

# 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 investors ensuring we have alignment with our investors. Since 2017 we have advanced \$1.02bn in loans (481 in total) and repaid our investors \$715m.

## Fund Reporting & Performance

### MILLBROOK INCOME FUND ENHANCED – KEY METRICS AS AT 31/12/24

Quarterly Return (October - December 2024)	9.66% pa (variable)
Fund Target	RBA Cash rate + 5%
Average weighted LVR	63.08%
No. of loans invested in	38
Security ranking breakdown	83.4% 1st mortgage & 16.6% 2nd mortgage
Average weighted loan maturity	13 months
Current Enhanced Fund size	\$16,142,250
Overall Income Fund size	\$228,947,139

## Highlights

### Growth

MIF Enhanced FUM has increased to \$16.14m (19.63% increase for the quarter). Overall group FUM \$389m.

### Demand

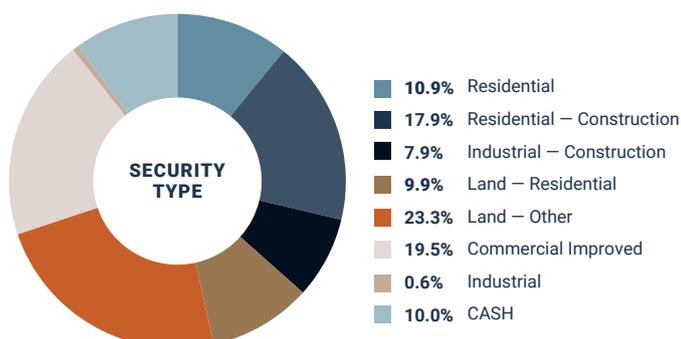
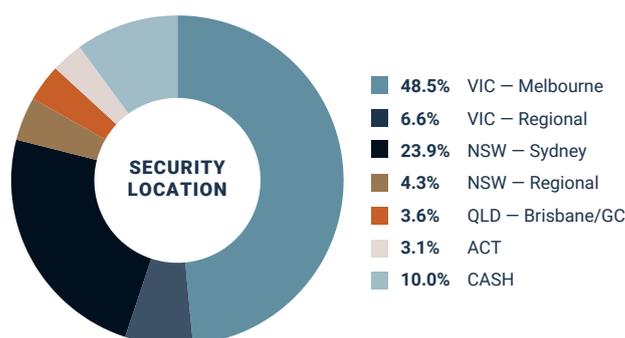
Competition for quality transactions continues to remain high, particularly for loans with conservative LVR's. We have seen a slight uptick in 2nd mortgage/mezzanine enquiries.

### Types of Loans

1st mortgage loans continue to be written on variable rates. 92.38% of the Enhanced portfolio is now variable. However, given rate expectations we may look to pivot to more fixed rate loans in 2025.

## Portfolio Analysis

### MILLBROOK INCOME FUND ENHANCED – KEY METRICS AS AT 31/12/24



### Arrears

0% of the portfolio currently in arrears. 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 in the CRE debt sector. There are varying views in the market, but we are not expecting any rates cuts until Feb 2025 at the earliest. Our loan book remains well positioned to take advantage of rate movements given the short duration of the portfolio (average duration remains ~13 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

After another strong year of growth (8.61%) for Millbrook in 2024, we look ahead to 2025 in this quarter's Millbrook Perspective.

Interest rates will again be a hot topic with divergent views on when the RBA will cut rates. The consensus is for a rate cut somewhere between February and May with ANZ recently revising their call from May back to February.

In the December RBA Minutes, the RBA Board advised "...if the future flow of data continued to evolve in line with, or weaker than, their expectations, it would further increase their confidence that inflation was declining sustainably towards target". The Board also noted "If that were to occur, members concluded that it would, in due course, be appropriate to begin relaxing the degree of monetary policy tightness".

This suggests a cut to rates in 1H 2025 is probable. The recent set of quarterly inflation figures will be critical in influencing the RBA Board.

May is likely to be when the Federal Election rolls around. This could bring further uncertainty to the market particularly if there is a minority government elected - recent polling suggests a tight contest with most polls showing Labor and the Coalition neck and neck on a 2-party preferred basis.

In terms of returns in the property credit sector, we see borrower rates reducing over the next 12 months not only due to likely rate cuts but also due to increased competition in the sector. With rate cuts likely in 2025 we will potentially pivot and offer more fixed rate returns to investors, providing downside protection.

Overall, our expectation is that investor returns are likely to pull back, however we still believe investors will be rewarded with good risk-adjusted returns that stack up well against other fixed income investments.

**We are looking forward to a strong and positive year ahead.**

## Market Forecasts

ECONOMIC FORECASTS	2024	2025	2026
Real GDP (y/y%)	1.10	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 17/12/24

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

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