

Qualitas Real Estate Income Fund (ASX:QRI)

Performance Update – June 2022



QUALITAS

Net return¹ (% p.a.)

12 month (%) p.a.	5.36%
1 month (%) p.a.	5.90%

Distribution

12 month (%) p.a.	5.34%
Current month % p.a.	5.85%
Current month	\$0.007689 / unit

Market update and investment activity

- As of 30 June 2022, the Trust's capital is fully invested.
- During the month of June, the Manager deployed a further ~\$43m in mezzanine debt at a weighted average interest return of ~11%, which is accretive to the portfolio with an increase in weighted LVR from 66% in May to 67% in June. Repayment of ~\$21m occurred in the ordinary course of business including partial repayment from four residual stock loans. This demonstrates the ability of developers to obtain apartment settlements, which is a positive sign in the current market.
- QRI delivered a monthly distribution of 5.85% on NAV of \$1.60 as at 30 June 2022. The June distribution is lower than May due to a lower number of loan settlements (e.g. less upfront fees earned) and slightly higher year end accruals in June. However, underlying interest income increased as the portfolio's percentage of invested capital increased by 3% from May to June.
- With the RBA's decision to increase the cash rate to 1.35%, 54% of our portfolio will reflect the increase in BBSY on 1 August 2022. The split of our variable loan has increased by 23% from 31% in April 2022 to 54% in June 2022.
- Average portfolio LVR of 67% implies an equity buffer of 33%.
- The Manager is starting to see improved risk adjusted opportunities in mezzanine loans as less sophisticated financiers and financiers with rigid and less bespoke risk rating models withdraw from the market. Current QRI mezzanine investments have:
 - high level of debt coverage through pre-sales, and
 - long-standing borrower relationship with Qualitas.
- Widening risk margins are observed across our pipeline investments, which is also evidenced by the 5-year non-financial corporate A-rated bonds spreads to swap increase by 72bps YTD.¹²
- Recognising the elevated risks in the current macroeconomic environment, we conduct asset reviews on a monthly and quarterly basis and as at 30 June 2022, the portfolio has no interest arrears or impairments. The Manager is particularly focused on serviceability, asset valuation, LVR and inflation impact. No material issues were raised.

QRI key metrics as at 30 June 2022

Market cap / Trust NAV	\$516m / \$600m
Invested capital ⁴	\$574m (96%)
Unit price	\$1.3750
Unit NAV	\$1.6002
Total Loans ⁵	40
Weighted loan maturity ⁵	1.4 years
Weighted LVR ⁶	67%
Loans in arrears ⁷	-
Fixed / Floating interest exposure	46% / 54%

Key information⁸

Target return	RBA cash rate ^{9,14} + 5.0% to 6.5% p.a. (net)
Investment type	Listed Investment Trust
Distributions	Monthly
Unit pricing	Weekly
Distribution Reinvestment Plan (DRP)	Yes - Active

QRI investment features

- Experienced Institutional local based Manager
- Regular monthly cash distributions²
- Return is at a premium³ to current low cash rate
- The potential of capital preservation from loans secured by real property mortgages
- Exposure to the property market
- Simple credit strategy of investing in only Commercial Real Estate (CRE) loans

*Please refer to PDS section 8 on risks related to QRI

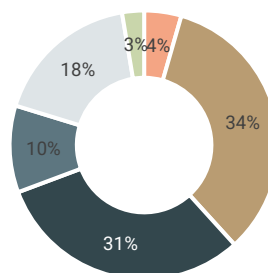
Investment objective

To achieve the Target Return, and provide monthly cash income, capital preservation and portfolio diversification¹⁰.

Investment strategy

Seek to achieve the Investment Objective by investing in a portfolio of investments that offers exposure to commercial real estate loans secured by first and second mortgages, predominantly located in Australia.

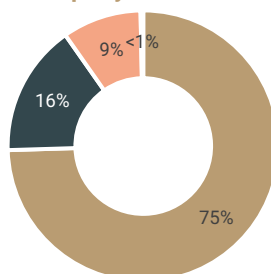
Portfolio composition¹⁰



81% Senior loans
19% Mezzanine loans¹³

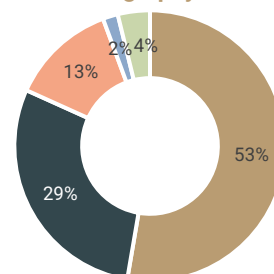
- Cash
- Senior Investment Loans
- Senior Land Loans
- Senior Construction Loans
- Mezz Construction Loans
- Trust Loan Receivable

Property Sector¹¹



- Residential
- Commercial
- Industrial
- Retail

Geography¹¹



- VIC
- NSW
- QLD
- ACT
- SA

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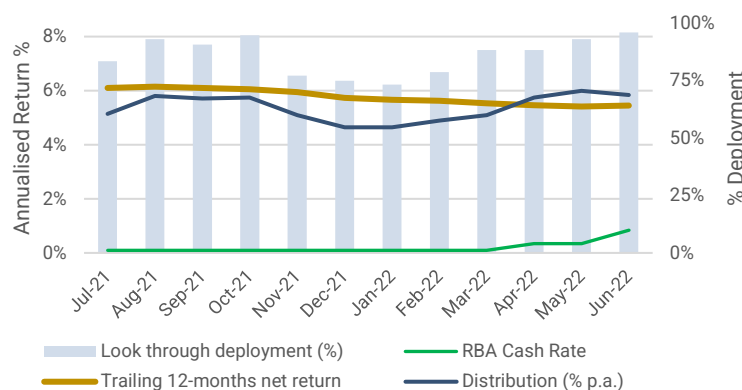
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Net return by period

	1 mth	3 mth	6 mth	1 yr	3 yr ¹	Incep ^{1,2}
Net Return (%)	0.49	1.44	2.66	5.36	5.82	5.58
RBA Cash Rate (%)	0.06	0.10	0.12	0.17	0.33	0.52
Distribution (%)	0.48	1.46	2.67	5.34	5.79	5.56
Spread to RBA (%)	0.42	1.36	2.54	5.17	5.46	5.04

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

Monthly net return vs. deployment³



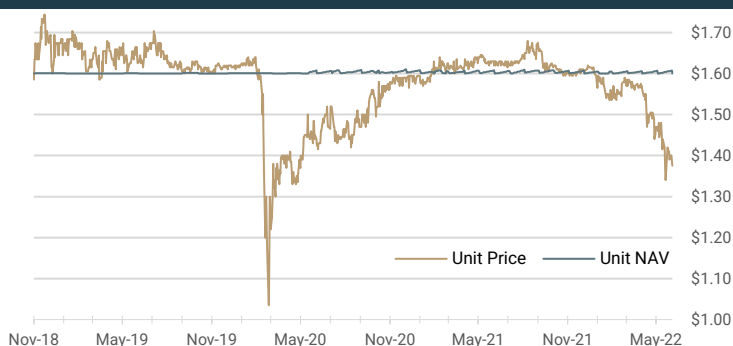
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Monthly historical performance

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Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD
Distributions (c/unit)													
FY19	-	-	-	-	-	0.1534	0.2416	0.2464	0.3784	0.6719	0.6463	0.8397	3.1777
FY20	0.8150	0.7370	0.9511	0.7906	0.7896	0.9099	0.8233	0.7989	0.7539	0.8405	0.8152	0.7882	9.8132
FY21	0.7914	0.8469	0.7956	0.8289	0.8076	0.8373	0.8692	0.8060	0.8163	0.7927	0.8176	0.8376	9.8471
FY22	0.6994	0.7894	0.7507	0.7814	0.6706	0.6315	0.6318	0.6012	0.6932	0.7556	0.8159	0.7689	8.5896
Net return (%)													
FY19	-	-	-	-	0.02%	0.08%	0.12%	0.15%	0.25%	0.41%	0.44%	0.49%	1.96%
FY20	0.53%	0.45%	0.66%	0.49%	0.49%	0.61%	0.51%	0.49%	0.45%	0.55%	0.49%	0.51%	6.23%
FY21	0.50%	0.59%	0.48%	0.51%	0.51%	0.60%	0.44%	0.46%	0.55%	0.51%	0.55%	0.46%	6.16%
FY22	0.44%	0.63%	0.44%	0.46%	0.40%	0.38%	0.36%	0.42%	0.45%	0.45%	0.50%	0.49%	5.42%

Unit price vs NAV



About the Manager

Established in 2008 and listed on the ASX in 2021, Qualitas has a 14-year track record in the real estate sector and currently manages \$4.2 billion in committed capital. 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.

Platforms

Macquarie	Asgard	HUB24
BT Panorama	Netwealth	Mason Stevens
BT Wrap	AMP North	

Key service providers

Manager	QRI Manager Pty Ltd – an authorised representative of Qualitas Securities Pty Ltd
Responsible Entity	The Trust Company (RE Services) Limited

Investor queries

General

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Notes

Page 1

[1] Net returns are calculated based on the daily weighted average NAV across the respective time periods.

[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] The premium achieved is commensurate to the investment risk undertaken.

[4] Invested Capital represents the amount of the Trust's total capital that has been committed and invested as at month end in loans (on a look through basis to the Qualitas Funds) and the Trust Loan Receivable. All investments including direct loans are made by the Sub-Trust. The Sub-Trust is wholly owned by the Trust.

[5] Represents total loans in the portfolio on a look through basis, via investments in direct loans and Qualitas wholesale funds.

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

[7] Represents % of loan portfolio on look through-basis in arrears by 90 days or more.

[8] This is a target return only. There is no guarantee the Trust will meet its Investment Objective. 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. The Trust reserves the discretion to amend its distribution policy.

[9] RBA cash rate is subject to a floor of 0%.

[10] The portfolio statistics are determined on a look-through basis having regard to the loans in the underlying Qualitas Funds as indicated. The classifications of these diversification parameters are determined by the Manager. Figures stated are subject to rounding.

[11] Excludes Trust Loan Receivable & cash.

[12] Bloomberg 5yr non-financial corporate A-rated bonds spreads to swap difference between 31 December 2021 to 30 June 2022.

[13] Percentage based on total invested capital excludes cash and Trust Loan Receivables.

[14] QRI is a different asset class to cash which is displayed by the RBA Cash Rate and BBSY. Accordingly, QRI is of a higher risk than an investment in cash.

Page 2

[1] Calculated based on units entitled to the distribution. The units entitled to the Sep-19 distribution excludes units issued under the Wholesale and Early Retail Entitlement Offers.

[2] Net Return calculated based on weighted average NAV.

[3] QRI is a different asset class to cash which is displayed by the RBA Cash Rate and BBSY. Accordingly, QRI is of a higher risk than an investment in cash.

Disclaimer

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The PDS and a target market determination for units in the Trust can be obtained by visiting the Trust website www.qualitas.com.au/qri. The Trust Company (RE Services) Limited as responsible entity of the Fund is the issuer of units in the Trust. A person should consider the PDS in deciding whether to acquire, or to continue to hold, units in the Trust.