

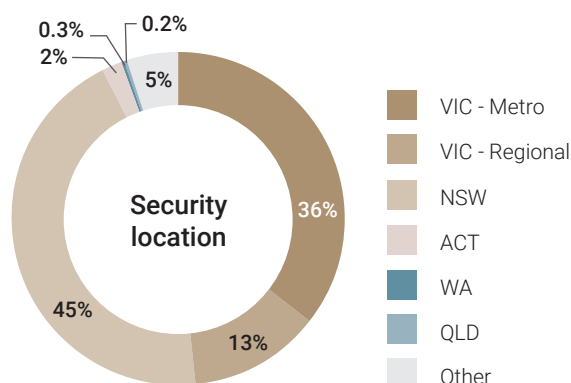
Millbrook Income Fund

Quarterly Insights 31 December

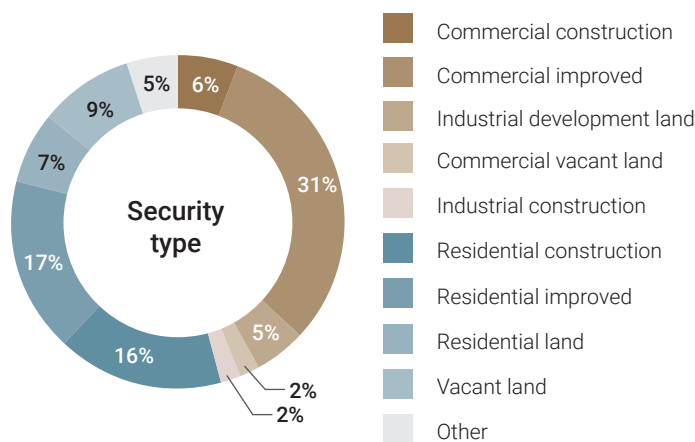
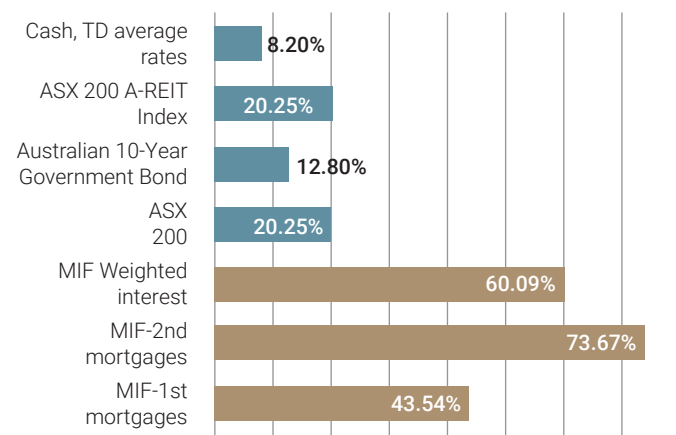
Millbrook Income Fund – targets monthly income payments 5% pa above the RBA Cash Rate (net of fees and costs) together with a focus on preservation of capital for investors. The fund is actively managed and uses strict loan criteria to build a quality portfolio of diversified loans secured by registered 1st mortgages and registered/unregistered 2nd mortgages over real property assets in Australia. **We treat your money like it is our own.**

Fund reporting & performance

Millbrook Income Fund - Key metrics as at 31/12/23	
Current average return	12.45% pa
Enhanced Option quarterly return	8.98% pa
Average weighted LVR	61.73%
Loan terms	6-24 months
Average loan size	\$3,655,177
Current Fund Size	\$219,310,647



Cumulative return compared (2020-2023)



Highlights

- Growth** Another strong quarter with funds under management now \$219.31m (8.2% increase for the quarter). Overall group FUM \$388m.
- Demand** Demand remained steady between Oct-Dec 2023, however there remains strong competition for quality transactions. The refinance market remains slow across the industry which has at times impacted our loan repayments.
- Types of loans** Majority of loans continue to be written on variable rates. All second mortgages are typically written on fixed rate terms.
- Arrears** We have four second mortgage loans currently in arrears. Our Credit team continues to manage these and is working closely with the effected borrowers, and we expect a satisfactory outcome early 2024.
- Market insight** We remain of the view that rates have peaked or are close to the peak. We are not expecting any rates cuts until late 2024. Our loan book is well positioned to take advantage of rate movements given the short duration of the portfolio (average duration remains around 12 months).

Millbrook perspective

The year that was ... 2023

2023 was a year of growth at Millbrook, with the team expanding and funds under management growing strongly. Overall funds under management for Millbrook Group as a whole grew by 35%, and is now \$388m. A very pleasing result as we look to grow to \$500m and beyond in 2024.

We continued to offer investors strong risk-adjusted, capital stable returns secured by first and second mortgages across Australia. The majority of our loans were written on variable terms which meant we were able to increase investor rates throughout 2023, keeping pace with rising inflation. With capital preservation at the forefront of our investment philosophy, we continued to take a conservative approach to LVR's.

The overall loan portfolio performed well despite rate rises, high inflation and cost of living pressures, with 90-day arrears in the Millbrook Credit Fund close to zero to end the year. The overall quality of our borrowers improved, with our ability to settle transactions quickly being our main competitive advantage. The large banks remain slow to approve transactions and often lack flexibility regarding loan terms. We don't see this trend changing which will see good quality borrowers continue to seek out non-bank lenders like Millbrook.

Despite some uncertainty we remain relatively positive on property as an asset class. Housing prices have rebounded with most capital cities experiencing positive year-on-year growth and population growth surged in 2023 on the back of strong migration. The federal government has announced a range of reforms to the migration system, but these measures are likely to take some time to take effect. As such, demand for property is likely to remain robust.

Market forecasts

Bank	RBA cash rate forecast
CBA	Peak of 4.35%
ANZ	Peak of 4.35%
WBC	Peak of 4.35%
NAB	Peak of 4.35%

Economic forecasts	2023	2024	2025
GDP (y/y%)	1.4	1.7	2.2
CPI Headline (y/y%)	4.3	3.4	2.7
Wage Price Index (WPI)	4.1	3.9	3.6
Unemployment (%)	3.8	4.5	4.4
RBA Cash Rate (%)	4.35	4.35	3.35
\$/US cents	0.66	0.73	0.78

Source: NAB Economics 20/12/23

Looking for further investment opportunities?

Consider the Millbrook Income Fund Enhanced Option with an average return of 8.98%pa for the December quarter. The Enhanced Option is a pooled fund spread across a range of 1st and 2nd mortgages, varying loan-terms, locations and real-estate security types.

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



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