

# Qualitas Real Estate Income Fund (ASX:QRI)

Performance Update – January 2023



## HIGHLIGHTS

Net return <sup>1</sup> (% p.a.) on NAV	
12 month (%) p.a.	6.53%
1 month (%) p.a.	7.93%
Distribution on NAV	
12 month (%) p.a.	6.40%
Current month % p.a.	7.80%
Current month	\$0.010597 / unit
Distribution on month end unit price	
Current month (%) p.a.	8.10%

## KEY METRICS AS AT 31 JANUARY 2023

Market cap / Trust NAV	\$578m / \$601m
Invested capital <sup>2</sup>	\$586m (98%)
Unit price	\$1.540
Unit NAV	\$1.6011
Total loans <sup>3</sup>	40
Weighted loan maturity <sup>3</sup>	1.0 years
Weighted LVR <sup>4</sup>	66%
Loans in arrears <sup>5</sup>	-
Fixed / Floating interest exposure	20% / 80%

## KEY INFORMATION<sup>8</sup>

Target return	RBA Cash Rate <sup>6,7</sup> + 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 distributions<sup>8</sup>
- Return is at a premium<sup>9</sup> to 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 diversification<sup>10</sup>.

## 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 invested<sup>10</sup> as at 31 January 2023 with an additional \$17m drawn from the warehouse facility delivering an incremental 1.00% p.a. return on the drawn balance for QRI investors. The QRI warehouse facility is expected to be fully utilised by the end of February 2023 through the settlement of two new investments, along with an increase in the facility limit for an existing investment.

During the month of January, the Trust delivered a monthly distribution of 7.80% on the NAV of \$1.60. The distribution for January is higher than the prior month due to increasing invested capital, rising underlying interest income driven by BBSY increases and widening credit risk margins for new investments.

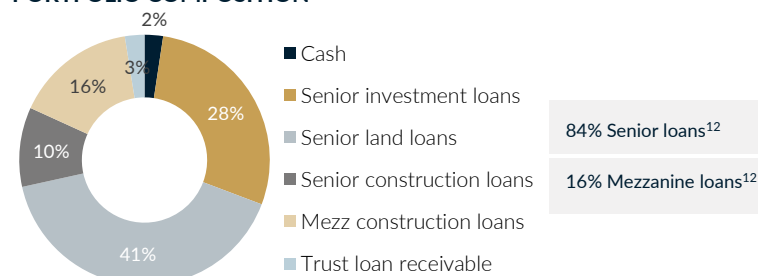
The Trust's variable rate loan split increased to 80% in January. The Manager aims to increase the Trust's variable rate loan exposure to 90% by June 2023 by replacing the current fixed rate loans in the portfolio with variable rate loans as each of the fixed rate loans mature.

During the month of January, there were repayments of \$16.4m which consists of nine partial repayments and one full repayment across senior investment, land and construction loans. The progressive repayment of the residential residual stock loans is performing to expectations.

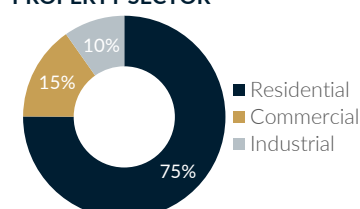
The Manager has been conducting an ongoing sensitivity analysis on the portfolio with a particular focus on interest rate and valuation sensitivities. Sensitivities have included reassessing borrower's servicing capacity at a hypothetical higher base rate of 5% (vs. 3-month BBSY of 3.4% as at 31 January 2023) for the variable rate loans in the portfolio and reducing asset valuations by up to 25%. Areas of particular focus from this stress testing include development site and land exposures where assets are non-income producing with interest prepaid or serviced from other borrower cash flow sources and with higher LVR loans (>65%), including the mezzanine loans in the portfolio (16%). The asset quality of QRI's credit portfolio remains sound. Portfolio stress testing is ongoing, and the Manager continues to monitor and assess the performance of individual loans on a regular basis.

The Manager confirms that as at 31 January 2023, the portfolio has no interest arrears or impairments.

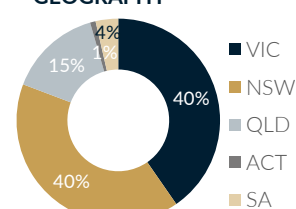
## PORTFOLIO COMPOSITION<sup>11</sup>



## PROPERTY SECTOR<sup>11</sup>



## GEOGRAPHY<sup>11</sup>



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YEAR	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD
<b>Distributions (¢/unit)</b>													
<b>FY19</b>	-	-	-	-	-	0.1534	0.2416	0.2464	0.3784	0.6719	0.6463	0.8397	<b>3.1777</b>
<b>FY20</b>	0.8150	0.7370	0.9511	0.7906	0.7896	0.9099	0.8233	0.7989	0.7539	0.8405	0.8152	0.7882	<b>9.8132</b>
<b>FY21</b>	0.7914	0.8469	0.7956	0.8289	0.8076	0.8373	0.8692	0.8060	0.8163	0.7927	0.8176	0.8376	<b>9.8471</b>
<b>FY22</b>	0.6994	0.7894	0.7507	0.7814	0.6706	0.6315	0.6318	0.6012	0.6932	0.7556	0.8159	0.7689	<b>8.5896</b>
<b>FY23</b>	0.8151	0.8701	0.9004	0.9510	0.9666	1.0396	1.0597						<b>6.6025</b>
<b>Net return (%)</b>													
<b>FY19</b>	-	-	-	-	0.02%	0.08%	0.12%	0.15%	0.25%	0.41%	0.44%	0.49%	<b>1.96%</b>
<b>FY20</b>	0.53%	0.45%	0.66%	0.49%	0.49%	0.61%	0.51%	0.49%	0.45%	0.55%	0.49%	0.51%	<b>6.23%</b>
<b>FY21</b>	0.50%	0.59%	0.48%	0.51%	0.51%	0.60%	0.44%	0.46%	0.55%	0.51%	0.55%	0.46%	<b>6.16%</b>
<b>FY22</b>	0.44%	0.63%	0.44%	0.46%	0.40%	0.38%	0.36%	0.42%	0.45%	0.45%	0.50%	0.49%	<b>5.42%</b>
<b>FY23</b>	0.53%	0.54%	0.60%	0.60%	0.57%	0.72%	0.67%						<b>4.22%</b>

## NET RETURN BY PERIOD

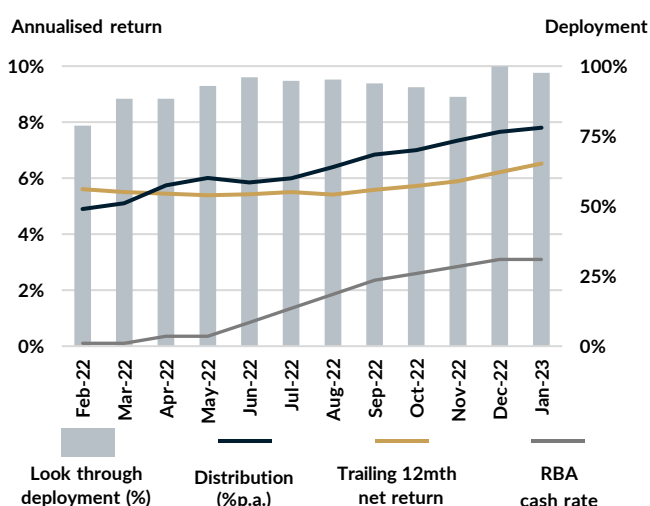
	1mth	3mth	6mth	1yr	3yr <sup>1</sup>	Incep <sup>1,2</sup>
Net return (%)	0.67	1.95	3.70	6.53	6.09	5.90
RBA cash rate (%)	0.26	0.75	1.30	1.53	0.63	0.78
Distribution (%)	0.66	1.92	3.62	6.40	6.04	5.85
Spread to RBA (%)	0.40	1.17	2.31	4.86	5.41	5.06

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

## ABOUT THE MANAGER

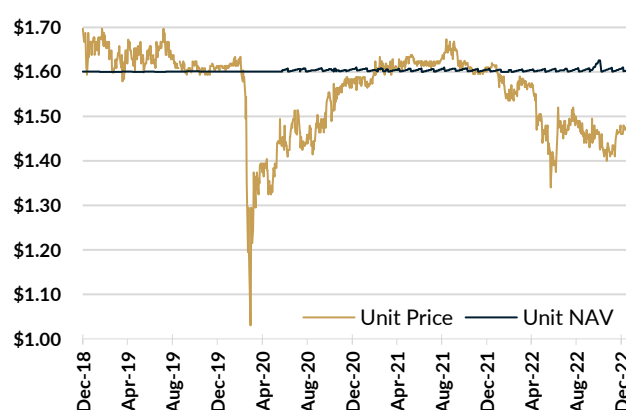
Established in 2008 and listed on the ASX in 2021, Qualitas has a 14-year track record in the real estate sector and currently manages \$5.3 billion<sup>4</sup> in committed capital. Qualitas has a disciplined approach to generating strong risk-adjusted returns for its investors. Qualitas' investment 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. DEPLOYMENT<sup>3</sup>



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

## UNIT PRICE VS NAV



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## INVESTOR QUERIES

General

**P** +61 3 9612 3939 | **E** [qri@qualitas.com.au](mailto:qri@qualitas.com.au)

**W** [qualitas.com.au/listed-investments/QRI](http://qualitas.com.au/listed-investments/QRI)

**A** L38/120 Collins Street, Melbourne VIC 3000

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

Unit registry

**P** 1300 420 177 | **E** [hello@automicgroup.com.au](mailto:hello@automicgroup.com.au)

**W** [automic.com.au](http://automic.com.au)

## KEY SERVICE PROVIDERS

**Manager**

QRI Manager Pty Ltd – an authorised 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  
Praemium

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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. Excluding cash buffer allocated for ongoing expenses.
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 and 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.
4. As at 30 September 2022.

### 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](http://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.