MILLBROOK
GROUP

Millbrook Income Fund Enhanced

Millbrook Income Fund Enhanced 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.

Millbrook Group

Millbrook Group is a specialist property credit fund manager. Established in 2005, Millbrook has a proven track record in providing investors with attractive capital stable returns.

With a genuine focus on building personal relationships, we consistently deliver on our core values of trust, integrity, innovation, and teamwork. We co-invest alongside our investors and have never lost any investor funds because we treat them as carefully as we do our own.

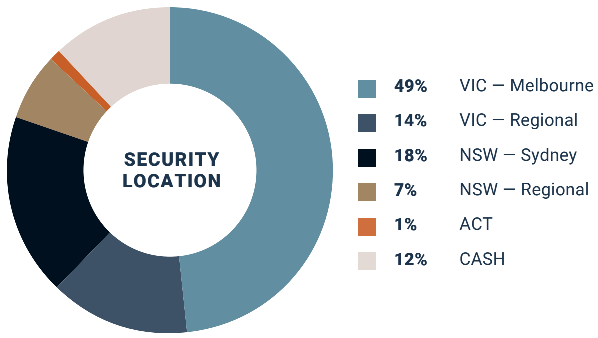
Fund Reporting & Performance

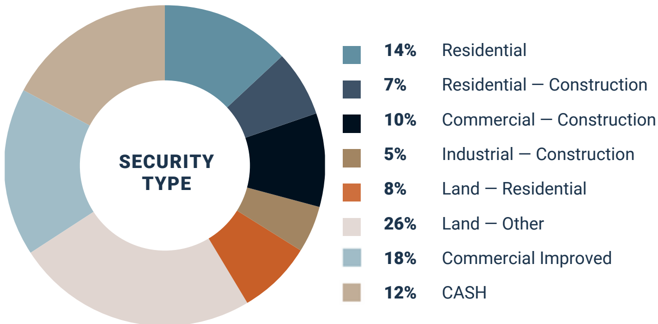
MILLBROOK INCOME FUND ENHANCED — KEY METRICS AS AT 30/06/24

Quarterly Return (April–June 2024)	10.07% pa (variable)
Fund Target	RBA Cash rate + 5%
Average weighted LVR	59.04%
No. of loans invested in	30
Security ranking breakdown	84% 1st mortgage & 16% 2nd mortgage
Average weighted loan maturity	13 months
Current Enhanced Fund size	$10,766,981
Overall Income Fund size	$235,378,999

Portfolio Analysis

MILLBROOK INCOME FUND ENHANCED — KEY METRICS AS AT 30/06/24





Highlights

Growth

MIF Enhanced FUM has increased to $10.76m (37.9% increase for the quarter).

Demand

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

Types of Loans

1st mortgage loans continue to be written on variable rates. 80% of the Enhanced portfolio is now variable.

Arrears

0.28% of the portfolio currently in arrears (< 30 days). No loans in the Enhanced currently in arrears > 30 days. Our Credit team continues to closely monitor and manage any loan arrears.

Market Insight

We remain of the view that rates and returns have peaked. 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 our range of property credit funds investment opportunities please contact us directly.

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Millbrook Perspective

In these insights we have a brief Q&A with David Bird, one of Millbrook's new independent directors. David has extensive experience in property credit investments from his time managing the Gas & Fuel Super Fund (now Equip Super), as Chairman of La Trobe Financial for some 9 years, plus 15 years in legal practice.

How has the property credit market grown/changed over the last 10–15 years?

We've seen a shift in the last decade and particularly last 5 years. Property Credit and private credit more broadly was once a hidden asset class but has now rightly become a legitimate and recognised investment asset class. Most prudent investment managers now have an allocation to private credit, whether directly or indirectly—10 years ago this would not have been the case. There has also been a surge in managers in this space which has led to increased competition. I suspect the numbers will reduce over the coming years as compliance requirements increase and the sector matures, with those not able to obtain consistent inflows/projects exiting.

Do you think the sector is still misunderstood?

Yes, but I believe this is improving as investors gain a better understanding of investments backed by 1st & 2nd mortgage security and the associated risk/return outcomes. People also still remember the demise of businesses such as Pyramid, Estate Mortgage, Westpoint and Banksia, and this has created negative connotations for the asset class.

What do you consider to be the major obstacles & risks?

The often-quoted Warren Buffet "Noah Rule" is critical — "predicting rain does not count, building the ark does". Managers need to ensure their portfolio has high quality assets, diversified by sector, location and borrower type.

Investors need to ensure their manager has transparent, robust and proven structures with experienced management. They need to ask questions about any losses for investors, that the advertised distribution is paid at that rate and on time and of course that maturity redemptions are paid in full, on time.

What opportunities do you see?

I strongly believe now is a great time to be investing in property credit and growth opportunities abound. The major banks continue to retreat with their overall market share falling. As such, there is going to be an increasing need for private capital which will benefit property credit funds and investors. There will also be opportunities for Funds to expand their investor base into areas such as not-for-profits and clubs.

However, investors and fund managers need to exercise caution and manager skill will be key to strong risk adjusted returns. As specialists in property credit, I believe Millbrook is well placed to take advantage of the growth opportunities available.

Market Forecasts

ECONOMIC FORECASTS	2024	2025	2026
Real GDP (y/y%)	1.30	2.40	2.40
CPI Headline (y/y%)	3.00	3.00	2.50
Wage Price Index (WPI)	3.80	3.40	3.20
Unemployment (%)	4.50	4.40	4.30
RBA Cash Rate	4.10	3.10	3.10
$A/US cents	0.69	0.75	-

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

As at 18/06/24
Source: NAB Economics

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