

Qualitas Real Estate Income Fund (ASX: QRI) Quarterly Update – December 2022

3 February 2023

The Trust Company (RE Services) Limited as Responsible Entity for Qualitas Real Estate Income Fund (ASX: QRI) (QRI or Trust) and QRI Manager Pty Ltd (Manager), the manager of QRI, are pleased to provide the December 2022 quarterly update.

In the quarterly update Mark Power (Head of Income Credit) and Samantha Khalid (Director, Real Estate Finance) discuss the current market dynamics for commercial real estate (CRE) credit as well as answer some frequently asked questions from investors on QRI.

To access the video, please click on the following link: qualitas.com.au/asx-announcement-asxqri-quarterly-update-december-2022. The QRI portfolio update slides are attached to this announcement.

Highlights

- Attractive annualized quarterly distribution return of 7.33% over the quarter to December 2022 calculated on NTA of \$1.60.
- As of 31 December 2022, the Trust's capital is fully invested.
- \$50m warehouse facility established in December 2022 to optimize deployment profile and maintain a fully invested portfolio.
- Variable rate exposure increased from 67% in September 2022 to 79% in December 2022. This change partially contributed to the increases in annualised distribution from 6.85% in September 2022 to 7.65% in December 2022.
- In December 2022, QRI received upgraded rating from BondAdviser to 'Recommended'.
- Strong credit quality continues with no impairments or interest arrears as at 31 December 2022.

- Ends -

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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.

About QRI Manager Pty Ltd

QRI Manager Pty Ltd is the Manager of the Trust and is wholly owned by the Qualitas Group (Qualitas). Qualitas is an ASX-listed Australian alternative real estate investment manager with approximately A\$5.3 billion¹ of committed funds under management.

Qualitas matches global capital with access to attractive risk adjusted investments in real estate private credit and real estate private equity through a range of investment solutions for institutional, wholesale and retail clients. Qualitas offers flexible capital solutions for its partners, and creating long-term value for shareholders, and the communities in which it operates.

For 14 years Qualitas has been investing through market cycles to finance assets with a combined value of over A\$17 billion² across all real estate sectors. Qualitas focuses on real estate private credit, opportunistic real estate private equity, income producing commercial real estate and build-to-rent residential. The broad platform, complementary debt and equity investing skillset, deep industry knowledge, long-term partnerships, and diverse and inclusive team of more than 70 professionals provides a unique offering in the market to accelerate business growth and drive performance for shareholders.

About the Trust Company (RE Services) Limited

The Responsible Entity of the Trust is The Trust Company (RE Services) Limited, a wholly owned subsidiary of the Perpetual Group ("Perpetual"). Perpetual has been in operation for over 135 years and is an Australian public company that has been listed on the ASX for over 50 years.

¹ As of 30 September 2022

² As of 30 June 2022

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The Product Disclosure Statement ("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 Trust 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.

A photograph of a modern, curved building with multiple floors, each featuring a balcony with lush green plants. The building is set against a clear blue sky. In the foreground, there is a landscaped area with a wooden deck, white concrete walls, and several small, illuminated black pillars. The overall scene is bright and modern.

December 2022 Quarterly Update

ASX:QRI



Key highlights to 31 December 2022

Only pure-play listed alternative CRE credit fund investing across Australia and New Zealand available to retail investors

Target return –5% - 6.5% over RBA Cash Rate (7.82% to 9.32%)¹

Delivered attractive risk adjusted returns²

7.33%

Annualised quarterly distribution return to Dec-22
Calculated at NAV of \$1.60



Monthly cash distributions

Fully invested portfolio with diversification

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

41

Loans



Predominantly first mortgage

Focus on asset management

No impairments or interest arrears since the IPO and during COVID-19³

\$1.60

Historical NAV with weighted LVR of 67%



Received upgraded rating from BondAdviser to 'Recommended'

Increasing variable rate exposure

New loans are based on variable interest rates⁴

79%

Of portfolio is variable interest loans



Increased from 67% in Sep-22

*All figures are based on QRI exposure, look through to Qualitas wholesale funds. 1. Average RBA cash rate in Dec-22 quarter is 2.82%. 2. Past performance is not a reliable indicator of future performance. 3. Arrears refers to a % of the loan portfolio on look through-basis in arrears by 90 days or more. 4. Except for fixed loans with forward interest swap rate priced in.

QRI portfolio targets achieved

Investment mandate constraints ¹		31 December 2022
Ranking	Predominantly focused on senior loans	84% (Invested capital) ²
	Mezzanine loans: target range 20%-35% (incl. AFWT notes)	16% (Invested capital) ² Underweight
Investment type	≤ 40% in a single Qualitas wholesale fund	7% (total capital) across two funds (QSDF, QMDF) ³
	≤ 15% AFWT notes	0% (total capital)
Geography (security property)	≤ 30% Non-capital cities	9% ²
	Australian and NZ cities with ≥ 100,000 population	100% ²
	≤ 20% New Zealand	0%
Manager other key targets ⁴		31 December 2022
Loan type	≤ 40% Land loans	42% ⁵
	≤ 25% Construction loans	27% ⁵
	≥ 30% Investment loans	29%

1. As outlined in Section 4.8 "Target Portfolio Composition" in the PDS dated 7 October 2021.

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

3. Qualitas Senior Debt Fund, Qualitas Mezzanine Debt Fund

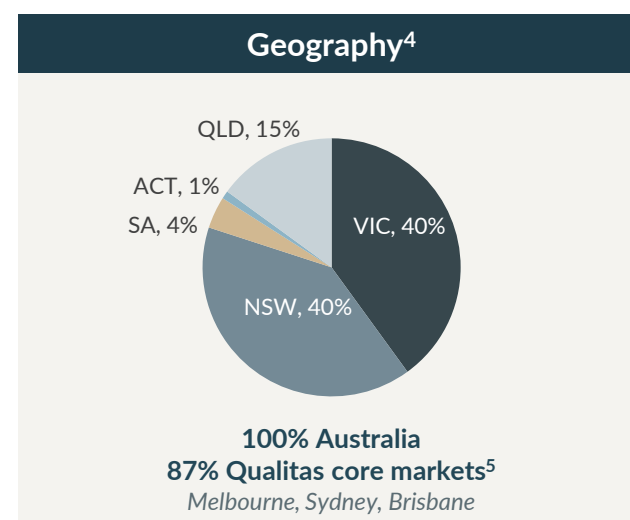
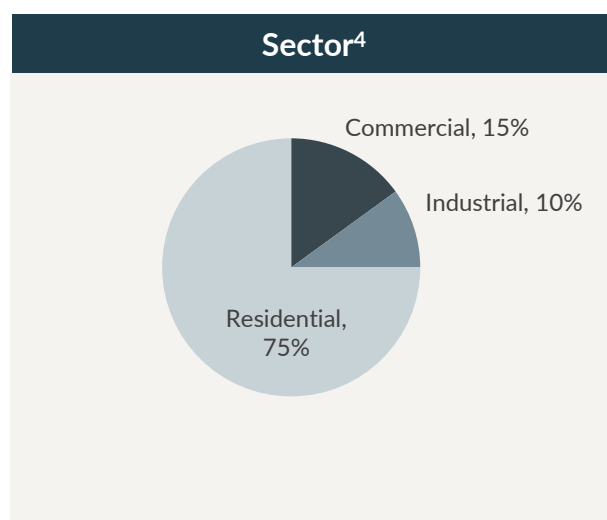
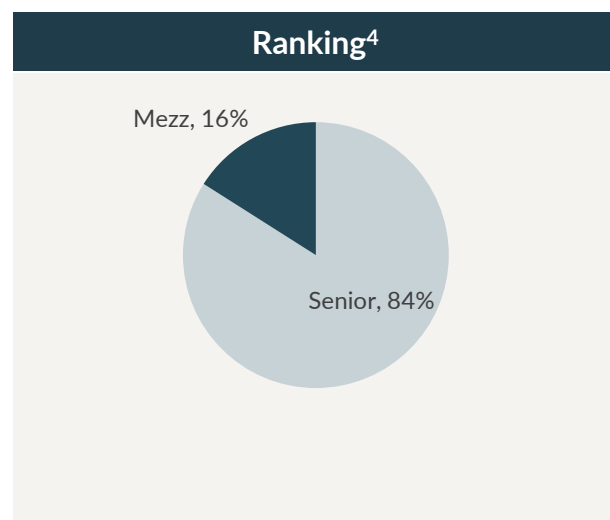
4. The Manager sets other QRI portfolio targets in addition to the PDS which are reflective of current risk appetite based on market conditions. These targets are reviewed on an ongoing basis with reference to market conditions and opportunities. Amendments to these targets are at the discretion of the Manager.

5. Repayments expected in January 2023 are expected to decrease portfolio exposure in construction loans and land loans to within target ranges.

QRI portfolio composition and metrics

QRI portfolio as of 31 December 2022	\$ millions	%
Cash (QRI & Qualitas funds) uncommitted	0.6	0.1%
Senior debt investment loans	175.3	29.2%
Senior debt construction loans	68.3	11.4%
Senior debt land loans	249.7	41.5%
Mezzanine debt construction loans	91.8	15.3%
Trust loan receivable ¹	15.1	2.5%
Total	\$600.8	100%

- **41** total loans
- **34** loan counterparties
- **\$14m** average loan exposure²
- **67%** weighted LVR³
- **1.1 yrs** weighted loan maturity



*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.

1. 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.

2. Based on the QRI exposure to the loan

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

4. Excludes Trust Loan Receivable & cash.

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

Differences due to rounding might result in charts/table not adding to 100%/ total %.

Why now is the time to invest in QRI?

- Distribution continues to increase in line with cash rate
- Attractive yield at NAV and higher yield at current trading price below NAV
- Benefits of \$50m warehouse facility to take effect in 2023
 - Maximise invested capital
 - Increase probability of higher portfolio return
- Widening credit risk margin
- Higher return than A-REIT index despite debt having lower risk than equity

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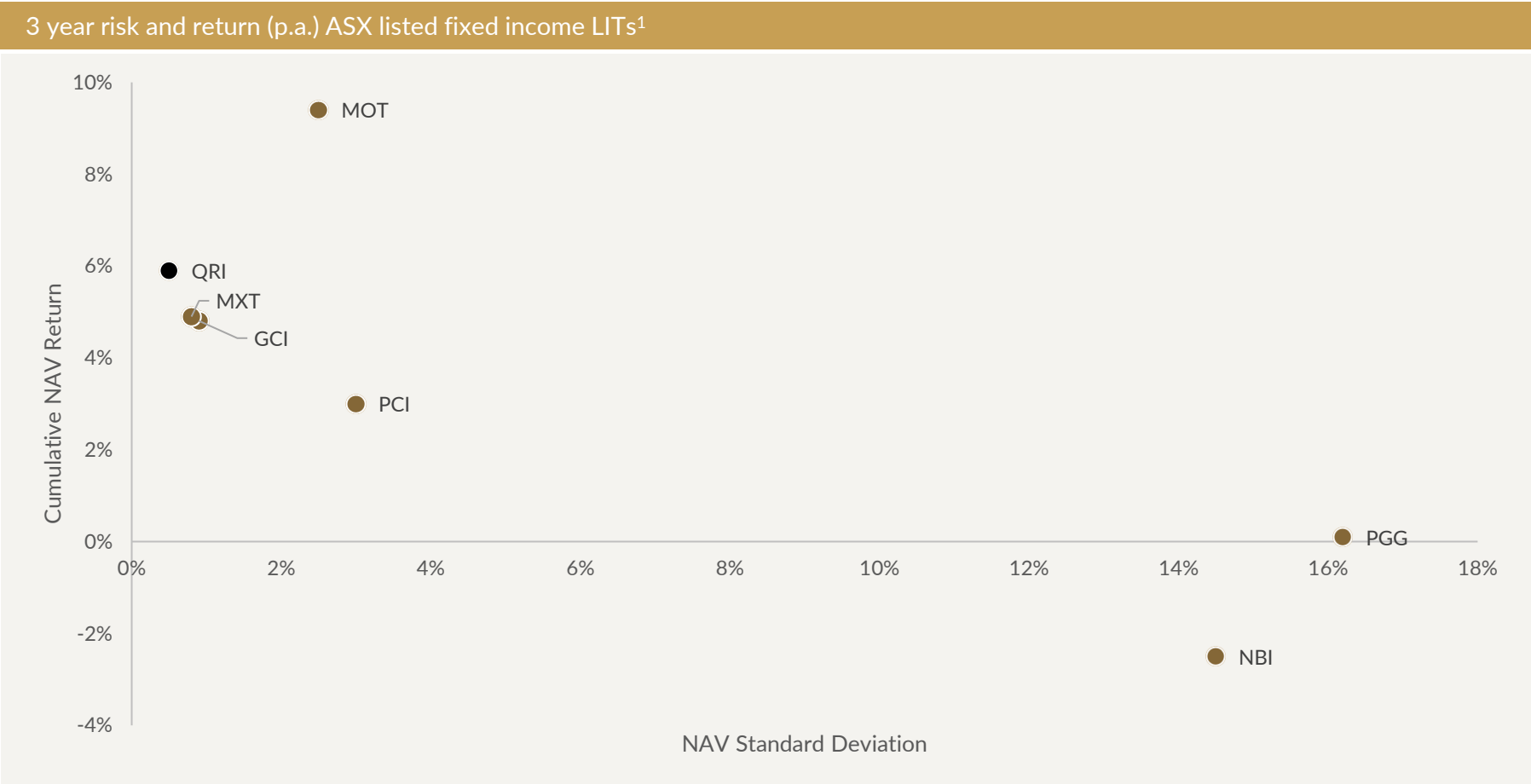
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Appendix



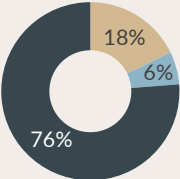
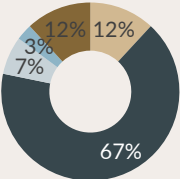
QUALITAS

ASX fixed income listed investment trusts – 3 year risk and return



Notes: 1. IIR as at 31 October 2022, Cumulative NAV returns calculated as distributions plus change in NAV net of fees.

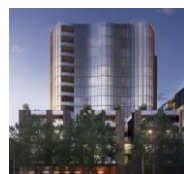
Detailed loan portfolio

	Senior investment loans	Senior land loans	Senior construction loans	Mezzanine construction loans
Number of loans	19	15	3	4
Total loan amount	\$175m (29%)	\$250m (42%)	\$68m (11%)	\$92m (15%)
Avg. loan amount	\$9.2m	\$16.7m	\$22.7m	\$23.0m
Weighted avg. gross return	8.2%	9.9%	6.0% (over facility limit) + line fee	11.9%
Weighted avg. duration	1.1 yrs	0.9 yrs	1.2 yrs	1.6 yrs
Weighted avg. LVR	62%	66%	69%	76%
Sector				
Geography				

Loan investments



Brisbane CBD, QLD
Senior Investment
LVR 60%
36 months



West End, VIC
Residual Stock
LVR 57%
24 months



Box Hill, VIC
Residual Stock
LVR 66%
18 months



Mosman, NSW
Senior Construction
LVR 71%, LTC 84%
21 months



South Melbourne, VIC
Senior land
LVR 64%
18 months



Kirribilli, NSW
Senior land
LVR 70%
9 months



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

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



Thank you

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