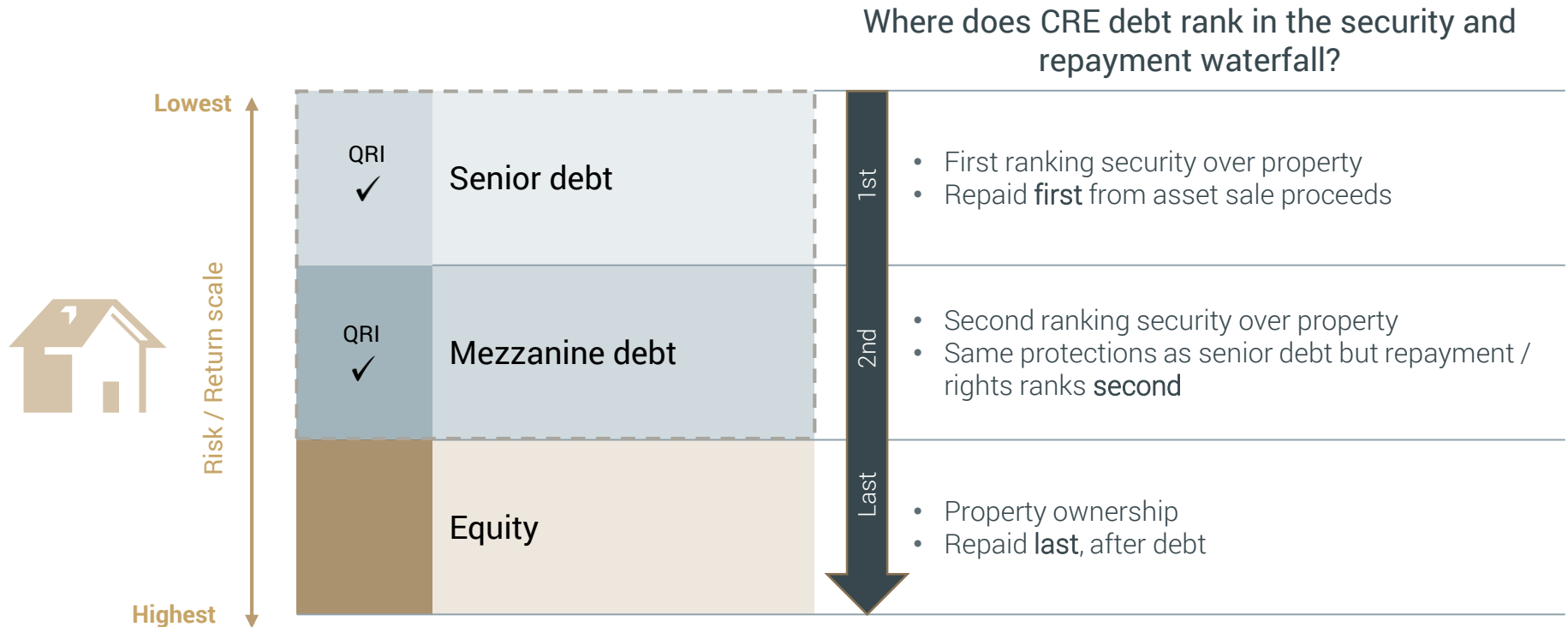
Repeat
borrower
lending

Deep borrower
relationships
built on trust

¹ APRA Quarterly Authorised Deposit-taking Property Exposures September 2019 (released 12 December 2019); RBA Financial Stability Review October 2019; YOY growth September 2018 – September 2019.

² 3101.0 - Australian Demographic Statistics, June quarter 2019.

Commercial Real Estate Capital Structure



Qualitas does not invest in more than one part of the capital structure for the same transaction / real estate asset.

About Qualitas



Qualitas Group

Historical Track Record Since Inception¹



VALUE PROPOSITION

- ✓ Specialised in property investing across the entire capital structure, both debt and equity
- ✓ Offers investors access to real estate debt and equity investment opportunities
- ✓ Australian owned, on-ground investment manager, local knowledge

\$2.5 Bn

Committed Capital managed³

10

Active managed fund strategies

350+

Wholesale Investors:
Global Institutional and
High Net Worth

Zero

Losses of capital in
Qualitas operating
history⁴

¹ 'Since inception' refers to the inception of the Qualitas Group in 2008. Track Record as of 31 December 2019. Track record 1 July 2019 to 31 December 2019 is subject to completion of independent external verification.

² Gross value is the aggregated value of the real estate asset as at the date of the investment, across both debt and equity investments.

³ Represents committed capital in which the Qualitas Group provides investment management services to deploy into investments. Committed Capital as of 31 January 2020.

⁴ There is a risk that invested capital may result in loss from investments. Past performance is not a reliable indicator of future performance.

Management Team



Andrew Schwartz
Group Managing Director
& Co-Founder
32 years experience



Mark Fischer
Global Head of
Real Estate
16 years experience



Tim Johansen
Global Head of
Capital
30 years experience



Gerd Mayer
Chief Risk Officer
30 years experience



Kathleen Yeung
Global Head of Strategy
19 years experience



Philip Dowman
Chief Financial Officer
30 years experience

~25

years of real estate investment
experience across the senior executive
team, on average

70+

investment and fiduciary
professionals.

20+

dedicated Investment Team
members

Deal Origination & Asset Management

Investor Client Coverage

Risk Management

Portfolio Management

Corporate Services & Legal

Strategy, Finance, Operations, PR, HR, IT, Admin

Independent Directors of
Qualitas Trustee Board

Andrew Fairley
Lewis Bearman

Independent Qualitas Advisory Board

Chairman
Michael Schoenfeld

Group MD & CIO
Andrew Schwartz*

Non-Executive
Elana Rubin

Non-Executive
Carol Schwartz*

Non-Executive
Alan Schwartz*

Non-Executive
David Krasnostein

Qualitas Group Subsidiaries

Arch Finance

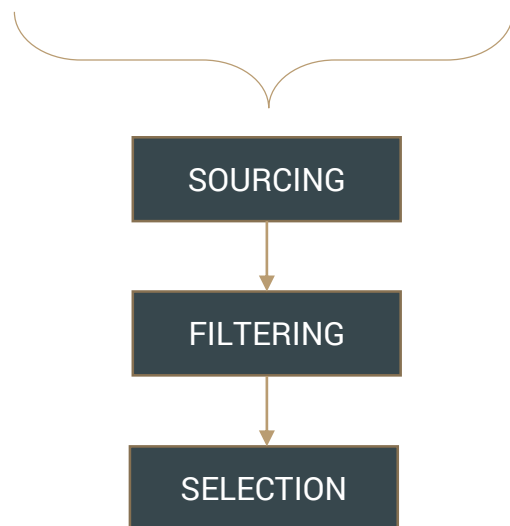
Peer Estate

*Andrew is not related to Alan and Carol Schwartz. Alan and Carol Schwartz are married. Note: Accurate as at date of this ASX release.

Investment Process

Qualitas applies a bank-like, repeatable investment process to source, filter and select suitable loan opportunities on behalf of our investors, and to ensure active asset management is undertaken throughout the life of each loan.

Loan investment life cycle



“Hands on” management

- Track the investment in accordance with the investment thesis and expected performance
- Undertake regular inspection of the real estate asset



Proactively identifies and escalate issues

- Identify and proactively manage issues that may impact on outcomes
- Leverages property equity capabilities to work through issues
- Risk management is directly involved where adverse issues could arise
- Transparent and proactive reporting




Continual Risk Management Application

- Formal Portfolio Asset Management meetings undertaken every 6-8 weeks, are a forum for formalised, ongoing and detailed deal-by-deal review by independent (non-deal) parties
- Monitor borrower compliance with their loan obligations

Stakeholder engagement and communication

Shareholder Engagement

	Regular unitholder emails		Investor presentations		Website		Media
	Monthly NAV		Monthly, semi and annual financial results		Industry Conferences		Independent Research

Research Coverage



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**Security Recommendation
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Important Information



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www.qualitas.com.au

Trust Website:
www.qualitas.com.au/listed-investments/QRI

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This document has been prepared by QRI Manager Pty Ltd ACN 625 857 070 (**Manager**), the investment manager of the Trust. The Trust Company (RE Services) Limited ABN 45 003 278 831 AFSL 235 150 (**Perpetual**) is the responsible entity of the Qualitas Real Estate Income Fund ARSN 627 917 971 (**Trust**). QRI is a wholly owned member of the Qualitas Group and is an authorised representative of the Qualitas Securities Pty Ltd AFSL 342 242.

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