

Millbrook Credit Fund Diversified

Millbrook Credit Fund Diversified provides investors with the ability to invest in a diversified range of registered 1st mortgages with different security types & location, terms and LVR's. The minimum investment term is 12 months, with distributions paid monthly. *We treat your money like it is our own.*

Fund Reporting & Performance

MILLBROOK CREDIT FUND DIVERSIFIED – KEY METRICS AS AT 30/09/24

Current return	7.50% pa (variable)
Benchmark	Bloomberg AusBond Bank Bill Index + 1.50%
Weighted average LVR	52.46%
No. of loans invested in	76
Weighted average loan duration	13.06 months
Current Diversified fund size	\$31,956,275

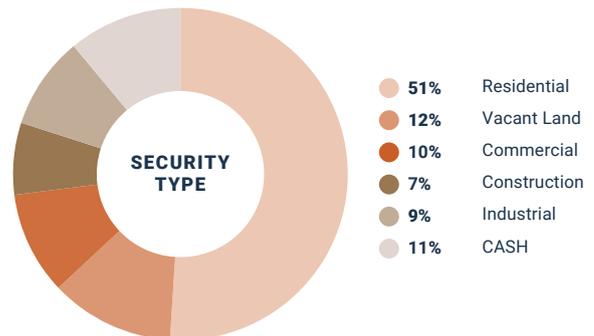
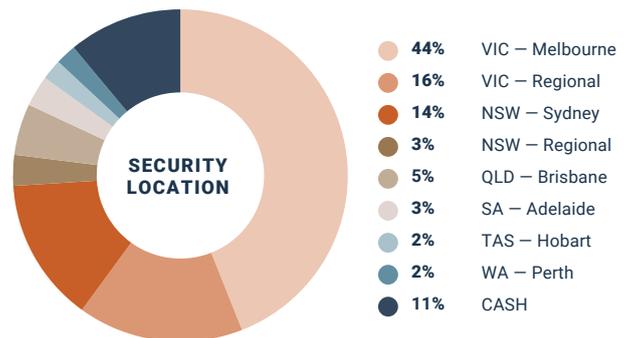
HISTORICAL PERFORMANCE	ACTUAL RETURN	BAUBIL + 1.5%*	PERFORMANCE (+/-)
1 month	0.61%	0.49%	+0.13%
6 months	3.69%	2.95%	+0.74%
1 year	7.31%	5.83%	+1.48%
3 years	6.75%	4.29%	+2.46%
Since inception	6.84%	3.37%	+3.48%

* Bloomberg Ausbond BBI + 1.5% (1 Year)

PLATFORM AVAILABILITY Netwealth, AMP North, Australian Money Market, Mason Stevens

Portfolio Analysis

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Highlights

Growth

MCF Diversified FUM has increased to \$31.96m (2.41% increase for the quarter). Overall group FUM \$402.26m.

Demand

Competition for quality transactions continues to remain high, particularly for loans with conservative LVR's.

Types of Loans

All new loans continue to be written on variable rates. 95.5% of the loan book is now variable.

Arrears

Arrears remained stable for the quarter and continue to be managed closely by the Credit team. July > 90 days 0.00% | August > 90 days 0.00% | Sep > 90 days 0.00%

Market Insight

We remain of the view that rates and returns have peaked in the CRE debt sector. There are varying views in the market, but we are not expecting any rates cuts until early 2025. Our loan book remains well positioned to take advantage of rate movements given the short duration of the portfolio (average duration remains ~12 months).

Looking for further investment opportunities?

If you would like to discuss investment opportunities in any of our property credit funds, please contact us directly.



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Millbrook Perspective

In these insights, Colin Robinson, Head of Credit, outlines Millbrook’s key credit principles that guide our decision-making process. Colin has over 30 years’ senior leadership experience in the Australian property finance sector, across major banks and property credit funds.

The Millbrook business is well established, having operated for 15+ years. This experience and longevity are underpinned by a formal credit lending policy and sound credit principles that guide the business’s internal practices and lending decisions. Some traditional banks and institutions may refer to the “4 C’s” of lending: Capacity, Character, Collateral & Covenants.

For Millbrook, the key tenets of our credit principles include these as well as the following components:

Sponsor Risk

- Experience of the key sponsor/Director(s). Does the borrower have experience in the industry to which the funds are sought to be deployed (i.e., if development, have they overseen a development project previously?)
- Alignment of debt to net worth – i.e., is the borrower seeking a loan that is well in excess of their net worth, or is more closely aligned to one’s net position?
- Is the sponsor of merit and of reasonable character? Millbrook prefers not to advance funds to people with a chequered credit history.
- Skin in the game. Millbrook always looks to ensure borrowers have contributed at least a reasonable portion to any acquisition or undertaking.

Exit: How is a Millbrook loan to be repaid? Millbrook’s loans are typically arranged for a shorter-term duration. As a result, there is a focus on how loans are to be repaid, unlike a traditional home loan with a “principal & interest” repayment arrangement over an extended period.

- Millbrook considers the ultimate source of repayment closely to ensure the likelihood of the repayment event is reasonably assured.
- If the source of repayment is clearly defined, then a degree of flexibility in leverage may be afforded to the borrower.

Construction Funding: Key elements of a construction project funding scenario may include the following.

- A full assessment of the builder risk, ensuring they have the experience and financial wherewithal to undertake the proposed construction.
- Presales – we look for market acceptance of a proposed development, particularly in less populated areas. Most of our construction lending is in metropolitan centres.
- For land financing where a future development is contemplated, Millbrook focuses on the proposed future development structure to ensure the progression to construction commencement is likely to occur.

For all lending, Millbrook relies on a panel of external valuers to assess the market value of security properties. Millbrook also uses external lawyers for documenting loans, including certification that all loan documentation is correctly executed and enforceable if required. The robustness of Millbrook’s core credit principles supports our expansion and growth despite increasing external macroeconomic headwinds.

Market Forecasts

ECONOMIC FORECASTS	2024	2025	2026
Real GDP (y/y%)	1.00	2.20	2.30
CPI Headline (y/y%)	2.90	2.90	2.30
Wage Price Index (WPI)	3.60	3.40	3.20
Unemployment (%)	4.50	4.60	4.40
RBA Cash Rate	4.35	3.60	3.10
\$/US cents	0.69	0.75	0.75

Source: NAB Economics, as at 17/09/24

BANK	RBA CASH RATE FORECAST
CBA	First rate cut Nov 2024
ANZ	First rate cut Feb 2025
WBC	First rate cut Feb 2025
NAB	First rate cut May 2025

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