

Qualitas Real Estate Income Fund (ASX:QRI)

Performance Update – August 2022



QUALITAS

Net return¹ (% p.a.)

12 month (%) p.a.	5.41%
1 month (%) p.a.	6.33%

Distribution

12 month (%) p.a.	5.48%
Current month % p.a.	6.40%
Current month	\$0.008701 / unit

QRI key metrics as at 31 August 2022

Market cap / Trust NAV	\$556m / \$601m
Invested capital ⁴	\$572m (95%)
Unit price	\$1.4800
Unit NAV	\$1.6002
Total Loans ⁵	39
Weighted loan maturity ⁵	1.1 years
Weighted LVR ⁶	66%
Loans in arrears ⁷	-
Fixed / Floating interest exposure	45% / 55%

Key information⁸

Target return	RBA cash rate ^{9,12} + 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.

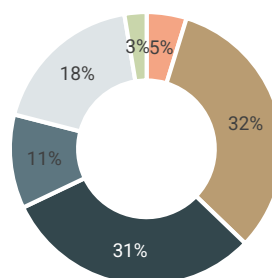
Market update and investment activity

- The Trust's capital is fully allocated as at 31 August 2022.
- The weighted LVR of the portfolio remained consistent at 66% July and August. This was driven by repayments of \$3.8m which occurred in the ordinary course of business, primarily from the partial repayments of residual stock loans.
 - The Manager has not observed overall slowdown in apartment settlements as residual stock loans are repaid in accordance with expectations.
 - We remain confident in the outlook of the multi-dwelling residential sector. In FY22, apartment completions diminished to the lowest levels observed in the last 10 years across Sydney, Melbourne, and Brisbane metropolitan areas.¹³ The Manager believes that with record low vacancy rate¹⁴ and government policy to attract skilled migrants is likely to accelerate the housing supply shortage in Australia over the medium term.
- QRI delivered a monthly distribution of 6.40% on NAV of \$1.60 as at 31 August 2022. The August distribution is higher than July due to increasing underlying interest income as BBSY increases and credit risk margins widen for new investments.
- The Trust is designed to meet a product and funding gap in the Commercial Real Estate (CRE) market in exchange for an attractive spread above cash return in the current market. August distribution of 6.40% is at a margin of 4.55% above cash rate of 1.85% as at 31 August 2022. Last twelve-month distribution return of 5.48% met our target range of RBA Cash Rate + 5.0% to 6.5%.
- The Manager has continued to see well-priced opportunities in our pipeline as more investments require bespoke structuring in a higher cost environment.
- To achieve the return target and maintain our standard of asset quality, the Manager believes that it requires a focused investment team dedicated to the CRE asset class selecting the most attractive investment opportunities for investors within our investment mandate. These loans are intended to be held to maturity and not traded on any secondary market. This is a different business model to the traditional banking system and other more traditional fixed income products like bonds.
- With the RBA's decision to increase the cash rate to 2.35%, 55% of our portfolio will reflect the increase in BBSY on 1 October 2022.
 - Between 31 August 2022 and 30 June 2023, 35% of the portfolio that is currently fixed rate loans matures and is anticipated to convert to floating rate as each loan matures.
- Average portfolio LVR of 66% implies an equity buffer of 34%.
- The Manager confirms that we conduct asset reviews on a monthly basis and as at 31 August 2022, the portfolio has no interest arrears or impairments. The Manager is particularly focused on serviceability, asset valuation, LVR and inflation impact.

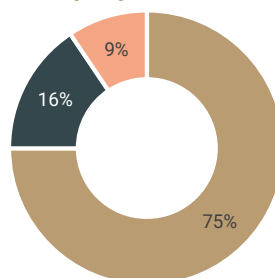
Portfolio composition¹⁰

80% Senior loans
20% Mezzanine loans¹¹

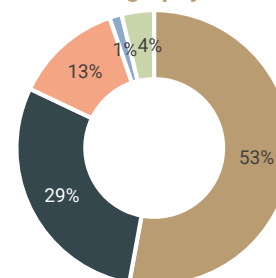
- Cash
- Senior Investment Loans
- Senior Land Loans
- Senior Construction Loans
- Mezz Construction Loans
- Trust Loan Receivable



Property Sector¹¹



Geography¹¹



■ Residential ■ Commercial ■ Industrial ■ VIC ■ NSW ■ QLD ■ ACT ■ SA

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Net return by period

	1 mth	3 mth	6 mth	1 yr	3 yr ¹	Incep ^{1,2}
Net Return (%)	0.54	1.55	2.95	5.41	5.86	5.63
RBA Cash Rate (%)	0.14	0.32	0.41	0.48	0.38	0.58
Distribution (%)	0.54	1.53	2.95	5.48	5.83	5.60
Spread to RBA (%)	0.40	1.21	2.54	5.00	5.45	5.02

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

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 circa \$5 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	Praemium

Key service providers

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

Monthly net return vs. deployment³

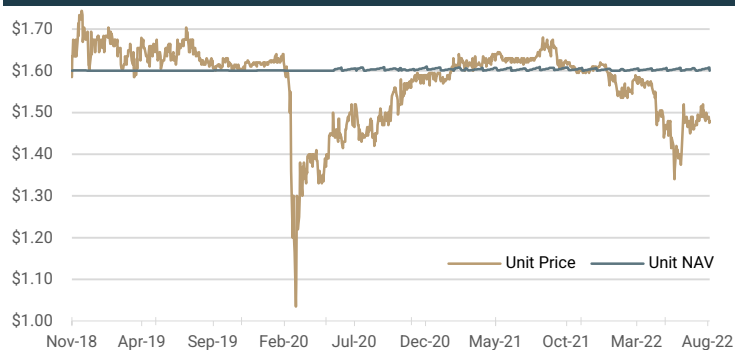


**Past performance is not a reliable indicator of future performance.*

Monthly historical performance

Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD
Distributions (¢/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
FY23	0.8151	0.8701											1.6852
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%
FY23	0.53%	0.54%											1.07%

Unit price vs NAV



Investor queries

General
 P +61 3 9612 3939 | E qri@qualitas.com.au
 W www.qualitas.com.au/listed-investments/QRI
 A: L38/120 Collins Street, Melbourne VIC 3000
 LinkedIn: <https://www.linkedin.com/company/qualitas-group/>

Unit Registry
 P 1300 420 177 | E: hello@automicgroup.com.au
 W www.automic.com.au



Notes

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[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] 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.

[13] Charter Keck Cramer State of the Market H1 2022.

[14] Vacancy Rates: July 2022, Domain

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[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

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) ("Trust" or "Fund") 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 342242)).

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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.