

Qualitas Real Estate Income Fund (ASX: QRI) Quarterly Update – March 2023

16 May 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 QRI's March 2023 quarterly update.

In this quarterly video, Mark Power (Head of Income Credit) provides an update on the portfolio and key milestones achieved during the quarter. To access the video please click on the following link: Qualitas.com.au/asx-announcement-asxqri-quarterly-update-march-2023.

The QRI quarterly portfolio update presentation is attached to this announcement.

Highlights

- QRI was added to the All Ordinaries index on 20 March 2023 and is eligible for inclusion in the ASX300 and ASX300 A-REIT index in September 2023, subject to meeting the relevant thresholds.¹
- The Trust's capital was fully invested throughout the March quarter.
- The \$50m warehouse facility established in December 2022 was consistently drawn due to an expanding pipeline in commercial real estate credit.
- QRI delivered a record annualised March distribution of 8.4% p.a.
- Distributions in the March quarter exceeded inflation. This means that the portfolio delivered positive inflation adjusted returns which was rare in the current economic environment.
- The variable rate loan exposure increased from 79% in December 2022 to 82% in March 2023.
- Strong credit quality continues, with no impairments or interest arrears as at 31 March 2023.

- Ends -

¹ Subject to existing constituents falling below eligibility thresholds and being removed from the indices. Future inclusion in these indices is not known and inclusion is solely determined by S&P.

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.²

For further information on QRI, [visit our website](#) and [follow us on LinkedIn](#) for the latest news and insights.

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 Limited is an ASX-listed Australian alternative real estate investment manager with circa A\$6.0 billion³ 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, creating long-term value for shareholders, and the communities in which it operates.

For 15 years Qualitas has been investing through market cycles to finance assets with a combined value of over A\$19 billion⁴ 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 80 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 member 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 55 years.

Investor Queries

General

Phone: +61 3 9612 3939

Email: gri@qualitas.com.au

Trust website: www.qualitas.com.au/listed-investments/QRI

Responsible Entity

The Trust Company (RE Services) Limited
Level 18, Angel Place,
123 Pitt Street,
Sydney NSW 2000

Unit Registry

Phone: 1300 402 177

Email: qualitas@automicgroup.com.au

Website: www.automic.com.au

² There is no guarantee the Trust will meet its Investment Objective. The payment of monthly cash income is a goal of the Trust only.

³ Based on FUM as at 31 March 2023 and adjusted for the active component of the \$1bn credit mandate announced on 8th May 2023.

⁴ As at 31 December 2022.

Notices and disclaimers

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”) 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 34224)).

This communication contains general information only and does not take into account your investment objectives, financial situation or needs. It does not constitute financial, tax or legal advice, nor is it an offer, invitation or recommendation to subscribe or purchase a unit in QRI or any other financial product. Before making an investment decision, you should consider whether the Trust is appropriate given your objectives, financial situation or needs. If you require advice that takes into account your personal circumstances, you should consult a licensed or authorised financial adviser.

While every effort has been made to ensure the information in this communication is accurate; its accuracy, reliability or completeness is not guaranteed and none of The Trust Company (RE Services) Limited (ACN 003 278 831), QRI Manager Pty Ltd (ACN 625 857 070), Qualitas Securities Pty Ltd (ACN 136 451 128) or any of their related entities or their respective directors or officers are liable to you in respect of this communication. Past performance is not a reliable indicator of future performance.

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 modern, curved building with multiple levels of green terraces and balconies. The building is illuminated at dusk, with warm lights from the interior and exterior lighting. The sky is a mix of blue and white clouds. The foreground shows a landscaped area with plants and a curved walkway with wooden decking and low-profile lighting.

Quarterly Update March 2023

ASX:QRI



QUALITAS

Key highlights to 31 March 2023

QRI was added to the All Ordinaries index on 20 March 2023

Target return – RBA cash rate + 5.0% to 6.5%

Delivered attractive risk-adjusted returns¹

8.40%

March 2023 annualised distribution return p.a. based on NAV of \$1.60



Monthly cash distributions²

Fully invested portfolio with diversification³

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

40 loans³



Predominantly first mortgage

Focus on asset management

No impairments or interest arrears as at 31 March 2023⁴

\$1.60

Historical NAV with weighted LVR of 66%³



Delivered on capital preservation – one of the key objectives of the Trust

Potential ASX300 and ASX300 A-REIT index inclusion in September 2023

To meet index inclusion thresholds, daily trading volume from 20 February to 18 August needs to increase by ~90k units on previous six month⁵

\$470bn

Index FUM tracking ASX300⁶



Index inclusion increases liquidity and expands investor universe

*All figures are based on QRI exposure, look through to Qualitas wholesale funds. 1. Past performance is not a reliable indicator of future performance. 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. As at 31 March 2023. 4. Arrears refers to a % of the loan portfolio on look through-basis in arrears by 90 days or more. 5. Subject to existing constituents falling below eligibility thresholds and being removed from the indices. Future inclusion in these indices is not known and inclusion is solely determined by S&P. 6. Miracle.

QRI portfolio targets achieved

Investment mandate constraints ¹		31 March 2023	
Ranking	Predominantly focused on senior loans	83% (Invested capital) ²	
	Mezzanine loans: target range 20%-35% (incl. AFWT notes)	17% (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 March 2023	
Loan type		≤ 40% Land loans	40%
		≤ 25% Construction loans	26% ⁵
		≥ 30% Investment loans	30%

Notes: 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. Progressive draw-down of construction facilities may increase exposure to construction loans marginally above the target range from time to time. Exposure to construction loans is expected to be maintained within the target range over time.

QRI portfolio composition and metrics

QRI portfolio as of 31 March 2023	\$ millions	%
Cash (QRI & Qualitas funds) uncommitted	14.1	2.4%
Senior debt investment loans	179.9	29.9%
Senior debt construction loans	55.2	9.2%
Senior debt land loans	238	39.6%
Mezzanine debt construction loans	98.8	16.4%
Trust loan receivable ¹	14.8	2.5%
Total	\$600.8	100%

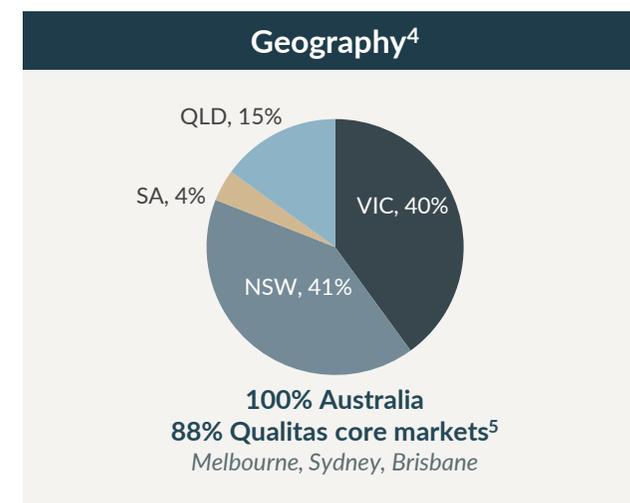
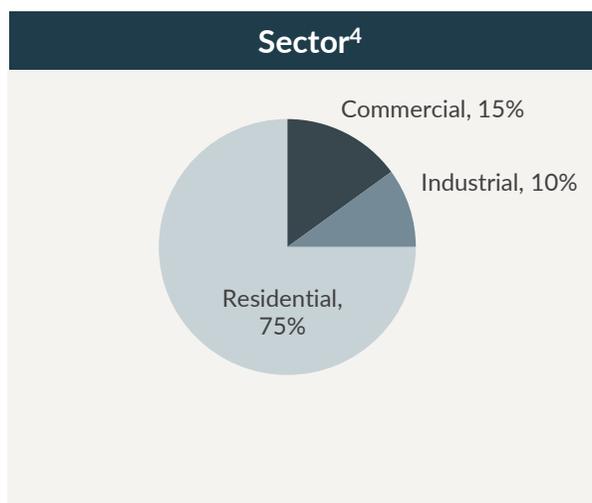
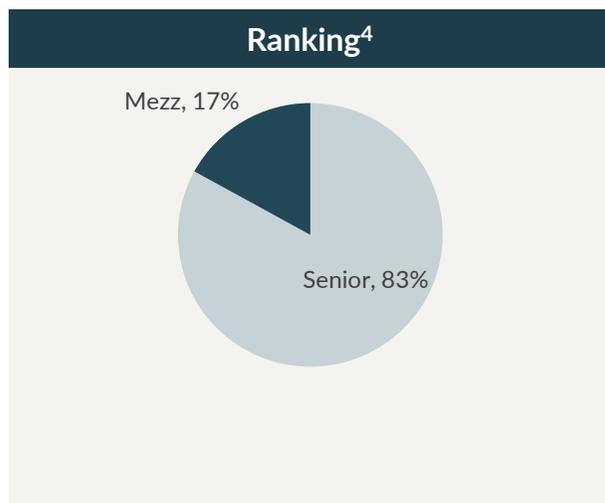
40 total loans

34 loan counterparties

c. \$30m average loan exposure²

66% weighted LVR³

0.9 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. Representing total commitment for each investment from Qualitas, not only QRI's share of the loans.

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.

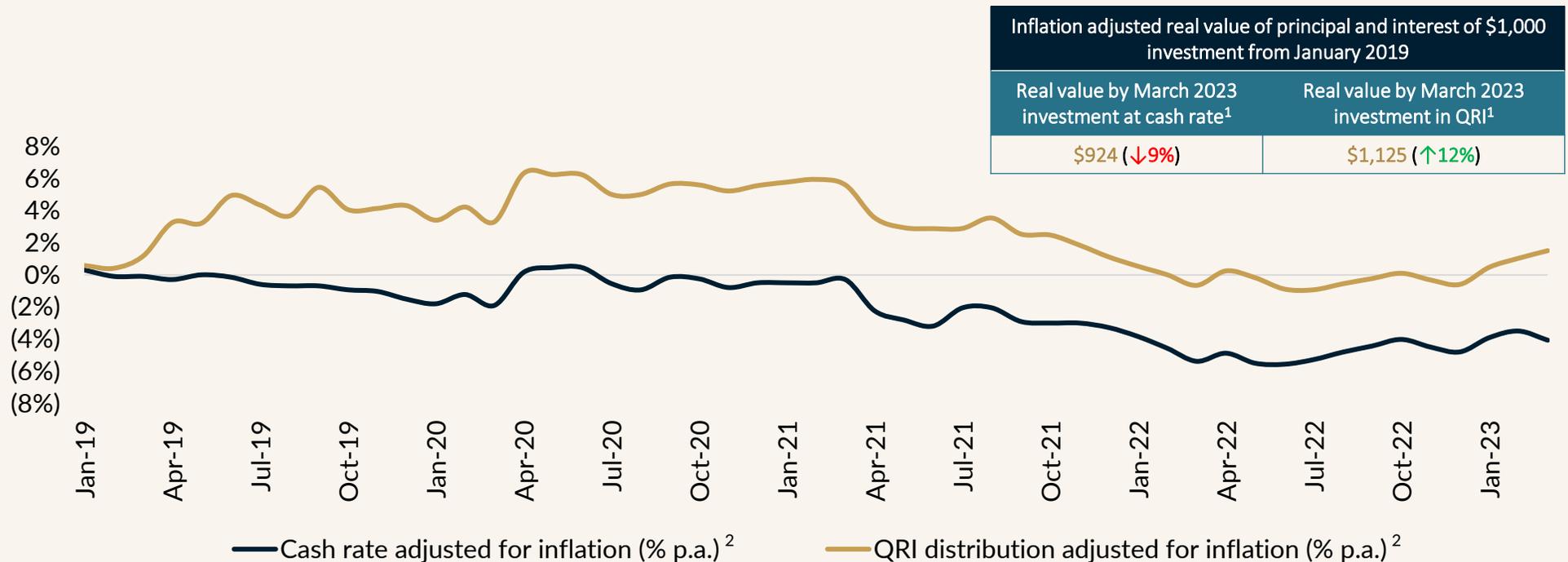
5. % of the QRI loan portfolio, excluding cash and the Trust loan receivable.

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

Why CRE private credit may be attractive to retail investors?

QRI delivers positive inflation adjusted returns for investors

INVESTMENTS WITH RETURNS BELOW INFLATION ARE DETRIMENTAL TO WEALTH GENERATION



QRI is a different asset class to cash which is displayed by the RBA cash rate. QRI is of a higher risk than an investment in cash. Investors must remember that unlike a cash investment, the capital in QRI is not guaranteed and could be at risk. There is a higher risk of borrower default in a high interest rate environment. Investors must therefore ensure they understand the risks as well as the potential benefit in a high inflation environment.

Notes: 1. Assuming distributions were re-invested and QRI unit price gains / losses are not considered. 2. RBA and ABS, March-23 inflation based on Macquarie Research forecast. Cash rate adjusted for inflation = (1+ RBA cash rate) / (1+annualised seasonally adjusted Inflation). QRI distribution adjusted for inflation = (1+annualised QRI distribution) / (1+annualised seasonally adjusted Inflation).

Why now could be the time to invest in QRI?

Multiple levers driving upward momentum in QRI distribution

- 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
- Potential ASX300 and ASX300 A-REIT index inclusion in September 2023¹
- Higher dividend yield than equity REITs² despite debt having lower risk than equity

Key risks of the fund include credit risk and valuation risk³

- **Credit risk** - Qualitas evaluates the underlying credit risk of each potential secured real estate loan including the borrower's financial standing and ability to service the relevant loan and considers the type and purpose of the investment, the quality of the underlying security, valuations, leases, asset quality and the track record, background and recent financial statements and/or tax returns of the borrower.
- **Valuation risk** - valuations are subject to uncertainty and in determining market value, valuers are required to make certain assumptions and such assumptions may prove to be inaccurate, particularly so in periods of volatility or when there is limited real estate data against which real estate valuations can be benchmarked.

Disclaimer



This document has been issued 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) ("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 34224)).

This document is intended only as a general overview of the Qualitas Real Estate Income Fund and is for informational purposes only, should not be construed or relied upon as investment advice, and is based on available market information. Information provided in this document is as of 31 December 2022 unless otherwise indicated.

The information provided in this document is of a general nature only and has been prepared without taking into account your objectives, financial situation or needs. Before making an investment decision, you should consider this document carefully and in full and assess whether the Trust is appropriate given your objectives, financial situation or needs. If you require advice that takes into account your personal circumstances, you should consult a licensed or authorised financial adviser.

Neither Perpetual nor the Manager guarantees repayment of capital or any particular rate of return from the Trust. Neither Perpetual nor the Manager gives any representation or warranty as to the reliability, completeness or accuracy of the information contained in this document and prospective investors are cautioned not to place undue reliance on any forward looking statements, forecasts or targets contained in this document. All opinions and estimates included in this document constitute judgments of Qualitas as at the date of this document and are subject to change without notice. Past performance is not a reliable indicator of future performance.

The information contained in this document is not investment or financial product advice and is not intended to be used as the basis for making an investment decision. Please note that, in providing this document, none of Perpetual, the Trust, the Manager nor any member of the Qualitas Group of entities (together the Relevant Parties) have considered the objectives, financial position or needs of any particular recipient. The Relevant Parties strongly suggests that investors consult a financial advisor prior to making an investment decision.

This document may not be reproduced, disseminated, quoted or referred to, in whole or in part, without the express consent of the Relevant Parties.

No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this document. To the maximum extent permitted by law, none of Relevant Parties, their related bodies corporate, shareholders or respective directors, officers, employees, agents or advisors, nor any other person accepts any liability, including, without limitation, any liability arising out of fault or negligence for any loss arising from the use of information contained in this document.

This document includes "forward looking statements". Such forward- looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Relevant Parties and their officers, employees, agents or associates that may cause actual results to differ materially from those expressed or implied in such statement. Actual results, performance or achievements may vary materially from any projections and forward looking statements and the assumptions on which those statements are based. Past performance is not a reliable indicator of future performance. The Relevant Parties assume no obligation to update such information.

This document is not, and does not constitute, an offer to sell or the solicitation, invitation or recommendation to purchase any securities and neither this document nor anything contained in it forms the basis of any contract or commitment.

The PDS and a target market determination for units in the Fund can be obtained by visiting the Fund 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 Fund. A person should consider the PDS in deciding whether to acquire, or to continue to hold, units in the Fund.

The Zenith Investment Partners (ABN 27 103 132 672, AFS Licence 226872) ("Zenith") rating (assigned ASX:QRI 20 June 2022) referred to in this piece is limited to "General Advice" (s766B Corporations Act 2001) for Wholesale clients only. This advice has been prepared without taking into account the objectives, financial situation or needs of any individual, including target markets of financial products, where applicable, and is subject to change at any time without prior notice. It is not a specific recommendation to purchase, sell or hold the relevant product(s). Investors should seek independent financial advice before making an investment decision and should consider the appropriateness of this advice in light of their own objectives, financial situation and needs. Investors should obtain a copy of, and consider the PDS or offer document before making any decision and refer to the full Zenith Product Assessment available on the Zenith website. Past performance is not an indication of future performance. Zenith usually charges the product issuer, fund manager or related party to conduct Product Assessments. Full details regarding Zenith's methodology, ratings definitions and regulatory compliance are available on our Product Assessments and at Fund Research Regulatory Guidelines.

The rating issued September 2022 is published by Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421 445 (Lonsec). Ratings are general advice only, and have been prepared without taking account of your objectives, financial situation or needs. Consider your personal circumstances, read the product disclosure statement and seek independent financial advice before investing. The rating is not a recommendation to purchase, sell or hold any product. Past performance information is not indicative of future performance. Ratings are subject to change without notice and Lonsec assumes no obligation to update. Lonsec uses objective criteria and receives a fee from the Fund Manager. Visit lonsec.com.au for ratings information and to access the full report. © 2020 Lonsec. All rights reserved.

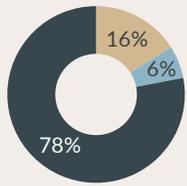
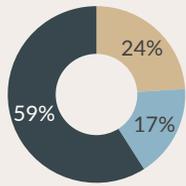
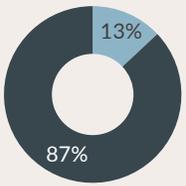
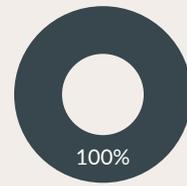
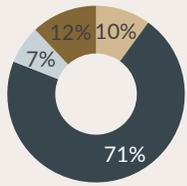
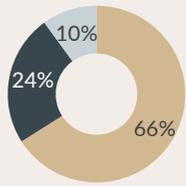
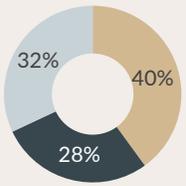
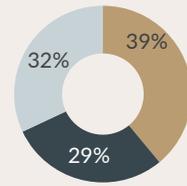
BondAdviser has acted on information provided to it and the content of the research report is not intended to provide financial product advice and must not be relied upon as such. The statements and/or recommendations in the research report are the opinions of BondAdviser only. Neither the accuracy of the data nor the methodology used to produce the report can be guaranteed or warranted. BondAdviser has taken all reasonable steps to ensure that any opinion or recommendation in the content or the research reports is based on reasonable grounds, noting that some of the information in the content or the reports is based on information from third parties. Details regarding BondAdviser methodology and regulatory compliance are available at <http://bondadviser.com.au/documents-and-links>. BondAdviser recommends investors read the full research report and disclaimers therein.

The Independent Investment Research (IIR) research report should be read in its entirety including the disclaimer and disclosure noted in the report. IIR recommends that you do not make any investment decision prior to consulting your wealth adviser about the contents of the IIR research report.

Appendix



Detailed loan portfolio

	Senior investment loans	Senior land loans	Senior construction loans	Mezzanine construction loans
Number of loans	18	15	3	4
Total loan amount	\$180m (30%)	\$238m (40%)	\$55m (9%)	\$99m (16%)
Avg. loan amount	\$25m	\$33.1m	\$45.8m	\$31.1m
Weighted avg. gross return	8.77%	10.56%	8.38%	12.23%
Weighted avg. duration	0.89 yrs	0.67 yrs	0.95 yrs	1.40 yrs
Weighted avg. LVR	62%	65%	66%	73%
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



Contact us

MELBOURNE OFFICE

Level 38,
120 Collins Street
Melbourne VIC 3000

SYDNEY OFFICE

Governor Macquarie Tower,
Level 27, 1 Farrer Place
Sydney NSW 2000

BRISBANE OFFICE

Level 14,
167 Eagle Street
Brisbane QLD 4000

QRI INVESTOR RELATIONS

P +61 3 9612 3939
E qri@qualitas.com.au
W qualitas.com.au/QRI

