Qualitas Real Estate Income Fund (ASX:QRI)

Performance Update – May 2022

QUALITAS

Net return[1] (% p.a.)	
12 month (%) p.a.	5.32%
1 month (%) p.a.	5.90%
Distribution	
12 month (%) p.a.	5.36%
Current month % p.a.	6.00%
Current month	$0.008159 / unit

QRI key metrics as at 31 May 2022

Market cap / Trust NAV	$548m / $600m
Invested capital[4]	$557m (93%)
Unit price	$1.4600
Unit NAV	$1.6001
Total Loans[5]	39
Weighted loan maturity[5]	1.3 years
Weighted LVR[6]	66%
Loans in arrears[7]	-
Fixed / Floating interest exposure	49% / 51%

Key information[8]

Target return	RBA cash rate[9] + 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 benefits & features

- **Experienced Institutional local based Manager**
- **Regular monthly cash distributions[2]**
- **Return is an attractive premium[3] 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**

Investment objective

To achieve the Target Return, and provide monthly cash income, capital preservation and portfolio diversification[10].

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

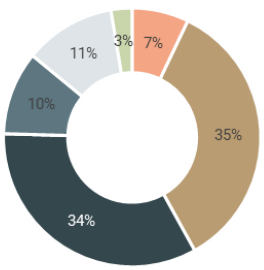
As of 31 May 2022, the Trust's capital is 93% invested. As mentioned in the April performance update, any increases in Bank Bill Swap Bid Rate (BBSY) for loans with a variable interest rate will be passed on to fund investors. In May 2022, QRI delivered an attractive monthly risk adjusted distribution of 6.00% on NAV of $1.60 as at 31 May 2022. This represents an annualised distribution return of 7.17% at QRI current unit price of $1.34 as at 16 June 2022.[12] The last twelve month distribution of 5.36% as at May 2022 is within target range. Subject to no unexpected repayments and no further settlement delays, the Manager expects that the monthly distribution return should remain within target range for the remainder of this financial year.

Repayments of loans are occurring in the ordinary course and as expected. This is evident from the repayment of $20.3m of loans during the month predominantly from residual stock loans which also evidences that residual stock in completed apartments continue to be sold down and ultimately settled by vendors. This supports the valuations adopted by the Manager. Investment activity for the month encompassed settlement of the three facilities totalling $51.0m. The Trust's portfolio continues to perform in line with investment objectives with no interest arrears or impairments recorded on any loans. QRI has a strong pipeline of investment opportunities totalling $700m and pleasing to us is the potential to move pricing upwards in line with increases in both benchmark and risk pricing premiums.

As of 31 May 2022, 51% of the QRI portfolio is loans based on a variable interest rate. Monthly interest payments of our variable interest rate loans are calculated on BBSY as at 1st business day of each month. This means 51% of our portfolio will reflect the increase in BBSY on 1st of June. This increase will be passed through in the June distribution. Following RBA's decision to lift the cash rate from 0.35% to 0.85%, BBSY has increased 0.46% since the announcement.[13] Nearly 100% of these increases from variable interest loans will be passed on to our fund investors in the July distribution. The percentage of variable interest loans will increase over the next few months noting that QRI's weighted loan maturity is 1.3 years, and any new loans or roll-overs will be priced on a variable rate base rate. We view our short term duration to be a strength of the fund enabling us to continually assess risk margins and on-going security values which is addition to our interim active asset management reviewing quality of loan positions.

We are observing heightened risk relating to underlying asset prices as well as supply chain delays causing construction costs to rise. We remain vigilant with our asset management reviews in the ordinary course of business and especially during market volatility.
Approximately 21% of QRI's portfolio is construction loans. We conducted a comprehensive review across all loans including construction loans in QRI's portfolio and as at 31 May 2022, the Trust has no impairments, and all interest payments are up to date.
It is important to note that equity bears the brunt of market volatility as debt has higher priority of repayment than equity. As a debt financier, QRI has multiple layers of equity buffers including developer and builder contingency; developer and builder profit and equity and personal guarantees from developers. We do not have any lending exposures to construction companies. Average LVR of 66% translates to equity buffer of 34% across our loan portfolio.

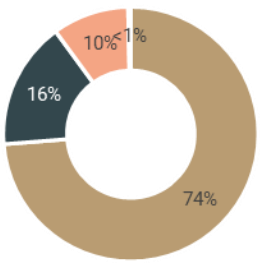
The Manager is focused on continuing to deliver attractive risk adjusted return and maintaining transparency of our disclosure.



87% Senior loans
13% Mezzanine loans[14]

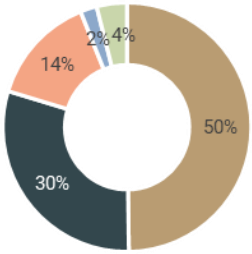
- Cash
- Senior Investment Loans
- Senior Land Loans
- Senior Construction Loans
- Mezz Construction Loans
- Trust Loan Receivable

Property Sector[11]



- Residential
- Commercial
- Industrial
- Retail

Geography[11]



VIC ■ NSW ■ QLD ■ ACT ■ SA

Qualitas Real Estate Income Fund (ASX:QRI)

Performance Update – May 2022

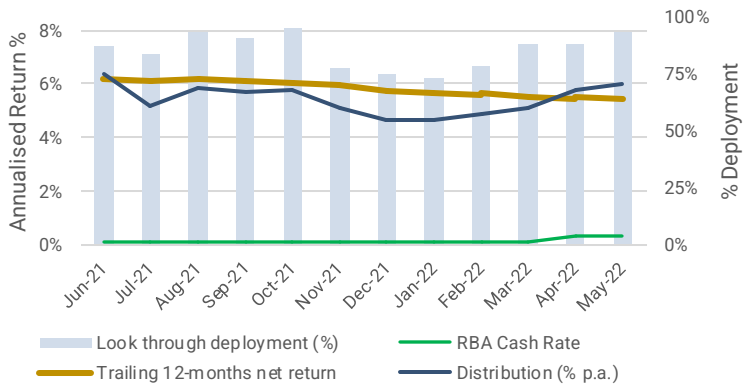
QUALITAS

Net return by period

	1 mth	3 mth	6 mth	1 yr	3 yr[1]	Incep[1,2]
Net Return (%)	0.50	1.40	2.56	5.32	5.82	5.57
RBA Cash Rate (%)	0.33	0.18	0.14	0.12	0.34	0.51
Distribution (%)	0.51	1.42	2.58	5.36	5.80	5.55
Spread to RBA (%)	0.18	1.24	2.44	5.24	5.45	5.04

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

Monthly net return vs. deployment



**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 $4.2 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
BT Panorama
BT Wrap
Asgard
Netwealth
AMP North
HUB24
Mason Stevens

Key service providers

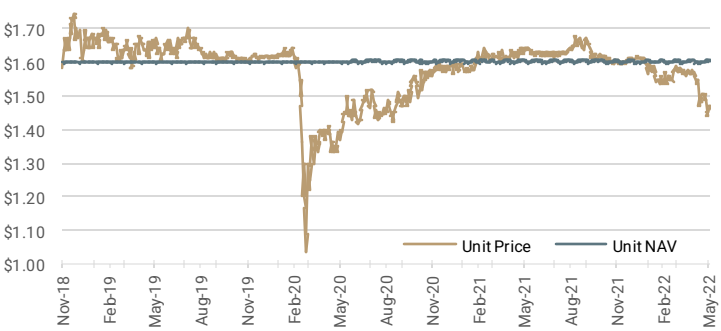
Manager	QRI Manager Pty Ltd – an authorised representative of Qualitas Securities Pty Ltd
Responsible Entity	The Trust Company (RE Services) Limited

Monthly historical performance

**Past performance is not a reliable indicator of future 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		**7.8207**
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%	0.39%	0.38%	0.42%	0.45%	0.45%	0.50%		**4.96%**

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

Qualitas Real Estate Income Fund (ASX:QRI)

Performance Update – May 2022

QUALITAS

Notes

Page 1

[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] May distribution annualised based on 365 days divided by $1.34.
[13] Change in BBSY between 6th of June 2022 to 15th June 2022.
[14] Percentage based on total invested capital excludes cash and Trust Loan Receivables.

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.

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)).

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 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.