ASX Announcement

Qualitas Real Estate Income Fund (ASX: QRI): Portfolio Update - September 2020 Quarter

26 October 2020: QRI Manager Pty Ltd ("**Manager**"), the manager of the Qualitas Real Estate Income Fund ("**QRI**" or "**Trust**"), is pleased to release the QRI September 2020 quarter portfolio update. Please click on the following link https://www.qualitas.com.au/qri-market-and-portfolio-update-september-quarter-2020/ to access the video presentation. The presentation slides are attached to this announcement.

In this update, Group Managing Director, Andrew Schwartz and Director, Real Estate, Nick Bullick present the commercial real estate ("CRE") debt market current operating environment includingopportunities and the resilience of QRI's portfolio performance.

September quarter performance summary

The CRE debt market began to stabilise following the initial shock due to COVID-19, however in our view presented favourable conditions for alternative lenders which is largely being driven by reduced bank lending across all asset classes. The Manager saw an increase in opportunities that fall just outside traditional bank policy which has led to the Trust securing improved risk-adjusted opportunities and repositioning the portfolio off the back of this strong pipeline.

Strong investment activity during the quarter resulted in 9 loans worth $107m[1] settled (both new and extended) and the Trust capital now fully allocated[2] to new investments including a new mezzanine construction loan which will settle in the upcoming months. Following these new loan settlements and $51m[3] of loan repayments (both partial and some full exits), the Trust capital was 89% deployed as at 30 September 2020.

Taking advantage of these improved risk-adjusted opportunities, the portfolio composition was repositioned, with investment loan exposure increased from 23% (June quarter) to 39% whilst construction loans and land loans were reduced to 12% and 28% respectively.

QRI has continued to deliver attractive and healthy premiums[4] above the current low RBA Cash Rate of 0.25% p.a, achieving a September quarter (3-month) net return and distribution return of 6.23% p.a. and 6.05% p.a. respectively which are within the current Target Return range of 5.25% - 6.75% p.a.

Qualitas remains vigilant of the continuing COVID-19 risks both on a global and domestic level and as a deeply experienced manager of CRE debt, Qualitas is proactively managing the QRI portfolio to mitigate against loan performance risks. There have been no loan impairments since the start of COVID-19 in March 2020 and consequently the Trust NAV has remained stable at $1.60.

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[1] QRI exposure, look through to Qualitas wholesale funds.
[2] Allocated to investments is where the Trust has allocated capital to an investment which is yet to be invested. The Trust's capital is fully allocated to investments when accounting for a ~3% cash buffer which is currently held for liquidity purposes.
[3] QRI exposure, look through to Qualitas wholesale funds.
[4] The premium achieved is commensurate to the investment risk undertaken.

Trust benefits to Investors

As investors search for yield and capital stability in an uncertain environment, QRI continues to seek to deliver investor benefits including:

- **Fixed income** in the form of regular monthly cash distributions[5]
- **Attractive and healthy premiums** above the current low cash rate[6]
- **Capital preservation,** as all CRE loans enjoy security by way of real property mortgages
- **Stable net asset value** at or above $1.60 with no impairments since the IPO or during COVID-19, supported by the Trust's simple and robust loan valuation process
- **CRE debt asset class differentiation** managed by a local property specialist with expertise in investing across both real estate debt and equity
- **Domestically focused investments** with 100% of the portfolio currently invested in Australia only

- Ends -

[5] 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.
[6] Returns are not guaranteed. The premium achieved is commensurate to the investment risk undertaken.

About Qualitas Real Estate Income Fund

The Qualitas Real Estate Income Fund ("**Trust**" or "**QRI**") seeks to provide monthly income and capital preservation by investing in a portfolio of investments that offers exposure to real estate loans secured by first and second mortgages, predominantly located in Australia.[7]

About QRI Manager Pty Ltd

QRI Manager Pty Ltd is the Manager of the Trust, and is wholly owned by the Qualitas Group ("**Qualitas**").

Established in 2008, Qualitas has a 12-year track record in the real estate sector and currently manages approximately $2.76 billion in committed capital. Comprising over 50 investment and fiduciary professionals, Qualitas has a disciplined approach to generating strong risk-adjusted returns for its investors.

Qualitas' investment strategies include senior and mezzanine debt, preferred and ordinary equity investments in real estate development, value-add, repositioning, special situations and other opportunistic transactions.

About the Trust Company (RE Services) Limited

The Responsible Entity of the Trust is The Trust Company (RE Services) Limited, a wholly owned member of the Perpetual Group ("**Perpetual**"). Perpetual has been in operation for over 130 years and is an Australian public company that has been listed on the ASX for over 50 years.

Investor Queries

General
Phone: +61 3 9612 3900
Email: qri@qualitas.com.au
Trust website:www.qualitas.com.au/listed-investments/QRI

Responsible Entity
The Trust Company (RE Services) Limited
Level 18, Angel Place,
123 Pitt Street,
Sydney NSW 2000

Unit Registry
Phone: 1300 402 177
Email: qualitas@automicgroup.com.au
Website: www.automic.com.au

[7] There is no guarantee the Trust will meet its Investment Objective. The payment of monthly cash income is a goal of the Trust only.

Notices and disclaimers

1. This communication has been issued and authorised for release by The Trust Company (RE Services) Limited (ACN 003 278 831) (AFSL 235150) as responsible entity of The Qualitas Real Estate Income Fund (ARSN 627 917 971) (Fund), has been authorised by the board of directors of the responsible entity and has been prepared by QRI Manager Pty Ltd (ACN 625 857 070) (AFS Representative 1266996 as authorised representative of Qualitas Securities Pty Ltd (ACN 136 451 128) (AFSL 34224)).

2. This communication contains general information only and does not take into account your investment objectives, financial situation or needs. It does not constitute financial, tax or legal advice, nor is it an offer, invitation or recommendation to subscribe or purchase a unit in QRI or any other financial product. Before making an investment decision, you should consider the current Product Disclosure Statement (PDS) of the Trust, and assess whether the Trust is appropriate given your objectives, financial situation or needs. If you require advice that takes into account your personal circumstances, you should consult a licensed or authorised financial adviser.

3. While every effort has been made to ensure the information in this communication is accurate; its accuracy, reliability or completeness is not guaranteed and none of The Trust Company (RE Services) Limited (ACN 003 278 831), QRI Manager Pty Ltd (ACN 625 857 070), Qualitas Securities Pty Ltd (ACN 136 451 128) or any of their related entities or their respective directors or officers are liable to you in respect of this communication. Past performance is not a reliable indicator of future performance.

QUALITAS

Qualitas Real Estate Income Fund

(ASX:QRI)
ARSN 627 917 971

Quarterly portfolio update – September 2020

Presenters:
Andrew Schwartz - Group Managing Director and Co-Founder of the Qualitas Group
Nick Bullick – Director, Real Estate

September quarter highlights

Compelling opportunities increase

- Restrictive bank lending fueled alternative lenders' pipeline, greater selection of deals

Competition strong for all asset classes

- CRE debt pricing favourable overall although compression starting to occur e.g. residual stock loans

Strong investment activity, capital fully allocated

- Capital now fully allocated[1], deployment at **89%** (up from 86% June quarter)
- 9 loans total **$107m** settled, both new and extended, offset by **$51m** of repayments
- **35** loans (up from 33 loans June quarter)[1]

Strategically repositioned portfolio to improve risk adjusted returns

- Invested in improved risk-adjusted opportunities off the back of a strong pipeline
- Significant increase of investment loan exposure from 23% (June quarter) to **39%**
- Reduced exposure to construction and land loans
- Looking to selectively increase mezzanine debt exposure

**All figures are based on QRI exposure, look through to Qualitas wholesale funds.*
[1] Allocated to investments is where the Trust has allocated capital to an investment which is yet to be invested. The Trust's capital is fully allocated to investments when accounting for a ~3% cash buffer which is currently held for liquidity purposes.

September quarter highlights cont.

Delivered consistent fund performance[1]

- Target Return achieved - Net Return of 6.23% p.a. (3 month) and 6.10% p.a. (12 month)
- Average distribution return of 6.02%[2] maintained during COVID-19
- Continued to pay attractive monthly cash distributions

Sound portfolio credit quality

- No impairments or interest arrears since the IPO and during COVID-19
- Proactive management of potential issues, highly intensive credit reviews
- Continue to be predominantly invested in senior loans (99%[3] of QRI loan portfolio)

Preserved capital

- Resilient balance sheet, all assets in AUD
- NAV remains stable at $1.60

**All figures are based on QRI exposure, look through to Qualitas wholesale funds.*
[1] Past performance is not a reliable indicator of future performance.
[2] Average monthly distribution p.a. since March 2020.
[3] % of the QRI loan portfolio, excluding AFWT notes, cash and the Trust loan receivable.

QUALITAS

Market & Fund Update

CRE Debt Market – September quarter recap

Market Themes

CRE debt market conditions begin to stabilise...	**Unprecedented low cost of capital…**	**In uncertainty, banks continue to retreat…**
adjusting to the new world, after the initial shock in March 2020	continues to support CRE investment and asset prices	credit rationing, restricting new / riskier borrowers, lowering leverage, increased provisioning

Alternative Lending

Opportunities continue to rise...	**Competition is strong for all asset classes…**	**CRE debt pricing remains favourable…**
improved deal terms emerging and alternative lenders enjoy being selective	favourably supporting liquidity for refinancings across the market	relative to pre-COVID-19 levels but has come down slightly since the onset of the pandemic

CRE Debt Market – Sector performance & outlook

Tailwinds

Low interest rates

Low dwelling supply

Govt. support

V-shape recovery

Headwinds

Negative migration

Short term residential oversupply

Melbourne COVID-19 lockdown

Closed borders

Rising unemployment

Qualitas considers the sector performance when investing and managing risks:

Performing

RESIDENTIAL (Multi-Dwelling)	• Defensive asset class - conditions prime for alternative lenders. • Easing regulatory restrictions for home loans, lower forecast supply & pent up demand, residual stock selling well.
INDUSTRIAL	• Structural shift away from in-store retail anticipated. Lender demand strong. • Valuations strengthened through COVID-19 - increased warehouse demand driven by growth of online activity.

Neutral

OFFICE	• Landlords and tenants adapt to changed working conditions. • Selective opportunities as sector supported by long term fundamentals.

Increased risks

RETAIL	• Undergoing major repositioning from increased risks and reduced bank appetite. • Opportunities significant and can be selective for strong sponsor backing.
ACCOMODATION & HOSPITALITY	• Most impacted by COVID-19 - occupancy under pressure, conservative LVRs. • Non-CBD hotels to come back strongly off the back of domestic tourism.

Market positioning

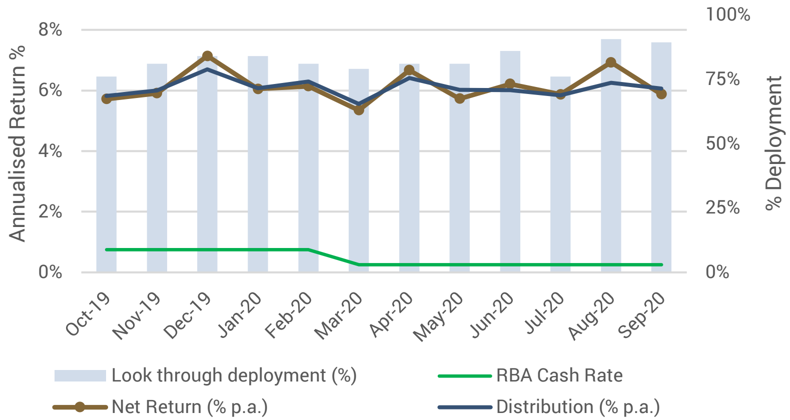
Qualitas continues to secure opportunities through its **local presence**, **long-standing relationships** and **competitive** and **flexible terms**….

Opportunities for QRI

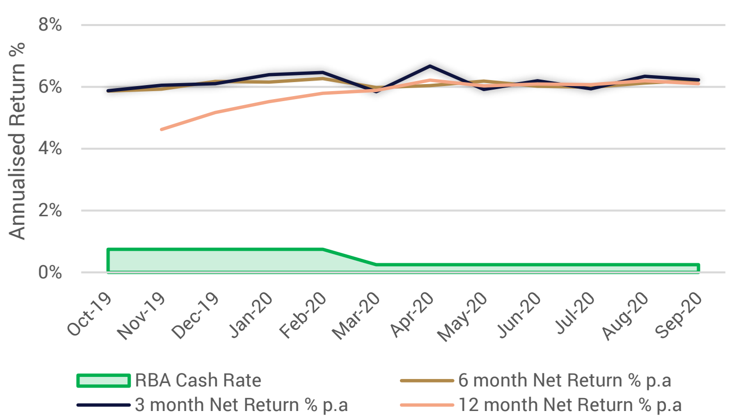
Investment & residual stock loans	• Considered by the Manager as the "lowest" risk / return compared to other loan types • Compelling deals increasing during COVID-19
Construction loans	• Borrower demand high (both senior and mezzanine), but restrictive bank terms • QRI well positioned to be "choosy" and support long standing clients for attractive risk / return
Land loans	• Good risk adjusted returns across all sectors however with less leverage • QRI can be selective

Fund Performance

Monthly Return[1]



Net Returns by period



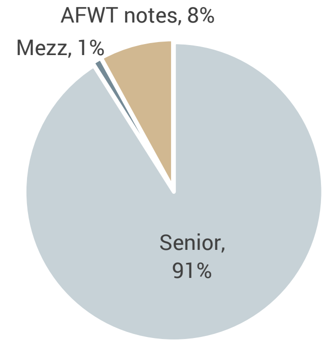
Past performance is not a reliable indicator of future performance.

[1] Deployment represents the % of the Trusts total capital that has been committed and invested as at month end in investments, including the Trust Loan Receivable.

Delivered **healthy risk-adjusted returns**, at an attractive premium to the current low RBA cash rate:

- Target Return RBA Cash + 5.00% - 6.50% met
- Achieved net return for the September quarter **6.23% p.a.**
- Returns reflective of lower risk / return portfolio of predominantly senior loans, underweight to mezzanine loans
- Gross Income split: 16% fees and 84% base interest

Ranking[4]



Portfolio Composition	$ millions	%
Cash (QRI) uncommitted	20.2	6%
Cash (Qualitas funds) uncommitted	18.5	5%
Senior Debt Investment Loans	141.8	39%
Senior Debt Land Loans	38.8	11%
Senior Debt Construction Loans	101.8	28%
Mezzanine Debt Construction Loans	2.2	1%
AFWT Notes	26.5	7%
Trust Loan Receivable[2]	11.0	3%
Total	**$360.8**	**100%**
SEPTEMBER QTR (3 months)		
Gross Return	**8.12% p.a.**	
Mgt Fee and Overheads	(1.89% p.a.)	
Net Yield (Annualised)[3]	**6.23% p.a.**	

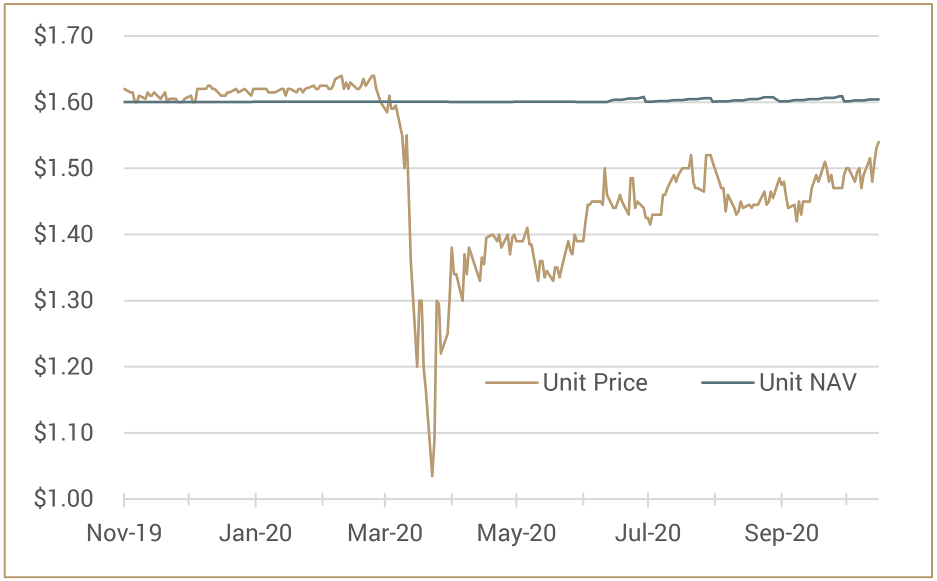
[2] The Trust has provided a working capital loan to the Manager to pay a portion of the costs and expenses incurred in relation to the IPO and subsequent capital raisings. The Trust Loan Receivable is limited to an amount of 3.5% of the NAV of the Trust at any time.

[3] Net Yield is based on the net return of the Trust Portfolio for the reporting period and converts this into an annual yield as if the return was constant for 12 months.

[4] Excludes Trust Loan Receivable & cash.

Trading performance

Market mis-pricing of QRI units continues despite **stable QRI loan portfolio values** which are supported by the equity buffer of real property security:



- Buy back facility in place provides the Manager with flexibility to undertake buy backs to support liquidity and the unit price when required.
- No further buy backs undertaken since June due to strong pipeline and deployment over the quarter. QRI capital is now fully allocated and has achieved steady returns.
- The Manager views the current unit price discount as an attractive opportunity to acquire QRI which also has further return upside from capital appreciation if the unit price trades back to par:

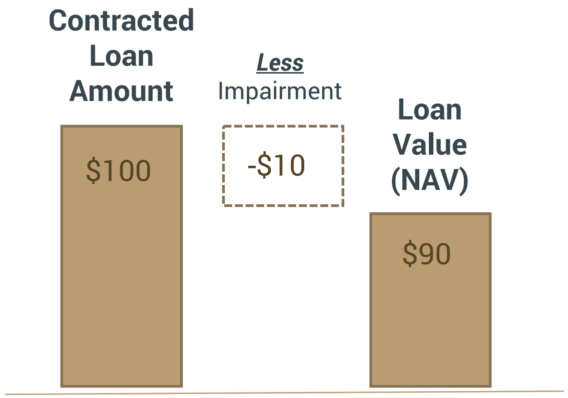
Effective returns based on unit price[1]:	
Unit Price	**Sep-20 distribution / unit price % p.a.**
$1.60 (par)	6.07%
$1.55	6.26%
$1.50	6.47%
$1.45	6.69%

[1] *Example only of the indicative effective % p.a. returns achieved for the September 2020 distribution declared based on each theoretical unit price.*

Loan Valuations & NAV

QRI's has a **simple** and **robust** loan valuation process that underpins its **stable NAV**:

Example of how loans are valued[1]



NO IMPAIRMENTS SINCE THE IPO OR DURING THE COVID PERIOD

- ✓ Loans recorded at cost value, less any impairments
- ✓ Loan asset reviews & impairment assessment conducted by the Manager monthly, with selective loans more frequent if warranted
- ✓ Weekly NAV reporting (high transparency)
- ✓ Audited by the Trust's independent auditor at each Financial Year and Half Year and incorporated into the financial accounts

Importantly, what is **not applicable** is:

✘ No mark-to-market	All loans are bilateral (Qualitas sole lender)[1] not syndicated, not traded on the secondary market but held to term
✘ No general loan provisioning	Not required as all loans are reviewed individually and assessed for any impairment at each reporting period
✘ No foreign currency[3]	Currently no FX translation risk, all loans AUD denominated
✘ No fund leverage[4]	Currently, no external debt at QRI or at any underlying Qualitas funds

[1] Refer Appendix 4 for further explanatory details. Diagram is not to scale.
[2] Loans are all originated and managed by Qualitas on a bilateral sole lender basis. The Loans however may be invested in by QRI and/or other Qualitas wholesale funds only.
[3] As outlined in the most recent PDS dated 11 September 2020, the Trust may invest in NZD CRE loans up to a max. of 20%.
[4] As outlined in the most recent PDS dated 11 September 2020, the Trust's gearing policy limits debt borrowings to up to 10% of the Trust NAVs.

Loan reviews & impairment

Manager continues **ongoing monthly reviews** during COVID-19, undertaking **proactive management** of all loan positions aiming to mitigate performance risks early:

Asset review results

QRI Loan portfolio

- no interest arrears on any loan
- no impairments on any loan

AFWT[1] notes

- Individual loan reviews undertaken by Arch Finance
- Loan pool in arrears at 1.14% (very low despite COVID-19 risks) however now nil as at date of this release
- no interest arrears on notes
- no impairments required

Impairment risk mitigants include:

- ✓ Equity buffer in security properties
- ✓ Sponsor guarantees
- ✓ Interest reserves
- ✓ Active management of loan and borrower
- ✓ Extensive loan obligations and covenants
- ✓ Regular revaluation of security
- ✓ Qualitas bilateral lender control, sole decision making

[1] *Arch Finance Warehouse Trust*

Manager commitment to sustainability

Qualitas recognises the increasing importance of **environmental, social and governance (ESG)** factors and believes embedding these into its governance, culture and investing approach will improve performance over time.

Sustainability Beliefs

Sustainability creates value, supports better investment decisions and plays an important role in our ongoing growth and success.	Our approach will evolve We will continue to strengthen what we do with a mindset to innovate, test and integrate	We are part of a real property ecosystem We will learn and collaborate alongside others to drive change

Sustainability Priorities

13 CLIMATE ACTION

Climate Change
To enable real Property Climate change action.

11 SUSTAINABLE CITIES AND COMMUNITIES

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Integrity
To continue to have integrity and strong governance at the core of our business.

5 GENDER EQUALITY

Diversity & Inclusion
To support a culture of diversity and inclusion for our business and communities.

Achievements

Sustainability Steering Committee established	Signatory to the United Nations Principles for Responsible Investment (UNPRI)	Sophisticated ESG assessment tool for investments
New Sustainability Policy published	Qualitas BTR Impact Fund launched with CEFC[1] as cornerstone investor	Charitable partner with Property Industry Foundation (PIF)
Diversity and inclusion group established	Member of Property Council of Australia (PCA) build-to-rent (BTR) roundtable	Member of the Investor Group on Climate Change (IGCC)

**For further information, Qualitas' Sustainability Policy is available on its website: https://www.qualitas.com.au/sustainability-policy/*
[1] Clean Energy Finance Corporation

QRI Portfolio

As at 30 September 2020

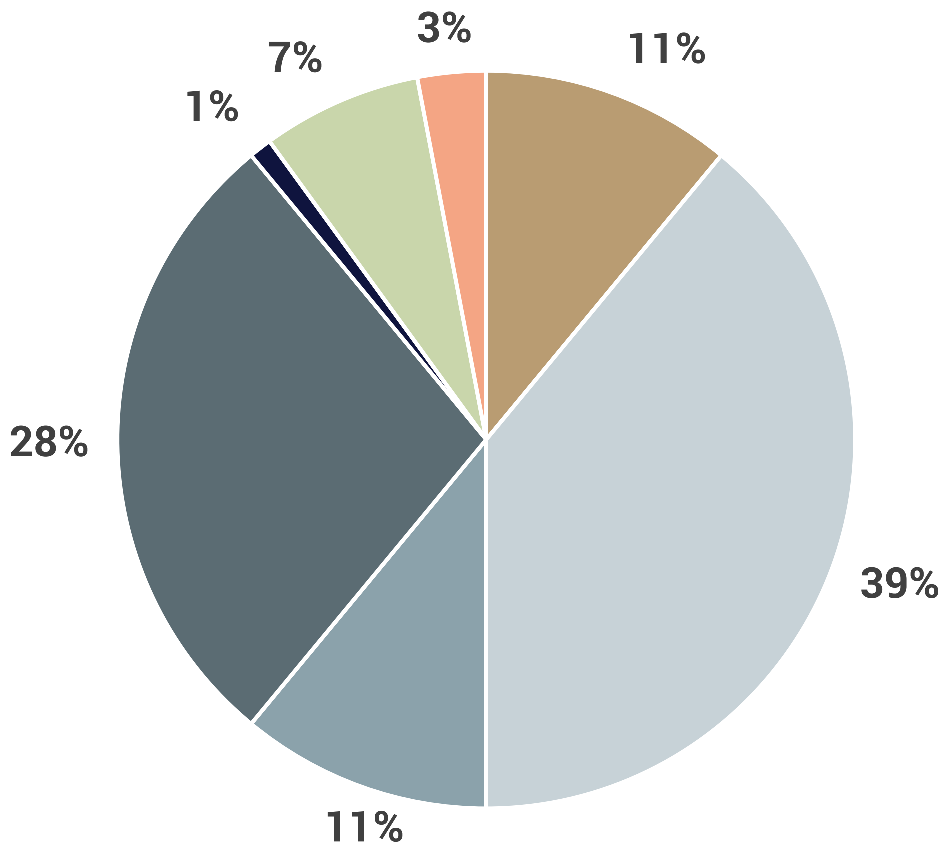
Portfolio targets achieved

PDS constraints[1]		30 September 2020
Ranking	Predominantly focused on senior loans	**82%** (total capital)[2] **99%** (QRI loans)[3]
	Mezzanine loans: target range 20%-35% (incl. AFWT notes)	**9%** (total capital)[2] **1%** (QRI loans)[3] **UNDERWEIGHT**
Investment Type	≤ 40% in a single Qualitas wholesale fund	**33%** (total capital) across three funds (QSDF, QLDF, QMDF)
	≤ 15% in Arch Finance Warehouse Trust (AFWT) notes	**7%** (total capital)
Geography (security property)	≤ 30% Non-capital cities	**13%**[3]
	Australian and NZ cities with ≥ 100,000 population	**100%**[3]
	≤ 20% New Zealand	**0%**
Manager other key targets[4]		
Loan Type	≤ 40% Land loans	**28%**
	≤ 25% Construction loans	**12%**
	≥ 30% Investment loans	**39%**

[1] As outlined in Section 4.8 "Target Portfolio Composition" in the most recent PDS dated 11 September 2019.
[2] % of total Trust capital invested in direct loans and Qualitas wholesale funds (including uncommitted cash within those funds) which relate to senior or mezzanine loans as applicable.
[3] % of the QRI loan portfolio, excluding AFWT notes, cash and the Trust loan receivable.
[4] The Manager sets other QRI portfolio targets in addition to the PDS which are reflective of current risk appetite based on market conditions. These targets are reviewed on an ongoing basis with reference to market conditions and opportunities. Amendments to these targets are at the discretion of the Manager.

Portfolio Composition

Capital now **fully allocated**[1], deployment at **89%** (up from 86% June quarter):



SEPTEMBER QUARTER RETURNS	
Gross Return	**8.12% p.a.**
Mgt Fee and Overheads	(1.89% p.a.)
Net Yield (Annualised)[2]	**6.23% p.a.**

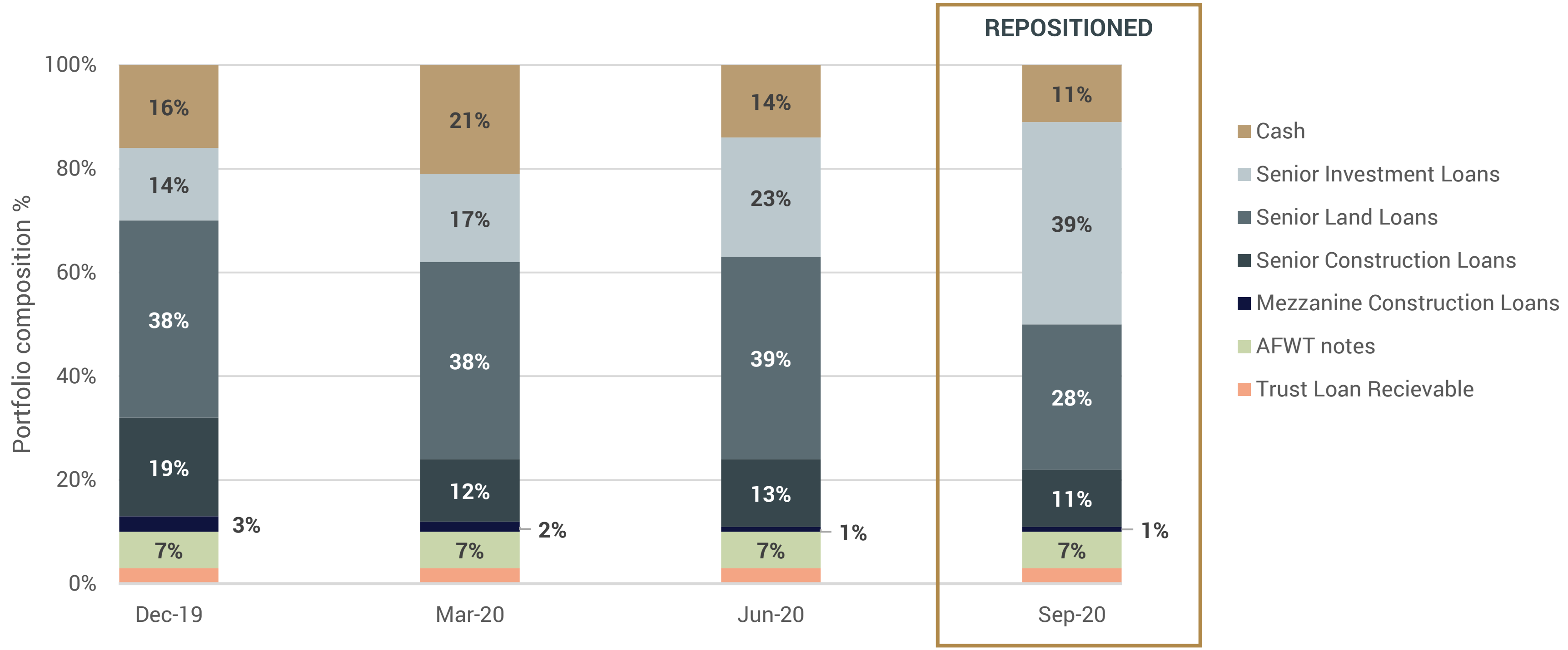
** All investments including direct loans are made by the Sub-Trust. The Sub-Trust is wholly owned by the Trust. The Trust has provided a working capital loan to the Manager to pay a portion of the costs and expenses incurred in relation to the IPO and subsequent capital raisings. The Trust Loan Receivable is limited to an amount of 3.5% of Trust NAV at any time*

[1] Allocated to investments is where the Trust has allocated capital to an investment which is yet to be invested. The Trust's capital is fully allocated to investments when accounting for a ~3% cash buffer which is currently held for liquidity purposes.
[2] Net Yield is based on the net return of the Trust Portfolio for the reporting period and converts this into an annual yield as if the return was constant for 12 months.

Repositioned portfolio

Whilst remaining predominantly invested in **senior loans** since the IPO, the Manager has recently **repositioned the portfolio** to invest in improved risk-adjusted opportunities, taking advantage of market conditions:

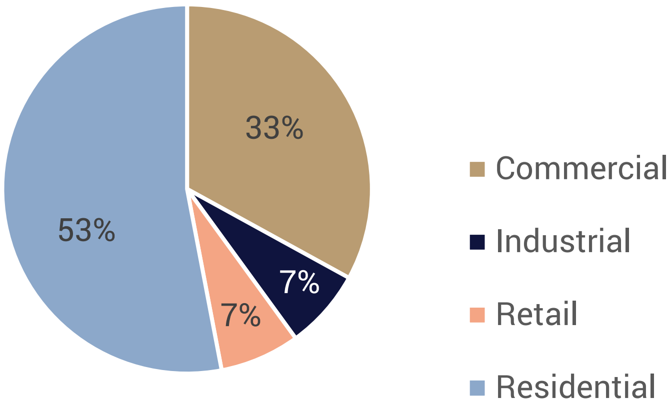
- Increased exposure to Investment Loans (39%)
- Reduced exposure to Construction Loans (12%) and Land Loans (28%)



Loan portfolio metrics

	Total loans	New loans	Extended loans	No. of sponsors	Avg. loan exposure	Weighted LVR[1]	Weighted loan maturity
SEP QRT	35	4	5	28	$8.1m	60%	0.9 years
JUN QRT	33	4	3	26	$8.2m	62%	0.6 years

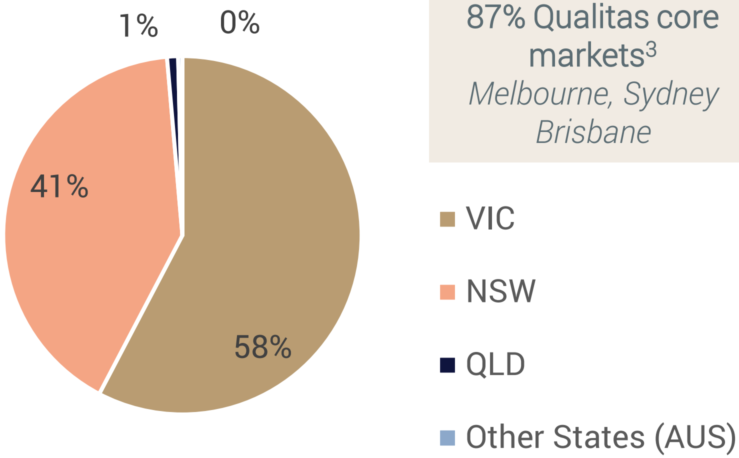
Property Sector (Sep-20)[2]



Geography (Sep-20)[2]

100% Australia

87% Qualitas core markets[3]
Melbourne, Sydney Brisbane



**All investments including direct loans are made by the Sub-Trust (wholly owned by the Trust). 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 unless otherwise stated.*

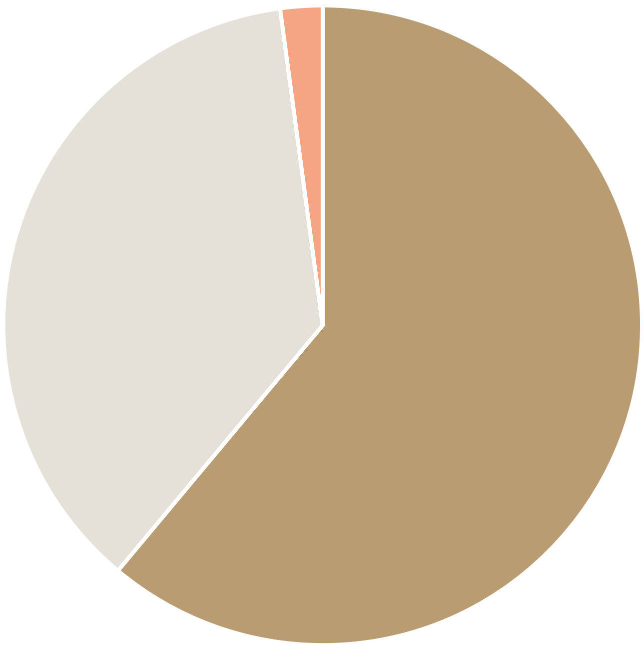
[1] Represents total LVR of loans in the portfolio on a look through basis, via investments in direct loans, Qualitas wholesale funds and AFWT loan portfolio.

[2] Excludes Trust Loan Receivable & cash. Adjusted for AFWT loan portfolio.

[3] % of the QRI loan portfolio, excluding AFWT notes, cash and the Trust loan receivable.

Interest servicing

Interest servicing of the Trust's portfolio supported by a **significant portion (98%)**[1] of interest revenue is **cash paid** or **paid in advance:**



What underpins interest servicing?

- ✓ 98%[1] of loans with a personal or corporate guarantee
- ✓ Interest reserves
- ✓ Income producing properties
- ✓ Sponsor group cash flow

What are interest reserves?

- Additional support to primary source (sponsor and property)
- Interest paid in advance, held in a separate bank account
- Set up at the beginning of the loan.

[1] *Excludes AFWT Notes.*

Senior Investment Loans

20	39%	$142 mil	$7.1 mil	7.3%	1.4 yrs	61%
No. Loans	Portfolio weighting	Total Loan amount	Avg. loan	Weighted avg. return	Weighted avg. duration left	Weighted avg. LVR

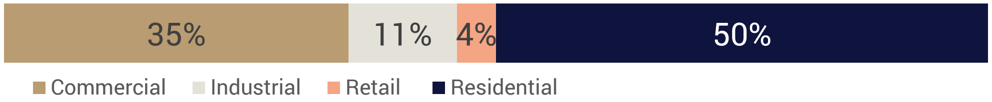
Melbourne CBD, VIC
Senior Investment
LVR 60%
24 months

Erskineville, NSW
Residual Stock
LVR 60%
24 months

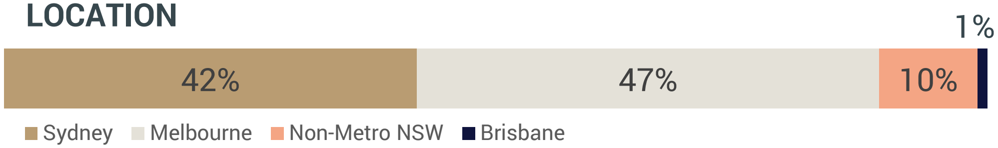
MIN. 30% OF TRUST CAPITAL

- No loan greater than 10% of Trust portfolio.
- Income: 43% of loans supported by tenanted, income producing properties and 57% are residual stock loans supported by sponsor cash flow and sales proceeds.
- Security: 98% of loans are supported by personal guarantees by sponsors who have been assessed by the Manager as being substantial HNW individuals.
- Leverage: 18 loans have an LVR ≤ 70%. 2 loans with LVRs between 70%-75% are supported by long leases with the federal government or a multinational supermarket chain.
- COVID risks: Lockdowns impacted apartment inspections and tenants across all asset classes are seeking rental relief. WFH conditions impacting occupancy rates.

SECTOR



LOCATION



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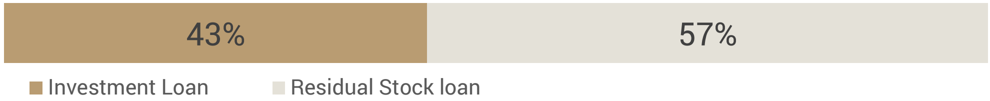


** Term is as at financial close of facility. All stats are on a look through basis, representing QRI's share of the loans*

Senior Construction Loans

4	11%	$39 mil	$9.7 mil	10.1%	0.4 yrs	51%
No. Loans	Portfolio weighting	Total Loan amount	Avg. loan	Weighted avg. return	Weighted avg. duration left	Weighted avg. LVR

Neutral Bay, NSW
LVR 61%, LTC 73%
18 months

Melton South, VIC
LVR 54%, LTC 77%
13 months

CAP 30% OF TRUST CAPITAL

- No loan greater than 6% of Trust portfolio.
- All construction loans are tracking to schedule and within budget. One loan has reached project completion and has called for settlement.
- **Leverage:** Weighted average LVR is 51%. Max. LTC for a loan is 77%.
- COVID risks:
  - ❑ Delays in project delivery due to reduced workers on site may result in loans requiring extensions.
  - ❑ Additional project costs including interest from extended project timeframe is required to be funded by equity.
  - ❑ Settlements are taking longer due to purchaser situation changes.

SECTOR

LOCATION

** Term is as at financial close of facility. All stats are on a look through basis, representing QRI's share of the loans*

Senior Land Loans

10	28%	$102 mil	$10.2 mil	10.2%	0.3 yrs	63%
No. Loans	Portfolio weighting	Total Loan amount	Avg. loan	Weighted avg. return	Weighted avg. duration left	Weighted avg. LVR

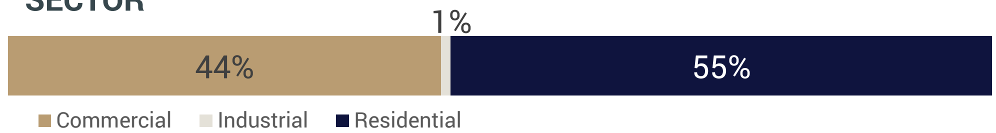
South Melbourne, VIC
LVR 62%
18 months

Homebush, NSW
LVR 55%
18 months

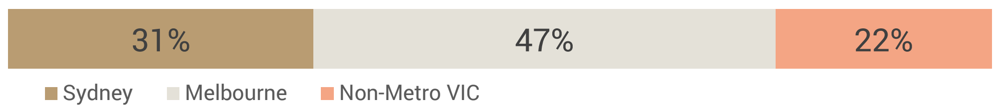
CAP 40% OF TRUST CAPITAL

- Land loan exposure reduced from 39% (June) to 28% due to a significant $35m land loan repaid in full.
- No loan greater than 7% of Trust portfolio.
- Leverage: weighted average LVR has decreased from 66% (June) to 63%.
- Tenor: Short weighted average loan tenor provides the Manager the flexibility to reposition the portfolio into other loans, or to renew the land loan at improved risk-adjusted returns[1].
- Security: All loans have full recourse with personal guarantees from HNW individuals (experienced property developers).
- COVID risks: Valuation deterioration due to extended development period as well as potential reduction in base revenue. Delays in site activation and sponsors requiring loan extensions.

SECTOR



LOCATION



** Term is as at financial close of facility. All stats are on a look through basis, representing QRI's share of the loans.*
[1] Returns are not guaranteed.

Mezzanine Construction Loans

1	1%	$2.2 mil	$2.2 mil	14%	1.2 yrs	79%
No. Loans	Portfolio weighting	Total Loan amount	Avg. loan	Weighted avg. return	Weighted avg. duration left	Weighted avg. LVR

Fitzroy, VIC
LVR 79%, LTC 87%
27 months

TARGET 20-35% OF TRUST CAPITAL

- One mezzanine loan remains in the portfolio following the full repayment / exit of another mezzanine loan.
- Increased pre-sales debt coverage to 119% on the remaining mezzanine loan.
- A new mezzanine construction loan within the QMDF[1] (QRI exposure is $3m) is currently mandated. Subject to investment committee approval, the loan is expected to settle by November.
- COVID risks:
  - ❑ Delays in project delivery due to reduced workers on site may result in loans requiring extensions.
  - ❑ Additional project costs including interest from extended project timeframe is required to be funded by equity.
  - ❑ Settlements are taking longer due to purchaser situation changes

SECTOR

100%

■ Residential

LOCATION

100%

■ Melbourne

**Term is as at financial close of facility. All stats are on a look through basis, representing QRI's share of the loans..*
[1] Qualitas Mezzanine Debt Fund

Arch Finance Warehouse Trust (AFWT) Notes

216	7%	$26.5 mil	2.25x	6.39%	55%
No. AWFT Loans	Portfolio weighting	Total Notes	Debt Service Cover Ratio	Weighted avg. return to QRI	Weighted avg. LVR

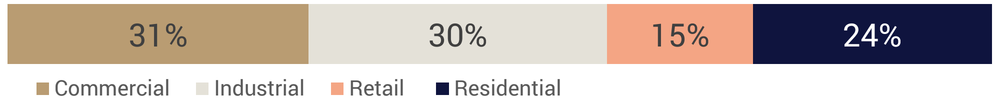
Arch Finance

CAP OF 15% OF TRUST CAPITAL

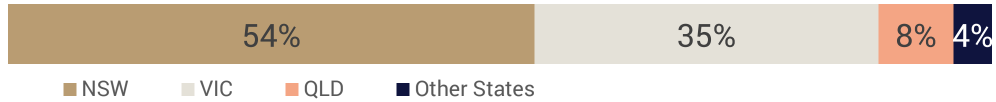
- AFWT loan pool is well diversified by sector, borrower and geography with no individual loan greater than 70% LVR, or greater than 1.5% of the loan portfolio.
- Loan pool in arrears at 1.14% (very low despite COVID-19 risks) however now nil as at date of release. Arrears has not impacted interest servicing of the AFWT notes.
- Based on the Manager's stress testing of interest serviceability of QRI's AFWT Note investment having regard to COVID-19 risks, ~30% of AFWT loan pool would need to be in default and not paying interest for QRI's note investment to be impacted.

- QRI's note investment in the AFWT notes provides exposure to a diversified portfolio of cash paying, 1st mortgage CRE loan portfolio of 216 loans totalling $424m.
- AFWT is a lender of senior CRE loans, originated and managed by Arch Finance[2], both entities owned by the Qualitas Group.
- Arch Finance is a non-ADI CRE loan originator and lender operating in the CRE debt market providing investment loans <$5m secured against completed buildings only (no land loans, no construction loans).

AFWT PORTFOLIO - SECTOR



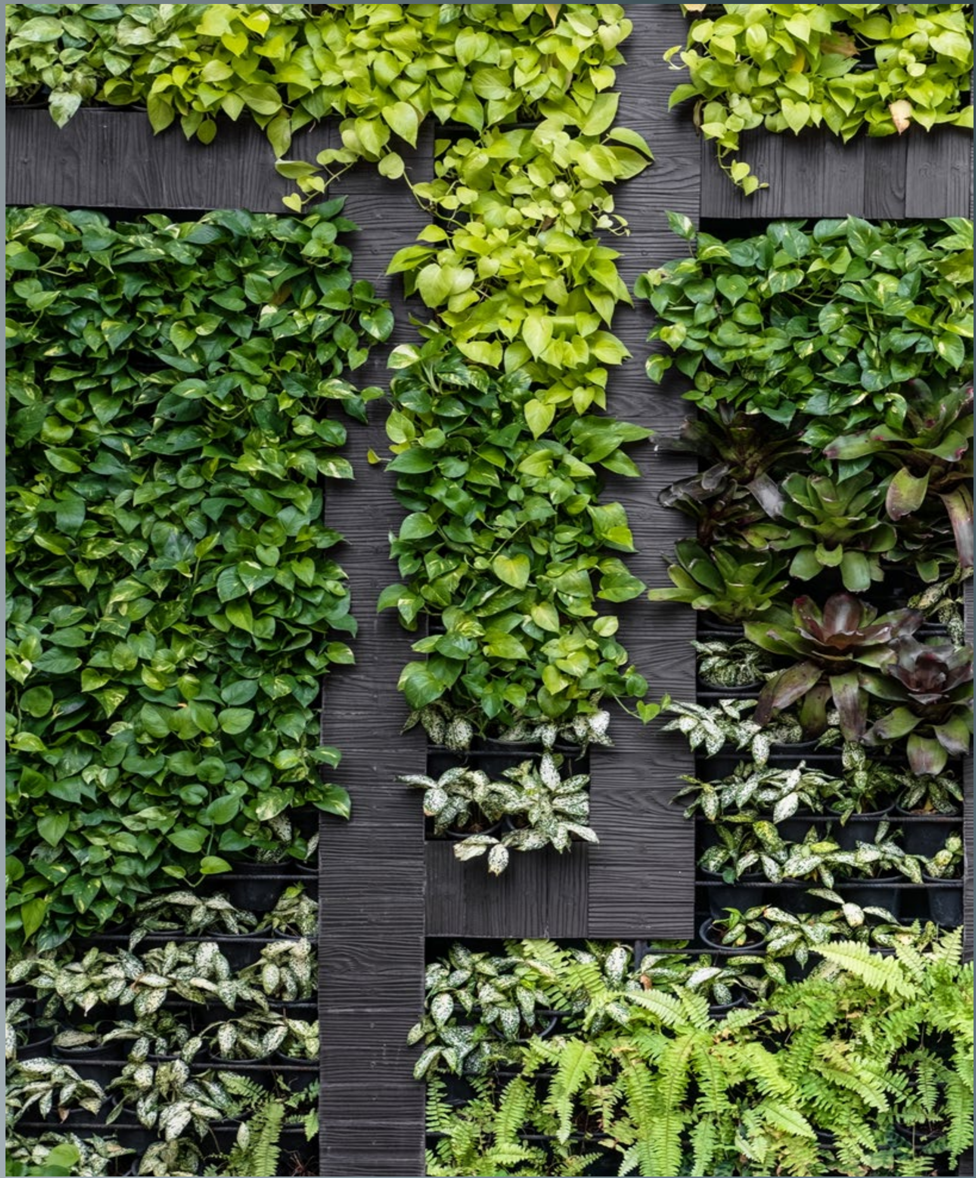
LOCATION



[1] *As per the latest PDS dated 11 September 2019*
[2] *Arch Finance Pty Ltd as trustee for Arch Finance Unit Trust.*

Manager wrap up

- QRI is well positioned to continue to deliver attractive risk-adjusted returns and monthly cash income to investors.[1]
- We remain vigilant of the continuing COVID-19 risks both on a global and domestic level and we are proactively managing the QRI portfolio aiming to mitigate against loan performance risks.
- Notwithstanding there is increased deal flow and attractive opportunities in the CRE debt market which allow QRI to be selective.
- We will be anticipating strong investment activity as we move through the busiest period of the CRE debt market leading up to the Christmas and New Year holidays.



[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. Returns are not guaranteed.

QUALITAS

Email: qri@qualitas.com.au

Manager Website: www.qualitas.com.au

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

MELBOURNE OFFICE
Level 38, 120 Collins Street,
Melbourne VIC 3000

SYDNEY OFFICE
Level 23, 1 Farrer Place,
Governor Macquarie Tower,
Sydney NSW 2000

Important Information

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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Appendix 1: QRI Summary

1 QRI (listed November 2018) provides exposure to the Australian real estate debt market in a liquid, regular income[1] paying form with capital preservation characteristics. Each loan asset in the QRI portfolio is secured via a real property mortgage.

2 QRI is managed by Qualitas, an Australian real estate financier and investment manager with FUM $2.76Bn.

3 QRI invests only in CRE loans which are distinct from high yield fixed income bonds / equities and unsecured corporate loans.

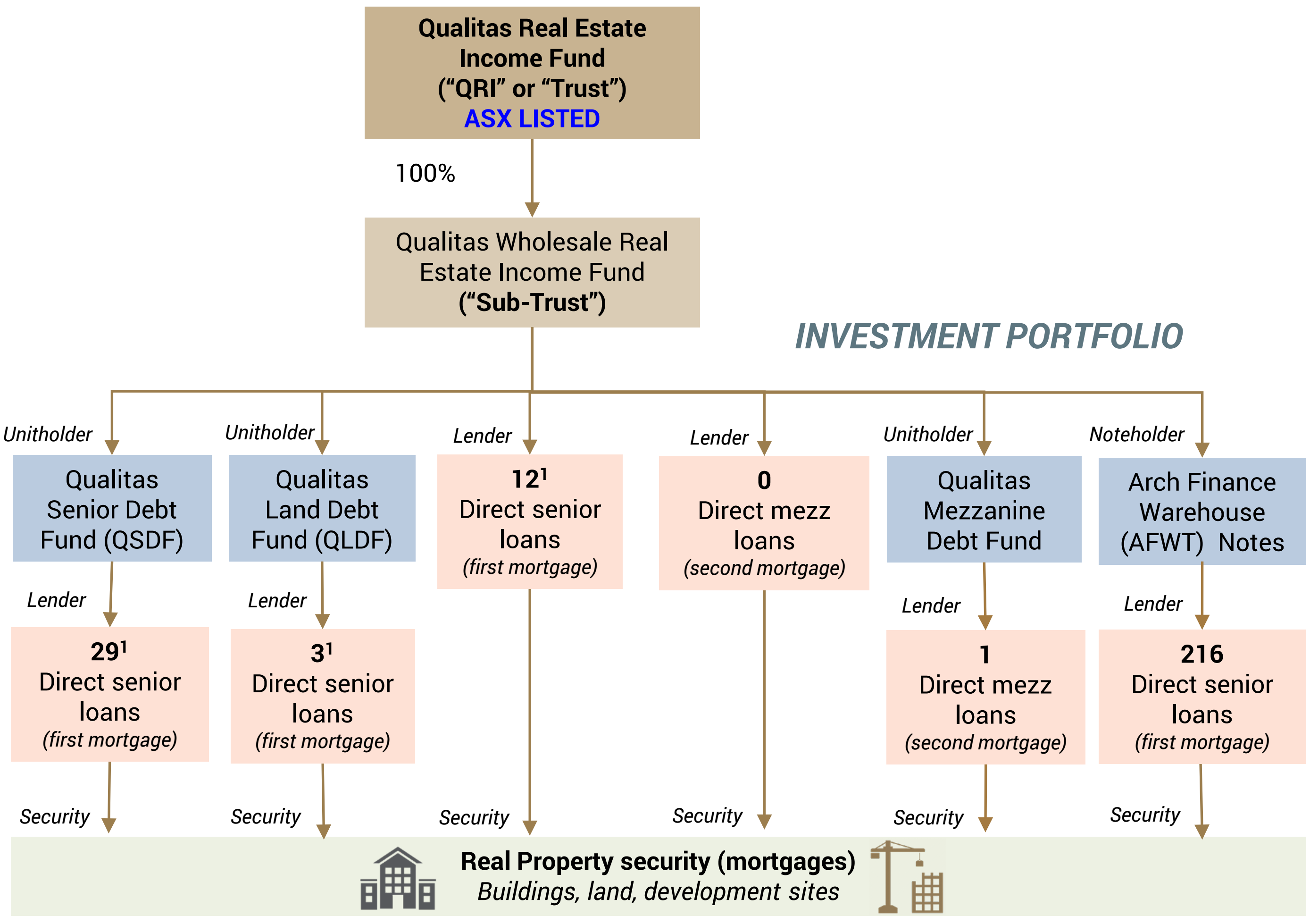
[1] *The payment of monthly cash income is a goal of the Trust only and neither the Manager or the Responsible Entity provide any representation or warranty (whether express or implied) in relation to the payment of any monthly cash income.*

Appendix 2: QRI Benefits – why invest?

- Experienced Institutional, **local-based Manager** of Australian commercial real estate (CRE) loans
- Regular and stable **monthly cash distributions**[1] underpinned by loan interest income
- Returns are an **attractive premium** to the current low cash rate[2]
- **Capital preservation** characteristics as all loans secured by real property mortgages
- Provides exposure to **the property market** without the equity risk of direct property investing
- **Simple Credit strategy** of investing in only CRE loans
- **Alignment of investor interest**, Qualitas co-investment $10m

[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.*
[2] *Returns are not guaranteed.*

Appendix 3: QRI Structure



Number of loans (look through basis)[1]

• Direct loans - QRI	12
• Indirect loans (SDF, MDF, LDF)	33
• Arch Finance	216
Total	**261**

All numerical disclosures are as at 30 September 2020.

[1] *10 loans are subject to co-investment between the Sub-Trust and the relevant Qualitas wholesale fund as applicable and is adjusted on the total No. of loans table.*

Appendix 4: Explanation of Loan Valuations

How are QRI loans valued by the Manager?

- Loans value = contracted loan amount <u>less</u> the value of the impairment assessed
- Loan asset reviews & impairment testing every 4 weeks.
- Audited by the Trust's independent auditor at each Financial Year and Half Year and incorporated into the accounts.

What is a loan default?

- When the borrower fails to meet a loan obligation as documented in the agreement
- Obligations include payment of interest and repayment of principal.

Impairment assessment

- An impairment is made when it is unlikely that a loan payment (interest or principal) will be collected
- The impairment value is the estimated loss of the loan, having regard to the security value upon default
- Qualitas takes a view on forward market valuations of the underlying security

External audit procedures

- At each Financial Year and Half Year, the Trust's independent auditor assesses the carrying loan values and evaluates the Manager's assessment of loan impairments and recoverability

Appendix 5: Loan Definitions

INVESTMENT LOANS

Loans secured against real estate that is or potentially income generating.

Includes residual stock loans which are loans secured against completed construction projects made to developers for the purpose of holding and selling unsold stock (e.g. apartments) in an orderly fashion to maintain pricing levels.

CONSTRUCTION LOANS

Loans provided to fund development and construction costs, and secured against land with the potential for development, or real estate assets that are soon-to-be or are under construction.

Construction loans are typically drawn down over time as the project progresses.

LAND LOANS

Loans secured against infill vacant land with the potential for development.

This includes undeveloped land that can be subdivided, land approved for development and land yet to be approved for development.

MEZZANINE LOANS

Loans secured with a second ranking mortgage.

Mezzanine loans are usually associated with construction projects and ranks behind a senior lender who is typically a 'Big 4' retail bank.

Appendix 6: Stakeholder Engagement and Communication

Shareholder Engagement

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