

Qualitas Real Estate Income Fund (ASX: QRI): Quarterly Update - December 2020

10 February 2021: QRI Manager Pty Ltd (“**Manager**”), the manager of the Qualitas Real Estate Income Fund (“**QRI**” or “**Trust**”), is pleased to release the QRI December 2020 quarter portfolio update. Please click on the following link <https://www.qualitas.com.au/qri-market-and-portfolio-update-december-2020/> to access the video presentation. The presentation slides are attached to this announcement.

In this quarterly update, Andrew Schwartz (Group Managing Director), Mark Fischer (Global Head of Real Estate) and Nick Bullick (Director, Real Estate), present QRI’s performance in stabilised commercial real estate (“CRE”) debt market conditions following the height of the COVID-19 pandemic.

Fund Returns

The Trust continued to deliver cash distribution income at attractive and healthy premiums¹ above the current low RBA Cash Rate of 0.10% p.a, achieving a December quarter (3-month) net return and distribution return of **6.45% p.a.** and **6.15% p.a.** respectively which are within the current Target Return range of 5.10% - 6.60% p.a.

The Manager is confident, based on the current loan portfolio and subject to no unexpected repayments, that the Trust’s strong invested position will underpin a consistent level of distributions to investors of at least 6.0% p.a. and the forecast monthly distribution return is expected in the upper range of the current Target Return of RBA + 6.50% p.a. until March 2021.²

December quarter market & portfolio recap

2020 closed as one of the toughest years for global economies which has reset the way we live. Despite the uncertainty, the Manager navigated this well and met the Trust’s investment objectives, delivering consistent and attractive returns to QRI unitholders whilst preserving capital.

The Trust’s target markets within the broader Australian CRE debt market stabilised following the height of the COVID-19 pandemic, supported by the unprecedented lower RBA cash rate of 0.10%. Pleasingly, the Manager continued to experience significant deal flow which enabled selective CRE loan investment.

Borrower demand remained robust allowing the Trust to invest in 11 new loans (including extended loans) totalling \$112m, using proceeds from loan repayments as well as a partial redemption of the Qualitas Senior Debt Fund units.

¹ The premium achieved is commensurate to the investment risk undertaken.

² Forecast about future performance are not guarantee and may not occur.

Of these new loans, two new mezzanine loans totalling \$25.8m were secured for the Trust with attractive risk return metrics which increased the Trust's direct mezzanine loan exposure³ to 8% (from 1.5% as of the September quarter) which is expected to be accretive to the Trust returns.

Importantly as a result of the strong deployment in the December quarter, the Trust's capital is now fully allocated⁴ to investments until end of June 2021.

The Trust recalibrated the portfolio to a post-COVID-19 environment, with 83%⁵ of the QRI loan portfolio's underlying securities properties having been re-valued since the onset of COVID-19 to reflect new market conditions.

The QRI portfolio of 36 loans remains well diversified across loan type ranking, location, sponsor and property sector, and there were no impairments, with the NAV remaining stable at \$1.60 since the IPO and during the COVID-19 period.

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 distributions⁶
- **Attractive and healthy premiums** above the current low cash rate⁷
- **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, 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 -

³ Direct mezzanine loans only, excludes AFWT notes.

⁴ 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.

⁵ % of the QRI loan portfolio, excluding AFWT notes, cash and the Trust loan receivable.

⁶ 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.

⁷ 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.⁸

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 \$2.8 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

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Responsible Entity

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⁸ 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.
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Qualitas Real Estate Income Fund

(ASX:QRI)
ARSN 627 917 971

Quarterly Update – December 2020



Qualitas Presenters:

Andrew Schwartz	Group Managing Director and Co-Founder
Mark Fischer	Global Head of Real Estate
Nick Bullick	Director, Real Estate

December quarter highlights



Significant deal flow as markets stabilise

- Robust borrower demand continues, mezzanine loan opportunities increase



Strong invested position, capital fully allocated¹ until end of June 2021

- 11 loans totaling \$112m settled, both new and extended
- Reinvested capital from \$45m of repayments and \$22m QSDF² redemption
- Fully allocated capital position currently underpins a forecasted distribution return of at least 6% p.a.³



Increase of mezzanine exposure accretive to Trust returns

- Mezzanine loan exposure⁴ now 8% (up from 1.5% September quarter) and targeting 15%
- Rebalanced / reduced exposure to investment loans and land loans



83% of QRI loan portfolio⁵ reflect “in COVID-19” security valuations

- Security property valuations appropriately reflects current market, underpinned by historically low interest rates

**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.

² Qualitas Senior Debt Fund

³ Based on the current loan portfolio and subject to no unexpected repayments. Forecast about future performance are not guarantee and may not occur.

⁴ Direct mezzanine loans only, excludes AFWT notes.

⁵ % of the QRI loan portfolio, excluding AFWT notes, cash and the Trust loan receivable.

Investment Objectives Met



Target Return achieved
RBA Cash + 5.0% - 6.5%

Consistently delivered returns¹ to unitholders:

Monthly cash
distributions

6.45%
Net Return p.a.
(Dec Qtr)

6.15%
Distribution Return p.a.
(Dec Qtr)



Portfolio diversification

36 loans

Well diversified by loan type,
ranking, location, sponsor, property
sector



Capital preservation

\$1.60
Stable NAV

No impairments or interest arrears
since the IPO and during COVID-19

*All figures are based on QRI exposure, look through to Qualitas wholesale funds.

¹ Past performance is not a reliable indicator of future performance.

Market & Fund Update



CRE Debt Market – December quarter recap



Stablised market

Manager has a positive outlook...

Australian economy and CRE debt market conditions remain stable

RBA cash rate lowered to record low of 10bp...

continues to support CRE investment and property valuations

Demand for CRE debt remains robust...

borrowers continue to seek alternative lenders as needs not met by banks



Alternative Lending

Exceptionally busy in lead up to holidays...

increased volume of deal settlements

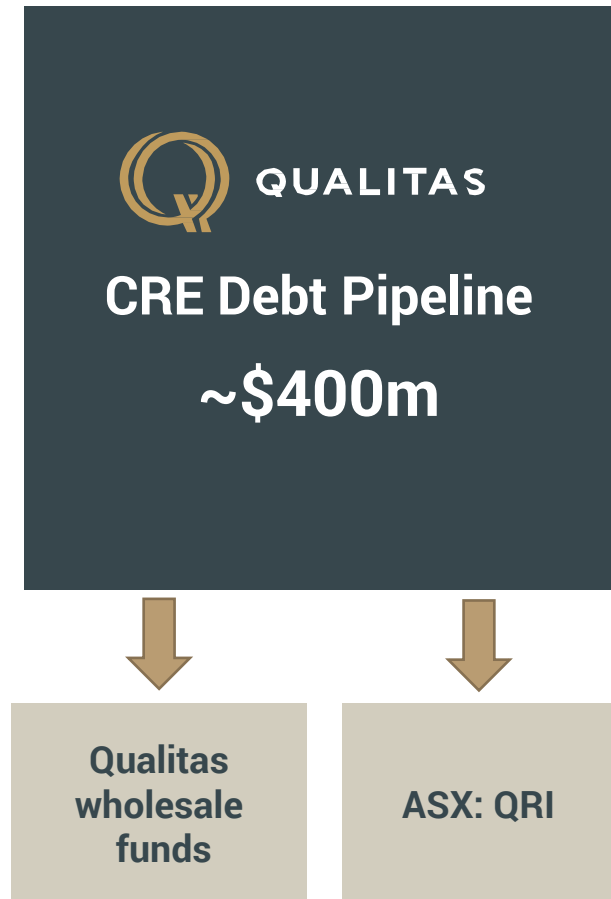
Compelling mezzanine opportunities...

as developers seek to maintain their banking relationships and alternative lenders fill the gap

Loan terms and pricing held firm...

no material changes to risk adjusted returns

QRI benefits from Manager's strong CRE debt pipeline

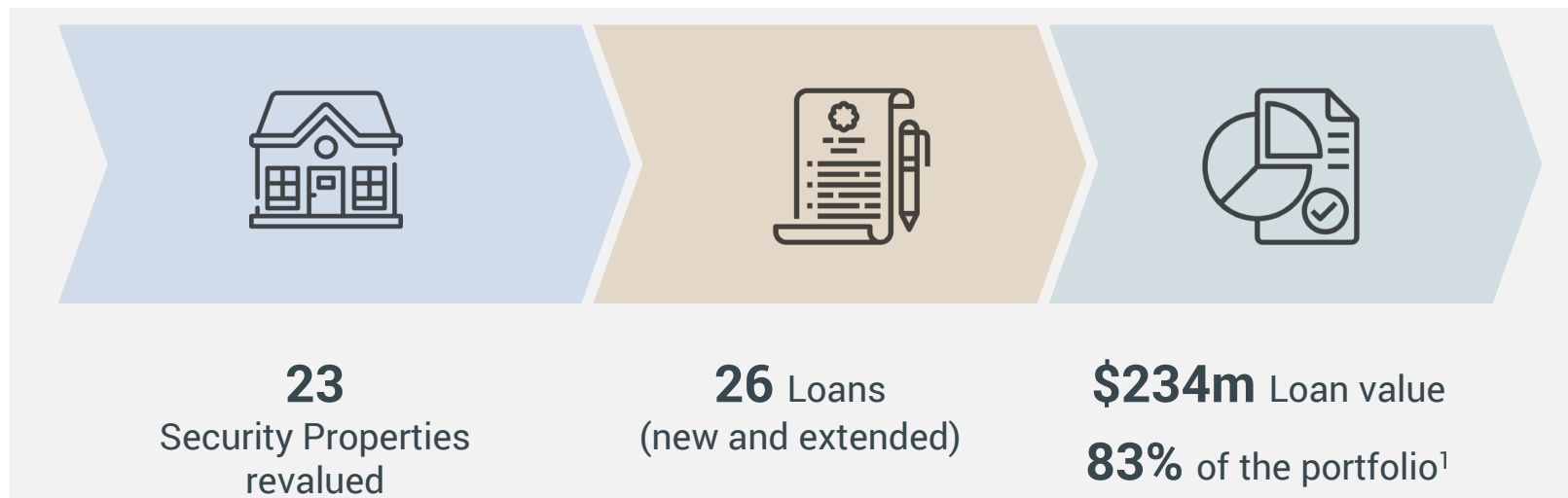


Actively originating new loan opportunities:

- for QRI and Qualitas wholesale funds
- across all loan types and sectors
- focusing predominantly on eastern seaboard
- ahead of scheduled loan repayments
- To facilitate efficient deployment

Security property valuations reset

SINCE ONSET OF COVID-19



Trust Portfolio
Weighted LVR 64%
Weighted Term 0.7 yrs

MAR

RBA Cash Rate
0.50%

Trust Portfolio
Weighted LVR 62%
Weighted Term 1 yrs

NOV

RBA Cash Rate
0.10%

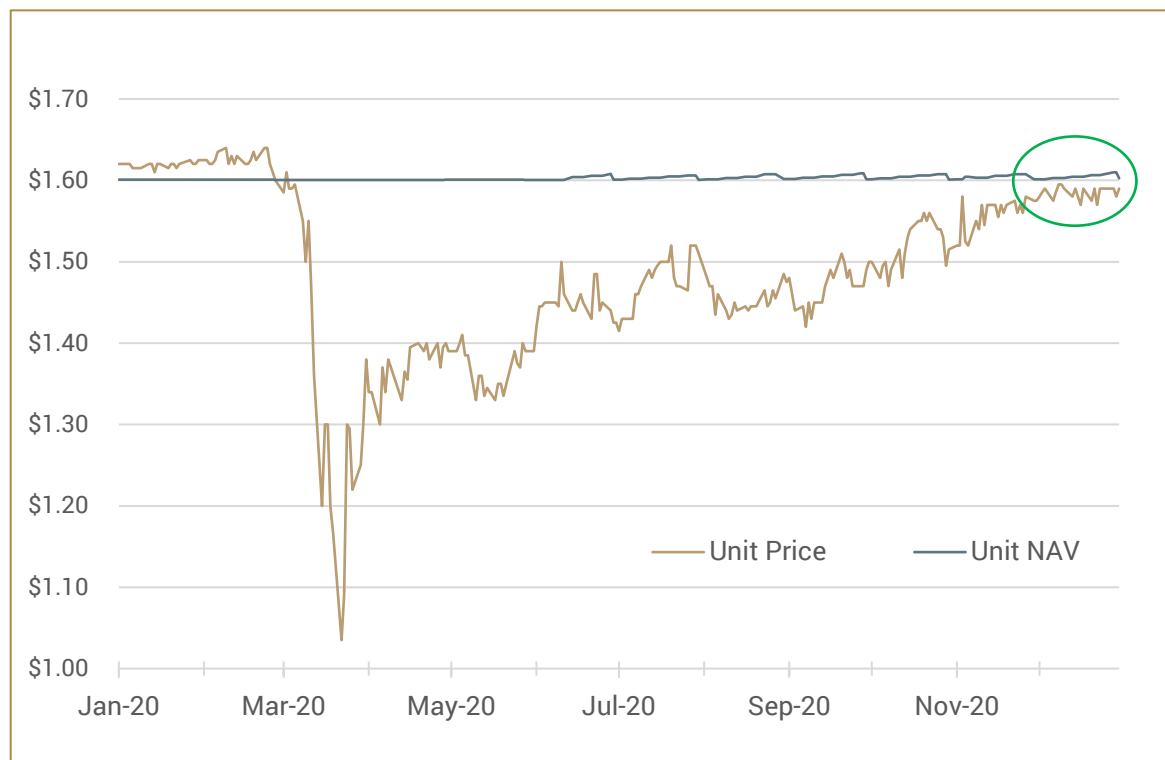
DEC

¹ % of the QRI loan portfolio, excluding AFWT notes, cash and the Trust loan receivable.

Trading performance improves

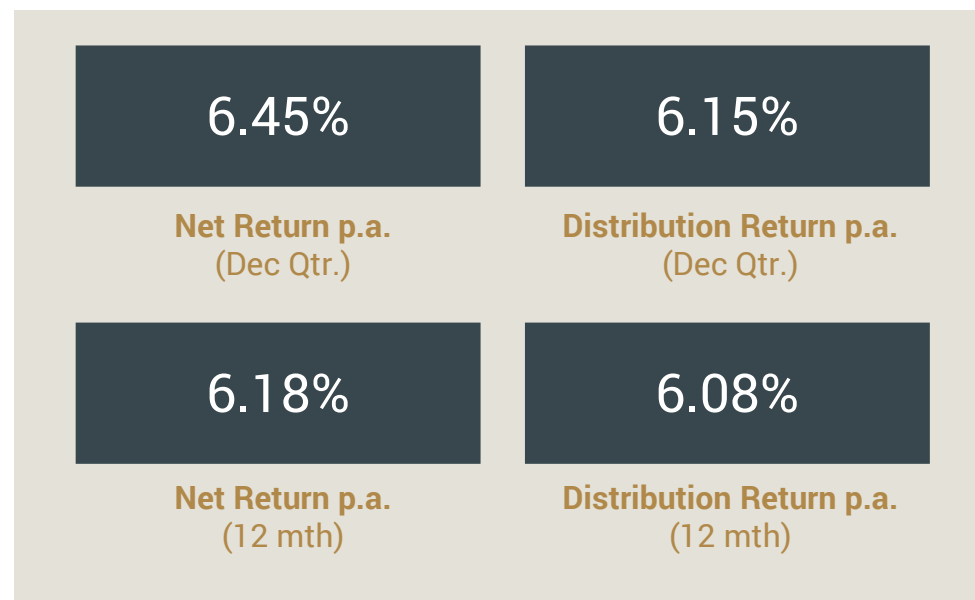
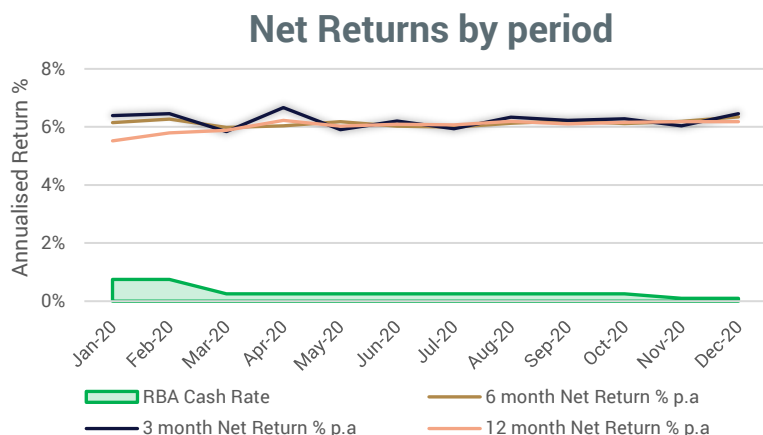
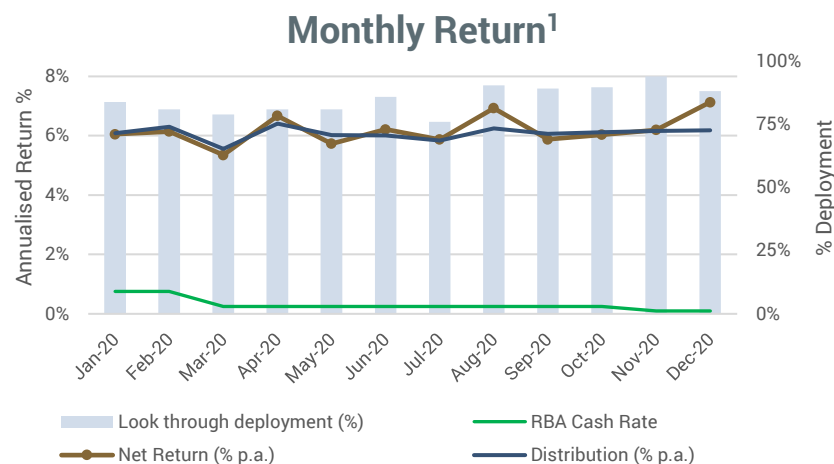


NO IMPAIRMENTS SINCE THE IPO OR DURING THE COVID PERIOD



- QRI units price now trading close to par after volatile COVID19 period as **market sentiment** improves
- The Manager increased efforts to **improve secondary demand and liquidity** by leading CRE debt education, direct marketing, and increased investor communication on the portfolio
- **Stable NAV**, no impairments on QRI loan portfolio which are supported by the equity buffer of real property security

Solid fund performance, delivered healthy returns



- ✓ **Target Return met** (RBA Cash + 5.00% - 6.50%)
- ✓ Fully allocated capital position currently underpins a **forecast distribution return** of at least 6% p.a.²
- ✓ **Forecast monthly distribution return** is in the upper range of current Target Return through to March 2021 provided capital remains fully allocated³
- ✓ Increased mezzanine exposure expected to be **accretive to returns**

^{*}Past performance is not a reliable indicator of future performance.

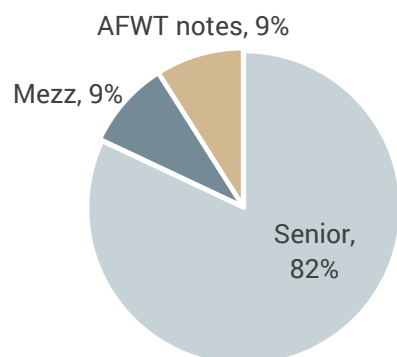
¹ Deployment represents the % of the Trusts total capital that has been committed and invested as at month end in investments, including the Trust Loan Receivable.

² Based on the current loan portfolio and subject to no unexpected repayments. Forecast about future performance are not guarantee and may not occur.

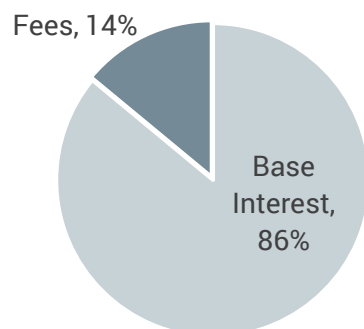
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Portfolio and return breakdown

Ranking¹



Gross Income split



Portfolio Composition	\$ millions	%
Cash (QRI)*	35.4	10%
Cash (Qualitas funds)*	7.0	2%
Senior Debt Investment Loans	142.1	39%
Senior Debt Construction Loans	27.5	8%
Senior Debt Land Loans	83.5	23%
Mezzanine Debt Construction Loans	28.1	8%
AFWT Notes	26.5	7%
Trust Loan Receivable ²	10.7	3%
Total	\$360.8	100%
DECEMBER QTR (3 months)		
Gross Return	8.30% p.a.	
Mgt Fee and Overheads	(1.85% p.a.)	
Net Yield (Annualised)³	6.45% p.a.	

* Cash is allocated to a senior loan that is expected to settle in February 2021.

¹ Excludes Trust Loan Receivable & cash.

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 Trust NAV 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.

Ongoing loan reviews, no impairments



Asset review results (conducted monthly)

QRI Loan portfolio

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

AFWT¹ notes

- ❑ no interest arrears on notes
- ❑ no impairments required
- ❑ Individual loan reviews undertaken by Arch Finance
- ❑ 2% of the underlying loan pool in arrears however does not impact note interest servicing

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

QRI Portfolio

As at 31 December 2020



Portfolio targets achieved

PDS constraints ¹		31 December 2020
✓ Ranking	Predominantly focused on senior loans	72% (total capital) ² 90% (QRI loans) ³
	Mezzanine loans: target range 20%-35% (incl. AFWT notes)	15% (total capital) ² 10% (QRI loans) ³ UNDERWEIGHT
✓ Investment Type	≤ 40% in a single Qualitas wholesale fund	26% (total capital) across three funds (QSDF, QLDF, QMDF) ⁴
	≤ 15% AFWT notes	7% (total capital)
✓ Geography (security property)	≤ 30% Non-capital cities	5% ³
	Australian and NZ cities with ≥ 100,000 population	100% ³
	≤ 20% New Zealand	0%
Manager other key targets ⁵		
✓ Loan Type	≤ 40% Land loans	23%
	≤ 25% Construction loans	16%
	≥ 30% Investment loans	39%

¹ As outlined in Section 4.8 "Target Portfolio Composition" in the most recent PDS dated 11 September 2019.

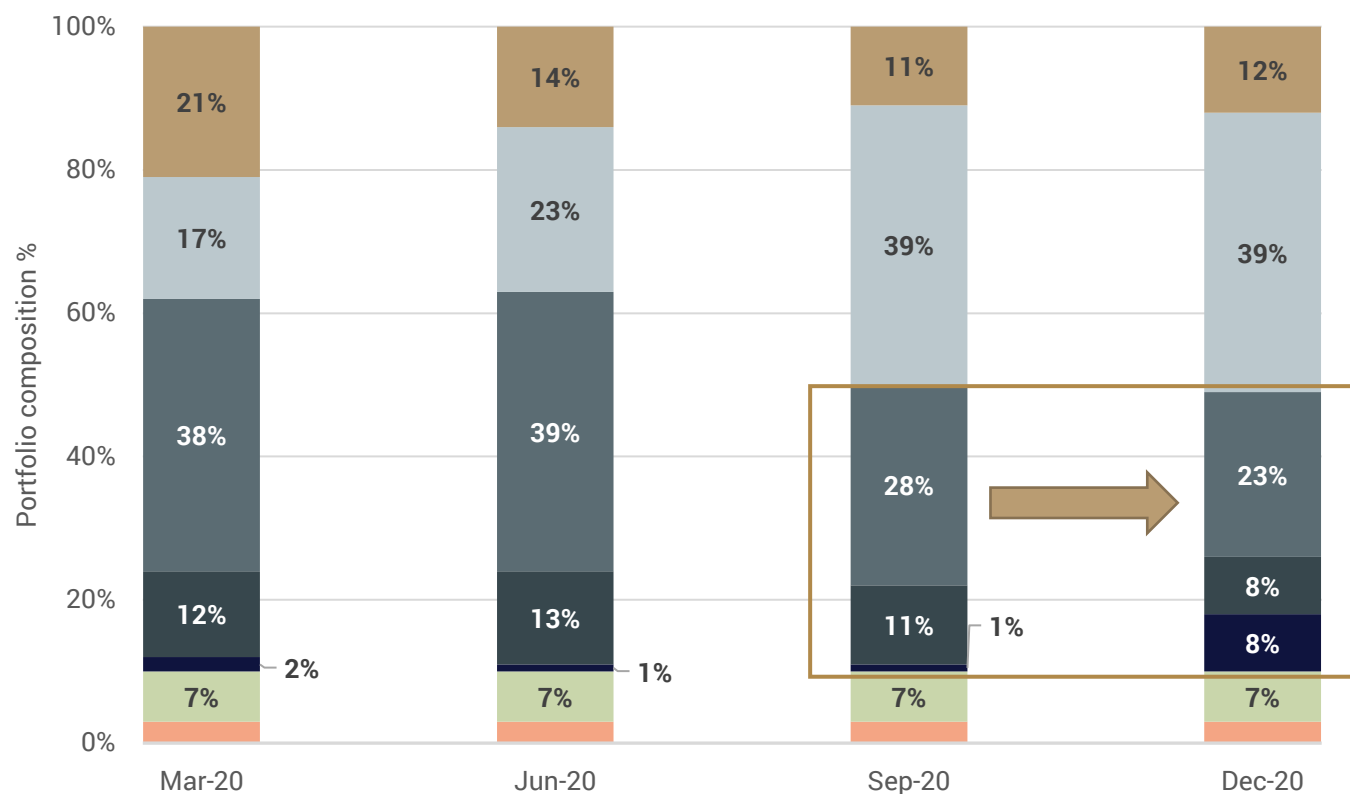
² % of total Trust capital invested in direct loans and Qualitas wholesale funds (including uncommitted cash within those funds) which relate to senior or mezzanine loans as applicable.

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

⁴ Qualitas Senior Debt Fund, Qualitas Land Debt Fund, Qualitas Mezzanine Debt Fund

⁵ 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 rebalancing



Capital **fully allocated**¹

Deployment at **88%**

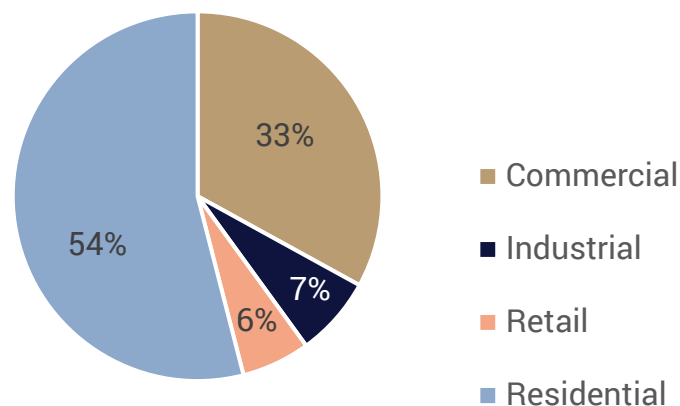
- Cash
- Senior Investment Loans
- **Senior Land Loans** ↓
- **Senior Construction Loans** ↓
- **Mezzanine Construction Loans** ↑
- AFWT notes
- Trust Loan Recievable

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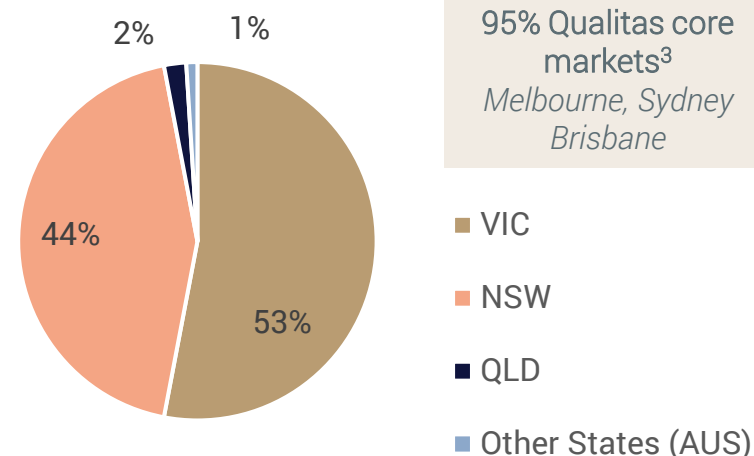
Loan portfolio metrics

DEC QRT	36	7	4	31	\$7.8m	62%	1.0 years
	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

Property Sector (Dec-20)²



Geography (Dec-20)²



*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.

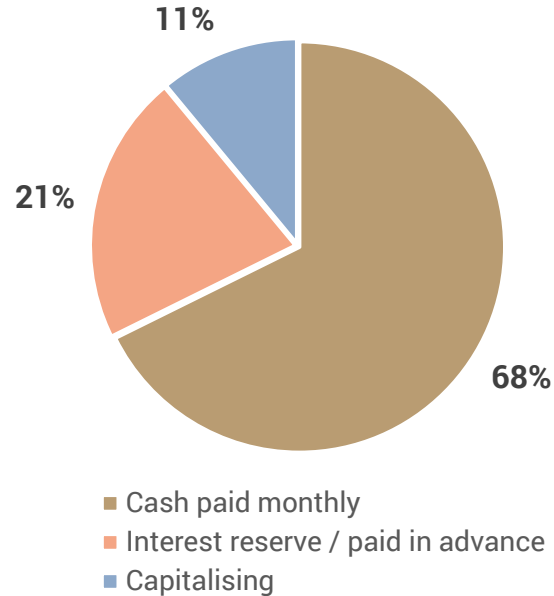
¹ Represents total LVR of loans in the portfolio on a look through basis, via investments in direct loans, Qualitas wholesale funds and AFWT loan portfolio.

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 Income

Breakdown of interest servicing¹



Fixed vs Floating Interest exposure¹



What underpins interest servicing?

- ✓ 97%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.

Capitalised Interest

- Accrued interest that is added to the principal loan amount
- For the Trust, mezzanine construction loans are subject to capitalised interest.
- As part of liquidity management, the Trust reserves cash to pay monthly distributions on capitalised interest income

¹ QRI loans only, excludes AFWT notes and Trust Loan Receivable

Senior Investment Loans



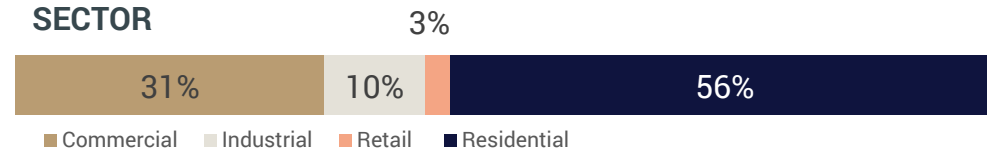
Melbourne CBD, VIC
Senior Investment
LVR 60%
24 months



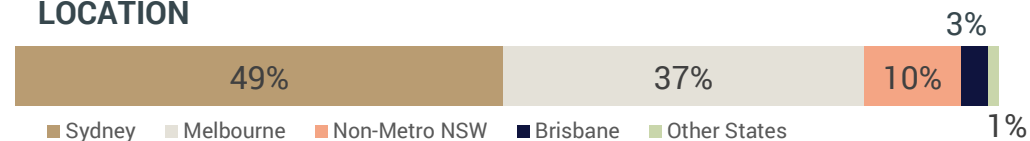
Erskineville, NSW
Residual Stock
LVR 57%
24 months

- No loan greater than 10% of Trust portfolio.
- **Income:** 47% of loans supported by tenanted, income producing properties and 53% are residual stock loans supported by sponsor cash flow and sales proceeds.
- **Security:** 96% of loans are supported by personal guarantees by sponsors who have been assessed by the Manager as being substantial HNWI individuals.
- **Leverage:** 20 loans have an LVR ≤ 70%. The loan with an LVR above 70% is supported by long leases with the federal government.

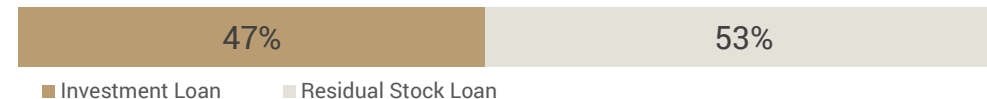
SECTOR



LOCATION

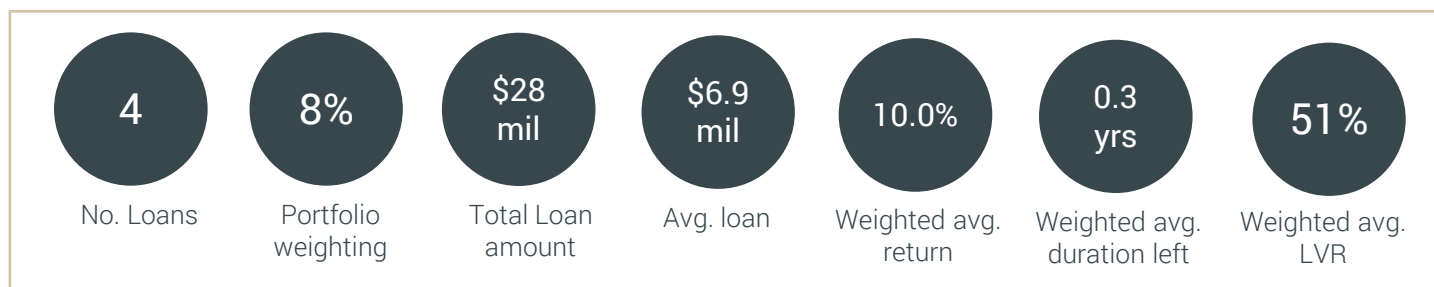


TYPE



* 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



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



Melton South, VIC
LVR 57%, LTC 80%
13 months

- No loan greater than 4% of Trust portfolio.
- **Leverage:** Weighted average LVR is 51%. Max. LTC for a loan is 80%.
- The construction loan portfolio is performing to schedule.
- The Manager is satisfied with pre-sale levels, progress and in particular, how builders have managed through COVID-19 work restriction.

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



South Melbourne, VIC
LVR 62%
18 months



North Sydney, NSW
LVR 65%
12 months

- An existing land loan was refinanced / converted into a mezzanine loan which was retained in the QRI portfolio.
- No loan greater than 7% of Trust portfolio.
- **Leverage:** all loans have an LVR \leq 70%.
- **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 returns¹.
- **Security:** All loans have full recourse with personal guarantees from HNW individuals (experienced property developers).

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



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



West Melbourne, VIC
LVR 70%, LTC 81%
27 months

- Two new mezzanine loans were settled during the quarter increasing direct mezzanine loan exposure to 8% up from 1.5% at the end of the prior quarter.
- Both new mezzanine loans have 100% pre-sales debt cover (senior & mezzanine loan limits).
- The existing mezzanine loan is tracking to schedule and has 120% pre-sales debt cover (senior & mezzanine loan limits).
- The Manager is comfortable to increase weighting to mezzanine loans to **15%** for the right opportunities.

SECTOR

100%

■ Residential

LOCATION

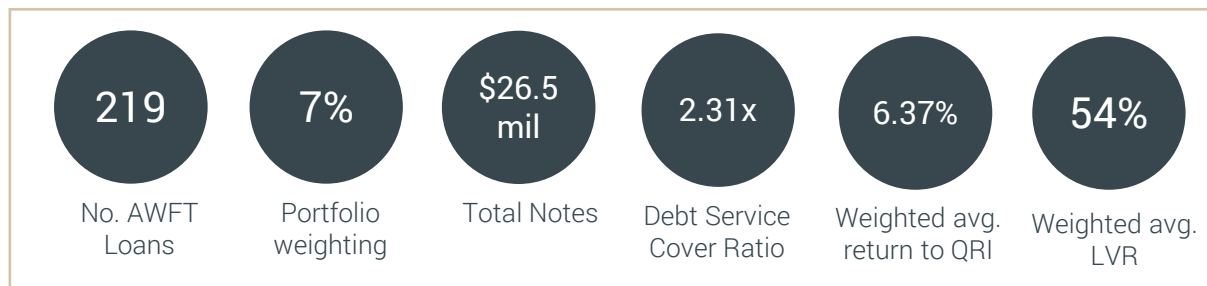
100%

■ 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

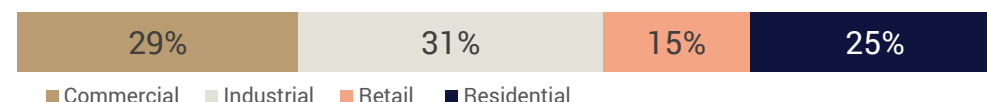


CAP OF 15% OF TRUST CAPITAL

- 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.
- The AFWT portfolio has performed well, recording low arrears which has not impacted interest servicing of the AFWT notes.
- As at 31 December there is currently three loans in arrears totalling 2% of the loan pool, and Arch Finance has enforced security on two of these loans however is expecting full loan recovery / repayment from the sales proceeds.

- QRI's note investment in the **AFWT notes** provides exposure to a diversified portfolio of cash paying, 1st mortgage CRE loan portfolio of 219 loans totalling \$419m.
- AFWT is a lender of senior CRE loans, originated and managed by Arch Finance², 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

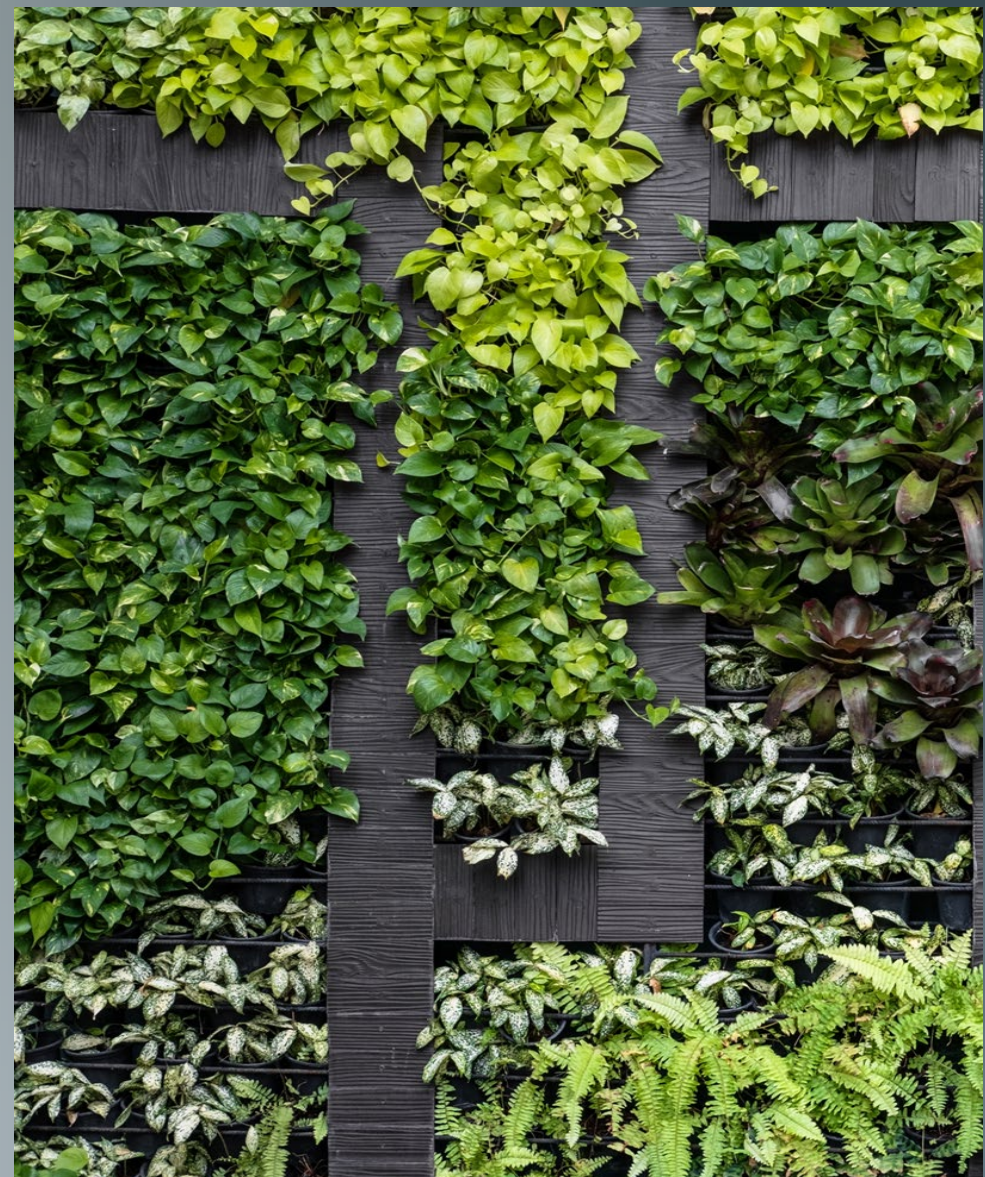


¹ As per the latest PDS dated 11 September 2019

² Arch Finance Pty Ltd as trustee for Arch Finance Unit Trust.

Manager wrap up

- 2020 closed as one of the toughest years for global economies which has reset the way we live
- Despite the uncertainty, we navigated this well and met the Trust's investment objectives, delivering consistent and attractive returns¹ to QRI unitholders whilst preserving capital
- We increased the frequency of our investor reporting and investor engagement and launched a CPD education program on commercial real estate debt
- We remain conscious of any negative impact from the recent fluctuating COVID19 infections across Australia which have resulted in the closure of state borders
- Looking forward to 2021, we are hopeful of a less exciting environment however we maintain a positive outlook for CRE debt investment



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.



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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 provides exposure to the **Australian commercial real estate debt** market:

- in a **liquid, regular income**¹ paying form
- with **capital preservation** characteristics.
- each loan is secured via a **real property mortgage**.

2

QRI is managed by **Qualitas**, an **Australian real estate financier and investment manager** with FUM \$2.8Bn

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.

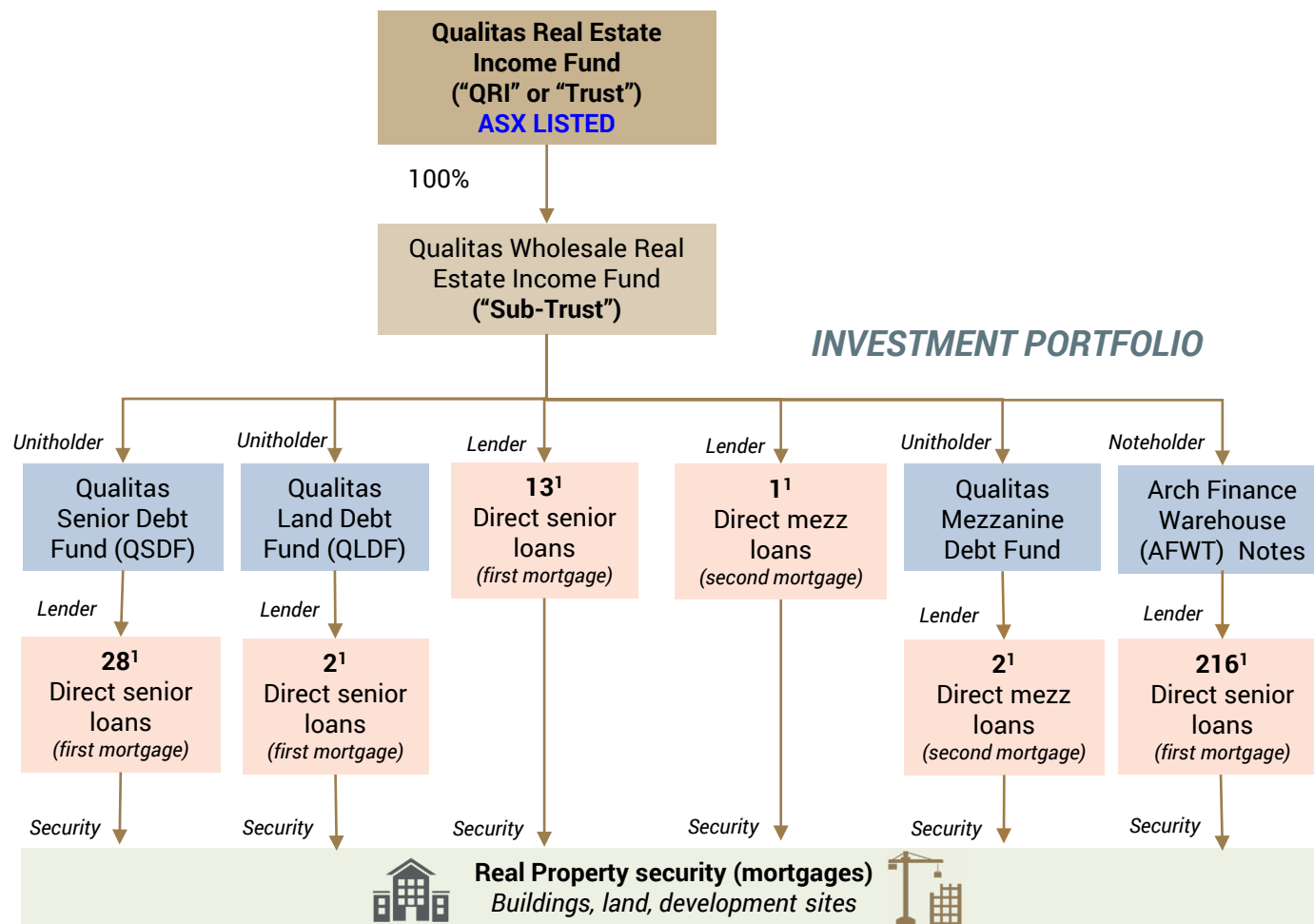
Appendix 2: QRI Benefits – why invest?

- ✓ 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 rate²
- ✓ **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	14
• Indirect loans (SDF, MDF, LDF)	32
• Arch Finance	219
Total	265

*All numerical disclosures are as at 31 December 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 less 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