

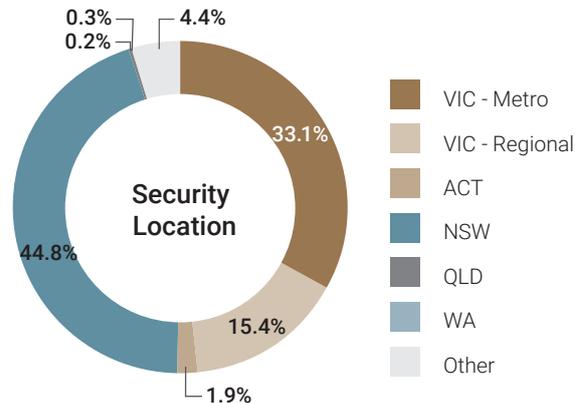
# Millbrook Income Fund

Quarterly Insights 31 March 2024

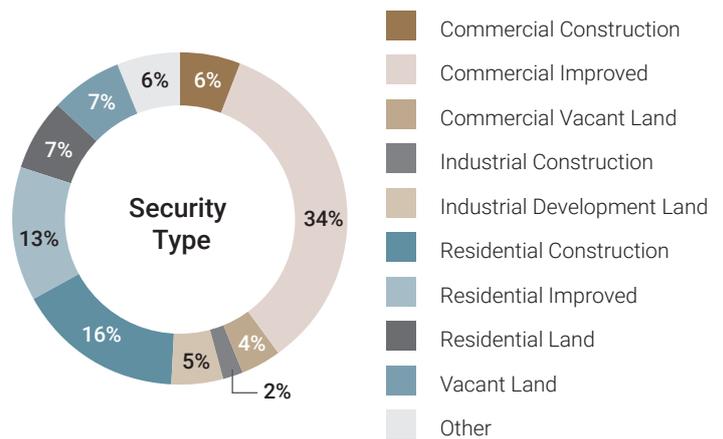
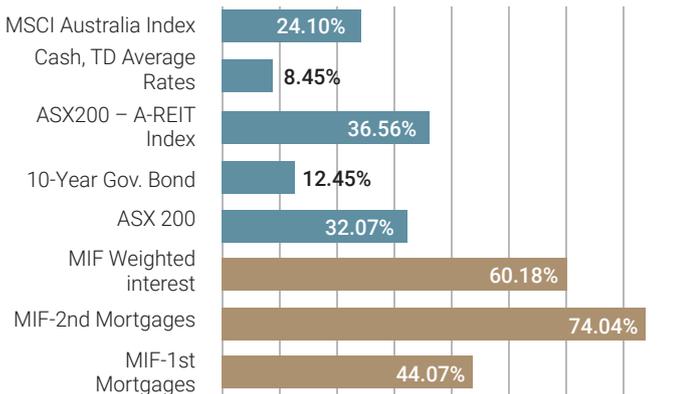
**Millbrook Income Fund** – targets monthly income payments 5% pa above the RBA Cash Rate (net of fees and costs) together with a focus on preservation of capital for investors. The fund is actively managed and uses strict loan criteria to build a quality portfolio of diversified loans secured by registered 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 31/03/24	
Current Average Return	12.44% pa
Enhanced Option March Return	10.90% pa
Average weighted LVR	59.32%
Loan terms	6-24 months
Average loan size	\$3,690,383
Current Fund Size	\$221,442,993



## MIF 5-Year Cumulative return Compared (2020-2024)



## Highlights

- Growth** Funds under management have increased to \$221.42m (1% increase for the quarter). Overall group FUM \$396.6m.
- Demand** After a slow January & February, demand started to pick up in March. Competition has increased, particularly for 1st mortgage loans with conservative LVR's.
- Types of Loans** 1st mortgage loans continue to be written on variable rates. 40% of the total loan book is now variable.
- LVR** We have not changed our lending standards and typically won't go beyond 65% for a 1st mortgage. However, we are now seeing other market participants going to 70% on 1st mortgages or 75% on a stretch senior basis.
- Market Insight** We remain of the view that rates and returns have peaked. There are varying views in the market, but we are still not expecting any rates cuts until late 2024. 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?

Consider the Millbrook Income Fund Enhanced, which returned 10.90% pa for the month of March.

MIF Enhanced 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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## Millbrook Perspective

In this quarter's Millbrook Perspective we are delighted to bring you a brief Q&A with **Greg Sugars, National Director & CEO** of leading property valuation firm **Preston Rowe Paterson**.

### What is your view on the property market for the next 12 months?

Our view remains that the property market is performing well but non uniformly across Australia. Different market segments within the same asset class are performing differently also. We have seen a fairly stable residential market, although notably the large gains in regional areas, driven by the move outside metropolitan areas following Covid, have reversed and now we have seen regional markets underperforming capital city markets.

First homebuyer and investor stock remains competitive generally and provides opportunity.

The construction sector is definitely seeing the effects of lack of confidence by buyers in the Building sector and land supply remains constrained by restricted supply of shovel ready projects, due mainly to restrictions on development finance from mainstream banks.

The industrial sector remains the best performing non-residential sector. The continued uptake of online retail purchases, and therefore increased demand on transport and logistics has seen the sector strengthen. Yields remain strong and their remains a shortage of available industrial land for additional development.

Well managed Rural property, which has seen some of the highest capital gains over the last few years, will in our opinion see a return to more modest growth, given some headwinds from changing commodity prices and farm input prices.

### How will population and migration changes effect the property market?

The increased level of migration has seen unprecedented demand of residential housing stock. This has been evidenced by the huge increase in weekly rents and lack of vacant investment stock.

Whilst building approvals remain at an all-time low, and even despite a higher interest rate environment, based solely on demand factors driven by the high migration rates we do not foresee and major corrections in residential markets and expect modest (probably single figure) increases in most major markets over the next year.

The federal government has set very ambitious targets for new housing stock (1.2 million houses in 5 years). Based on current approval rates there is very little chance of these targets being met.

### Any sectors/asset classes you are concerned about?

We remain cautious on B, C, and any subprime commercial office accommodation. The level of vacancy's has risen over the past 6 months, and we are beginning to see fairly high incentives being offered by Landlord's where there is lower demand.

Changes in land tax in Victoria has seen a number of larger lifestyle and prestige markets see an increase of stock for sale which we believe will temper larger capital gains in the shorter term.

### Anything else to look out for?

Please be cautious on Urban Fringe large land offerings as we have seen that there have been a number of very speculative purchases which have distorted this market.

## 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	2024	2025	2026
GDP (y/y%)	1.70	2.30	2.30
CPI Headline (y/y%)	3.10	2.60	2.40
Wage Price Index (WPI)	3.90	3.60	3.60
Unemployment (%)	4.50	4.40	4.30
RBA Cash Rate (%)	4.10	3.10	3.10
\$/A/US cents	0.72	0.78	-

As at 19/03/24 Source: NAB Economics

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