

Qualitas Real Estate Income Fund (ASX:QRI)

Performance Update – November 2022



HIGHLIGHTS

Net return ¹ (% p.a.) on NAV	
12 month (%) p.a.	5.88%
1 month (%) p.a.	6.88%
Distribution on NAV	
12 month (%) p.a.	5.88%
Current month % p.a.	7.35%
Current month	\$0.009666 / unit
Distribution on month end unit price	
Current month (%) p.a.	8.25%

KEY METRICS AS AT 30 NOVEMBER 2022

Market cap / Trust NAV	\$535m / \$601m
Invested capital ²	\$535m (89%)
Unit price	\$1.425
Unit NAV	\$1.6007
Total loans ³	38
Weighted loan maturity ³	1.0 years
Weighted LVR ⁴	66%
Loans in arrears ⁵	-
Fixed / Floating interest exposure	21% / 79%

KEY INFORMATION⁸

Target return	RBA Cash Rate ^{6,7} + 5.0% to 6.5% p.a. (net)
Investment type	Listed Investment Trust
Distributions	Monthly
Unit pricing	Weekly
Distribution Reinvestment Plan (DRP)	Yes - active

INVESTMENT FEATURES

- Experienced institutional local based Manager
- Regular monthly cash distributions⁸
- Return is at a premium⁹ 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 100% allocated as at 30 November 2022.

During the month of November, the Trust delivered a monthly distribution of 7.35% on NAV of \$1.60. The distribution for November is higher than the prior month due to increasing underlying interest income driven by BBSY increases, widening credit risk margins for new investments and increasing variable interest exposure in the portfolio.

The Trust's variable rate loans split increased to 79% in November, up from 67%. With the RBA's decision to increase the cash rate to 3.10%, the variable rate loans in the portfolio will reflect the increase in BBSY on 1 January 2023.

Fixed rate loans are expected to be replaced with variable rate loans as each loan matures. Based on the current maturity profile of fixed rate loans in the portfolio, the Manager aims to increase the Trust's variable rate exposure to 90% by June 2023.

During the month of November, there were repayments of ~\$34m primarily driven by partial and full repayments from eight investment loans and one construction loan. The progressive repayment of residential residual stock loans are performing to expectations.

The weighted LVR of the portfolio remained consistent at 66% implying an equity buffer of 34% across the loan portfolio¹⁰. The Trust does not own physical real estate and therefore unitholders are only exposed to underlying commercial real estate (CRE) debt for the loans provided, which rank ahead of equity. The equity interest/borrowers bear the brunt of volatility in the asset valuation.

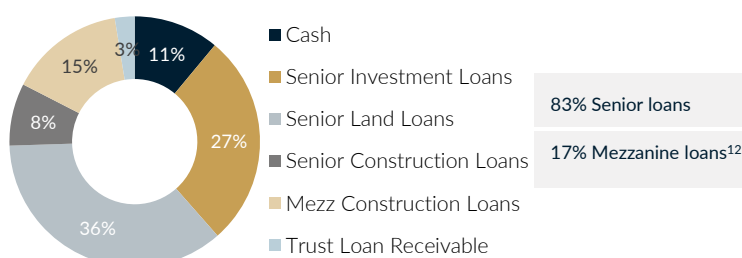
The Manager confirms that as at 30 November 2022, the portfolio has no interest arrears or impairments.

For the Trust's loan portfolio to start to be impaired (e.g. where the loan balance owing to the Trust exceeds the value of the property securing the loan),

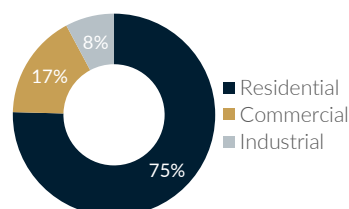
- the underlying real estate asset values need to reduce by 34% on a weighted average basis across the portfolio; and
- this would also mean ignoring other securities or guarantees which the Trust received as additional securities for repayment of loans. As at 30 November 2022, 99% of the Trust's portfolio is personally guaranteed.

As mentioned in the Bell Potter Listed Investment Companies Weekly Report available [here](#), a ~10% impairment of QRI's loan portfolio necessitates a ~45% reduction in the underlying real estate asset valuations on average. The current unit price discount to NTA is 10.9% as at 30 November 2022, which Bell Potter notes is suggestive of the market expecting a reduction in the underlying real estate values of this magnitude. The Manager considers that a write-down of circa 45% of our securities to be a very negative and conservative assumption, given 61% of QRI loans' underlying property securities were valued less than 12 months ago.

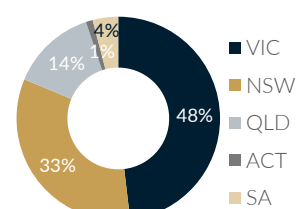
PORTFOLIO COMPOSITION¹¹



PROPERTY SECTOR¹²



GEOGRAPHY¹²



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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	0.9004	0.9510	0.9666								4.5032
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%	0.60%	0.60%	0.57%								2.84%

NET RETURN BY PERIOD

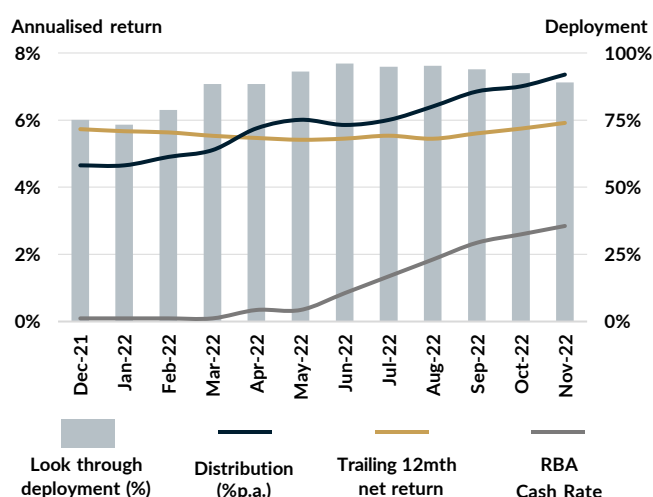
	1mth	3mth	6mth	1yr	3yr ¹	Incep ^{1,2}
Net Return (%)	0.57	1.77	3.32	5.88	5.96	5.76
RBA Cash Rate (%)	0.24	0.60	0.87	0.87	0.44	0.64
Distribution (%)	0.60	1.76	3.30	5.88	5.94	5.73
Spread to RBA (%)	0.36	1.16	2.43	5.01	5.50	5.09

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

ABOUT THE MANAGER

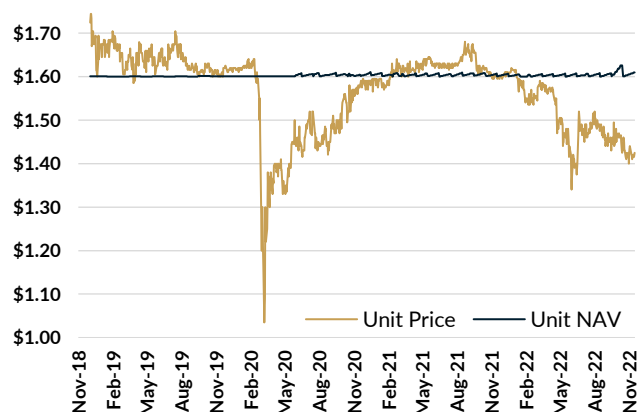
Established in 2008 and listed on the ASX in 2021, Qualitas has a 14-year track record in the real estate sector and currently manages approximately \$5.33 billion in committed capital. Qualitas has a disciplined approach to generating strong risk-adjusted returns for its investors. Qualitas' investment strategies include senior and mezzanine debt, preferred and ordinary equity investments in real estate development, value-add, repositioning, special situations and other opportunistic transactions.

MONTHLY NET RETURN VS. DEPLOYMENT³



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

UNIT PRICE VS NAV



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INVESTOR QUERIES

General

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LinkedIn [linkedin.com/company/qualitas-group/](https://www.linkedin.com/company/qualitas-group/)

Unit Registry

P 1300 420 177 | **E** hello@automicgroup.com.au

W automic.com.au

KEY SERVICE PROVIDERS

Manager

QRI Manager Pty Ltd – an authorized representative of Qualitas Securities Pty Ltd

Responsible Entity

The Trust Company (RE Services Limited)

PLATFORMS

Macquarie
BT Panorama
BT Wrap

Asgard
Netwealth
AMP North

HUB24
Mason Stevens
Præmium

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1. Net returns are calculated based on the daily weighted average NAV across the respective time periods.
2. 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.
3. Represents total loans in the portfolio on a look through basis, via investments in direct loans and Qualitas wholesale funds.
4. Represents total LVR of loans in the portfolio on a look through basis, via investments in direct loans and Qualitas wholesale funds.
5. Represents % of loan portfolio on look through-basis in arrears by 90 days or more.
6. RBA cash rate is subject to a floor of 0%.
7. 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.
8. 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.
9. The premium achieved is commensurate to the investment risk undertaken.
10. 34% is calculated as weighted average equity buffer against 38 loans in the portfolio. Individual loan equity buffer may differ.
11. 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.
12. Excludes Trust Loan Receivable & cash.

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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.