SUPERIOR

FORESIGHT ANALYTICS OCA RANKING

Key Operational Capability Strengths

Operational Capability Assessment 'SUPERIOR'

An assessment of 'Superior' reflects the superior capacity of an operating party to perform its operational role and assist the issuer or fund in meeting its financial obligations promptly.

- La-Trobe Financial Asset Management (LFAM) continues to benefit from extensive operational and financial support from the La Trobe Financial Group of Companies, owned by the US$925BN Brookfield Asset Management Group.
- The trust of a growing and large investor base of 100,000 has driven the growth of La Trobe Financial Group to over $20BN in AUM. LFAM manages $12.5BN in private credit.
- With one of the largest and most experienced teams, LFAM senior management demonstrates clear accountability and a focus on executing the strategic and operational vision of its new owners.
- Clear, consistent, and 'best of breed' governance, risk management, and compliance frameworks support LFAM's operations and focus on protecting and growing investor interests.
- LFAM is a specialist lender and manager of residential and commercial direct mortgage assets. The firm's strict underwriting process has ensured continued resilience in loan performance and proactive management of arrears.
- We note management's desire to expand its current offering by adding the US Private Credit Fund, in line with its strategic vision. That said, it adds operational complexity, currency risk and liquidity risks. So far, we are encouraged by the added resources and process enhancements LFAM has taken to support this initiative.
- Looking ahead, we maintain a positive outlook for LFAM's financial and operational performance. We believe the local management team has sufficient depth, breadth and alignment to execute the board's strategic vision while achieving expected investor outcomes.

OPERATIONAL CAPABILITY – SUPERIOR

La Trobe Financial Asset Management Limited (LFAM) is the Responsible Entity for the La Trobe Australian Credit Fund (the 'Fund'). Foresight Analytics has maintained LFAM's Operational Capability Assessment Rating of '**Superior**'.

Our assessment reflects the operating relationships LFAM has with the wider La Trobe Financial Group (LFG) and the support it receives from aligned shareholder Brookfield Asset Management Group (BAMG), strengthening its corporate financial performance. We considered the operational and financial profiles of LFAM and the LFG and the profile and performance of the La Trobe Australian Credit Fund ('the Fund'), given that they reflect LFAM's performance as the Responsible Entity.

The Superior assessment is underpinned by LFAM's robust growth, operational resilience, and strategic diversification to include offshore private credit. Over the past 3 years, FUM has nearly doubled, group AUM has surpassed $20BN, and LFAM has reached a milestone of over 100,000 investors, cementing its position as one of Australia's fastest-growing alternative asset managers.

In the 2024 financial year, LFAM launched the La Trobe US Private Credit Fund (USPC), the first offering in the La Trobe Global Asset Management series, providing Australian investors with unique exposure to US mid-market corporate private credit with strong income-generating capacity. The Fund remains well-positioned for future growth while maintaining strong investment performance, preserving investor capital, and ensuring redemption liquidity.

Arrears have decreased over the last 12 months. Arrears on loans (past due by performing assets) and defaults (non-performing assets) are a key risk for the Fund, given higher than peer average LVR and exposure to near-prime and specialist mortgages. LFAM's comprehensive and proven policy of managing asset quality and credit performance has ensured its rates of arrears and defaults are within an acceptable range determined by industry averages and economic and credit cycles.

Foresight Analytics' assessment of LFAM included a review and ranking of LFAM's operational risk factors as outlined in Table 1.

Table 1: Ranking of LFAM's Operational Components

Ownership, Performance, Outlook	Superior
Experience & Skill of Management & Staff	Superior
Governance	Superior
Risk Management & Compliance	Very Strong
Asset and Data Security	Very Strong
Data Systems & Technology	Very Strong
Financial Adequacy & Stability	Superior

LA TROBE AUSTRALIAN & US PRIVATE CREDIT

La Trobe Australian Credit Fund

The Fund is a registered managed investment scheme that has historically invested in mortgages, cash and notes in La Trobe Financial RMBS issuances. It is available to retail and wholesale investors and has been operating since 1989.

The Fund currently has 7 separate investment accounts to choose from:

(a) Classic Notice Account (48-hour notice for redemptions)

(b) 90-Day Notice Account

(c) 6-Month Notice Account

(d) 12-Month Term Account

(e) 2-Year Account

(f) 4-Year Account

(g) Select Investment Account

The Fund's aims to provide investors with low volatility and a regular income. Each of the Fund investment accounts has a specific objective and level of investment risk, providing a commensurate return.

Investors in the Classic Notice, 90-Day Notice, 6-Month Notice,12-Month Term Account and 2-Year Accounts benefit from the diversification of the pooled loans. In contrast, investors in the Select Investment Account have direct exposure to their investments. 4-Year Account investors have reduced exposure to concentration risk relative to the Select Investment Account investors, given their investment in a portfolio comprised primarily of securitised mortgages via notes.

LFAM strategically diversifies the Fund on many levels, including the following:

- Number of loans
- Size of loans
- Loan sector (e.g., residential, commercial, industrial, construction, rural and land)
- Loan geography (broadly in line with the Australian economy and population)
- Maturity/duration profile.

	Table 2: La Trobe Australian Credit Fund Metrics Table					
Period Ended:	**31 Dec 2024**	**30 Nov 2024**	**30 Sept 2023**	**30 Sept 2022**	**30 Sept 2021**	**30 Sept 2020**
Total FUM (AU$M)	12,292.1	12,034.5	9,670.0	8,314.0	6,692.0	4,921.8
Total Number of Mortgages	12,246	12,096.0	11,800.0	12,219.0	9437.0	7,500.0
Total Value of Mortgages (AU$M)	11,342.9	11,243.4	9,072.0	7,805.0	5,178.0	4,282.6
Weighted Average LVR (%)	64.8	64.7	64.6	65.0	63.8	62.8
Investment in Mortgages (% of FUM)	92.2	93.4	93.6	93.9	77.4	86.3
Investment in Cash & Liquidity (% of FUM)	4.1	3.0	2.4	3.0	19.1	9.0
Investment in Credit Assets (% of FUM)	3.7	3.6	3.8	2.8	3.0	4.0

The Fund also has a 'co-investment model', which means that mortgages can be funded by more than one of the Fund's investment accounts. This decreases the average size of each account's investment and increases the total number of investments in each account. A default of a mortgage funded by more than one investment account would still affect investors in each account, but their loss would be limited to their proportional investment in that particular mortgage. Returns from other mortgages within the respective accounts would continue.

The Fund's total FUM have increased rapidly over recent years and reached $12.5BN. Table 2 summarises the Fund's profile as at 30 November 2024, with comparative data dating back to September 2020.

La Trobe US Private Credit Fund

The La Trobe US Private Credit Fund, a part of the La Trobe Global Asset Management series, is a registered managed investment scheme providing Australian investors access to US middle-market private credit. The fund invests in a portfolio of directly originated, senior secured loans to companies with annual EBITDA between US$20M and US$200M. These companies are typically backed by leading private equity firms.

The fund is available to both retail and wholesale investors. It offers a target annualised distribution yield of 8.5% for retail investors and 9% for wholesale investors, net of fees. Investors receive monthly income distributions, with redemption requests processed quarterly (up to 5% of NAV for each class of units). Approximately 99.6% of loans are secured as first lien, and 99.8% are floating-rate loans, providing enhanced stability and protection in a rising interest rate environment.

The fund is AUD-denominated with capital hedged to reduce foreign exchange risks. It is designed as an open-ended trust, allowing medium-term investments while benefiting from the growth of the US private credit market. The fund also provides investors unique access to the highly successful Morgan Stanley Private Credit platform, ensuring best-in-class management and investment oversight.

Table 3: La Trobe US Private Credit Fund Metrics

Period ended:	**31 Dec 2024**
Total FUM (AU$M)	215.8
Total Number of Borrowers	89
Average Loan Size (US$M)	$3.282
Weighted Average LVR (%) *	40
Investment in Cash & Liquidity (% of assets)	2.5
Investment in Middle Market Loans (% of assets)	93.6
Investment in Broadly Syndicated Loans (% of assets)	3.8
Top 10 Concentration (%)	23.8

*Loan Value at time of financing/Enterprise Value

OWNERSHIP, PERFORMANCE, OUTLOOK

LFAM is wholly owned by La Trobe Financial Pty. Ltd. and forms part of the La Trobe Financial Group of companies. On 31 May 2022, entities associated with Brookfield acquired the LFG from its former shareholders. The LFG is now 100% owned by Brookfield. Brookfield is a leading global alternative asset manager with AUM of approximately US$925BN. Brookfield's majority stake in Oaktree Capital, one of the largest players in global private debt markets, further strengthens LFAM's position in alternative credit. This ownership structure remains a notable credit-and-ratings positive for LFAM's operational capability, and the strategic relationship between Brookfield and the LFG continues to drive growth and innovation.

The LFG's key business as an alternative asset manager and credit specialist is to originate loans and offer investors (institutional and retail) an opportunity to invest in those loans secured by registered mortgages and other real credit assets. The firm has undertaken a strategic diversification pathway by introducing US Private Credit that lends to US mid-market corporates.

LFAM's performance has been consistent and positively supports the Fund's constitution. The Fund had over $12.5BN of FUM on 30 November 2024 across 7 Australian investment funds and one US private credit fund with approximately 100,000 retail and wholesale investors and over 4,200 financial advisors. The last 12 months have seen strong growth in AUM and investor numbers (+10,248 new investors). The Fund's growth profile is expected to remain strong over the next 12 months, given the continued expansion in its broker and financial advisor networks and product diversification. This growth is also evident in the flagship 12-Month Term Account, which has an AUM of $9.5BN and delivered a 6.75%

p.a. return after fees in FY24 – the highest in a decade. LFAM's proven track record of capital preservation remains intact, with no investor suffering capital losses in its 35-year history of portfolio management, a record that extends to 72 years when including institutional mandates.

In FY24, LFAM expanded its product offerings with the launch of the La Trobe US Private Credit Fund (USPC), providing Australian investors with a unique opportunity to access the US mid-market private credit sector. This fund aligns with LFAM's diversification strategy and leverages the sub-adviser, Morgan Stanley's, private credit capabilities. With the USPC, LFAM has positioned itself as a pioneer in offering defensive exposure to this sector, supported by Morgan Stanley's deal sourcing, structuring, issuer selection, risk and portfolio management and ongoing loan monitoring.

LFAM's performance has been bolstered by its niche focus on the 'complex prime' or 'specialist' borrower cohort, resulting in higher interest margins and asset quality compared to other non-ADI lender peers, as noted by independent data from Equifax. The Fund's lending standards closely align with those of the Big 4 banks, and LFAM benefits from the ongoing contraction in credit appetite among traditional banks due to regulatory changes like Basel III and the Hayne Royal Commission.

LFAM's diverse funding sources remain a key strength, particularly in periods of macroeconomic volatility. It maintains strong relationships with institutional partners, both domestically and globally, and is a regular issuer of Australian RMBS notes, typically issuing 2 to 3 per year. Additionally, its fully scaled asset management business benefits from one of the largest investor bases in the country. This robust funding structure supports LFAM's expansive broker and financial advisor network. It underpins the firm's ability to maintain a strong growth trajectory while ensuring a healthy deal pipeline and selectivity tilted towards quality. Technological advancements, including the re-platforming of LFAM's credit engine and La Trobe Direct, have recently enhanced cybersecurity, functionality and efficiency, positioning LFAM for sustained success and adaptability in a dynamic financial landscape.

Foresight Analytics ranks LFAM's ownership, performance and outlook as **Superior**.

EXPERIENCE & SKILL OF MANAGEMENT & STAFF

LFAM has been managing retail investment funds successfully for over 30 years within the broader group, which has been operating in the space since 1952. This success is attributable to a combination of factors, including the experience and culture of its people to undertake their respective roles ethically and in line with documented processes and procedures.

LFAM has 4 internal directors (Chris Andrews (CEO), Chris Paton (CIO), Martin Barry and Rowan Donohoue) and a majority-external Independent Compliance Committee (John Marriot, Chairman and Gerard Parlevliet). Though aspects of LFAM's operations are overseen by each of La Trobe Financial's divisions, the retail/wholesale funds management operations reside within the Asset Management Division, led by Chris Paton, Chief Investment Officer (joined La Trobe Financial in 2017).

The broader LFG has a 540-strong team, with the Asset Management Division comprising around 80 employees. There have been 7 additions (4 net additions) over the last financial year, as the firm has been focused on building the necessary expertise and capabilities to support the growth of the business, including the introduction of the US Private Credit Fund. Key appointments include David Tagg (Head of Product), Catherine Donatiello (Head of Product Support), Jeffery Zaldivia (Head of Investor Operations), Keyla Dervish (Portfolio Analyst), and promotions include Amy Hallihan as Head of Operations and Lisa Yeung as Head of Transformation. There were 3 departures over the period, reflecting natural attrition.

The LFG team has been focused on building its executive team with the right level of expertise and experience as the business pivots towards global products and expands its investment offerings beyond the core Australian credit fund.

The LFG has a comprehensive succession plan to mitigate key person risk and minimise the risks associated with filling vacant roles. Each key manager in the group is aware of the succession plan, which is reviewed regularly to ensure staff backup.

There is a clear separation of duties and responsibilities. Staff members are informed of all role requirements, procedures and processes at induction and undertake ongoing training as required. Support is offered via access to relevant policy and procedure manuals as well as experienced team members. Internal firewalls are used to prevent conflicts of interest and other unethical activities. This segregation and rotation of duties remove single-point dependence.

The combination of skills and experience of the La Trobe Financial staff underlies LFAM's strong performance and is considered a **Superior** factor of LFAM's Operational Capability Assessment by Foresight Analytics.

GOVERNANCE

LFAM has an executive board structure comprised of the CEO, CIO, CFO, and CO&RO, with a majority independent board structure, including 3 Brookfield directors, being in place at the ultimate LFG holding company level. The LFG board is supported by several committees, particularly the Board Audit & Risk Committee, the Board Remuneration & Nomination Committee and the Board Operating Committee. The latter comprises the 3 Brookfield directors who meet with the management team monthly to deal with the operating matters of the business. These 3 committees are in addition to the LFG's management committee structure.

The LFG has no formal internal or external board performance processes. Still, discussions about ongoing improvement occur in practice and are expected to be formalised over time as a part of the remit of the Board Remuneration & Nomination Committee.

The LFAM board is supported by an independent Compliance Committee as required by the Corporations Act 2001, given the nature of its role as RE of the Fund. The CIO sits on the Compliance Committee, along with an external member who is classified as an independent director on the LFG's holding company board.

In addition, the LFG has a mature management committee governance and an oversight structure in place, including an Executive Committee (ExCo), Origination and Credit Committee (OCC), Asset and Liability Committee (ALCO), Audit and Risk Committee (ARC), IT and Data Committee (ITDC), Remuneration Sub-committee, Large Loan Sub-Committee (LLC) and Special Servicing Sub-committee (SSC). LFAM is subject to the LFG's policies, which stem from these committees. Independent board directors attend these committees from time to time.

Overall, the board and executive team have demonstrated a clear commitment to resourcing its senior leadership team as well as specialist roles in the firm to support the growing and somewhat more complex business. The stability, depth and breadth of its governance and oversight structure is a competitive advantage. It is one of the key success factors Foresight has been watching since the ownership change in 2022.

Foresight Analytics has upgraded the Governance factor to **Superior**, owing to its clear direction and supportive framework through which LFAM can operate prudently.

RISK MANAGEMENT & COMPLIANCE

Foresight Analytics ranks LFAM's Risk Management and Compliance policies and procedures as **Very Strong**. In line with the policies of the wider LFG of companies, LFAM has established clear, consistent, and prudent processes to ensure that its operations as RE fulfil legal, regulatory, and licensing requirements. Furthermore, LFAM maintains regular monitoring and reporting of all its risks and undertakes periodic reviews for improvement, ensuring accountability and tie-in of its senior managers.

The Fund has a Compliance Plan that sets out the key processes, systems, and structures that LFAM (and its contracted parties) must follow. The Fund Compliance Plan aims to ensure the protection of all Fund members and compliance with the Fund's constitution, AFS Licence and Corporations Act 2001. It has been prepared following ASIC's Regulatory Guide 132 – Managed Investments: Compliance Plans. The Plan sets out reporting obligations for compliance and non-compliance. Moreover, it specifies what compliance is required for the key facets and risks of managing the Fund, and how and by whom that compliance is monitored and reported. The Plan is updated annually.

Adherence to the Plan is monitored through a system of certifications and random reviews of internal files and business practices. The Plan and its compliance are audited annually by the external auditor, and any material breaches must be reported to the Compliance Committee and ASIC.

LFAM's approach to risk management is in accordance with the LFG's Risk Management Policy. All material risks must be recorded in the group risk register, which is supported by business-unit-level risk registers and reviewed annually through risk workshop processes.

La Trobe Financial has implemented the Protecht governance, risk, and compliance system to support the implementation of its risk and compliance frameworks and automate the attestation and reporting processes.

The Chief Operating & Risk Officer, Rowan Donohoue, joined the LFG in 2009 as Chief Legal Counsel. The CO&RO is supported by Rick Drury, Deputy Chief Risk & Assurance Officer, Ken Lin, General Counsel, and Brian Makuluni, Head of Internal Audit, with a team of over 26 personnel in the legal, compliance, risk & assurance and internal audit functions.

The Head of Internal Audit directly reports to the LFAM Compliance Committee and the Board Audit and Risk committees. The CO&RO also has direct reports across customer operations, asset management (i.e. mortgage help) and collections.

La Trobe Financial has undertaken detailed benchmarking of its risk management framework against ASIC Regulatory Guide 259 Risk Management (RG 259) and APRA Prudential Standard CPS 220 Risk Management (CPS 220) to strive for better practice in this respect. During 2020, an independent review of the adequacy and effectiveness of the risk and compliance frameworks was undertaken, with no material weaknesses being identified.

INVESTMENT MANAGEMENT

Despite the challenges of investing in the near-prime mortgage market, LFAM's appointment of La Trobe Financial as the Investment Manager has proven effective in matching investments to the Fund's requirements.

LFAM has demonstrated continued strong investment performance of the Fund relative to its benchmark returns over recent years. The 12 Month Term Account achieved a return of 6.86% p.a. compounded over the year to 30 September 2024, outperforming the Bloomberg Aus bond BBI + 1.5% benchmark by 0.91% p.a. The Classic Notice Account achieved a return of 5.25% p.a. compounded over the year to 30 September 2024, outperforming the Official Cash Rate + 0.5% benchmark by 0.30% p.a.

La Trobe Financials' role as Investment Manager is outlined under a commercial agreement with LFAM. The agreement outlines the management services required by the Responsible Entity for the retail fund. It is linked to the Fund Constitution and the Fund Compliance Plan to ensure LFS undertakes its services with a focus on supporting LFAM in achieving the relevant objectives of the Fund. LFS has no right to terminate the agreement but can retire by giving 3 months' notice.

La Trobe Financial manages the Fund's assets and the group's institutional funds. It has demonstrated a good operating capability, contributing to the LFG's successful track record of 70 years, covering many economic cycles, including the financial crisis of 2008 and the COVID-19 pandemic. The key to LFS's sound operation is the experience and knowledge of its management, together with its approach to choosing the right investments to match investor appetite.

La Trobe Financials' approach in undertaking its investment management role is aligned with the Fund's general investment mandate and the specific investment mandates of each account within the Fund.

La Trobe Financial undertakes its own credit analysis of each loan application. When assessing a loan application, there are 2 questions that La Trobe Financial must positively satisfy:

1. Does the asset meet its lending criteria?

2. Is the loan suitable for inclusion in the Fund?

The decision-making for these 2 assessments is undertaken by separate teams. If the loan satisfies the credit lending criteria, it will be reviewed by the Portfolio Management team in light of the funding appetite, investment mandate and existing allocations. If the loan applications do not meet both requirements, the loans are declined.

La Trobe Financial has allocated responsibility for different stages of its asset origination to different teams. One team is responsible for originating loans, another for underwriting the risk of loans, a third for documenting the loan, and the fourth for closing loans and advancing monies to borrowers. This segregation of responsibilities maintains the independence of each team and can help to mitigate fraud and conflicts of interest.

Property valuations are undertaken only by external valuers that form part of LFG's Panel of Valuers. All valuations are conducted by independent property valuations, with each mortgage asset subject to a full 'turn-key' valuation.

Substantial focus is placed on the performance of assets. The Mortgage Help Team is responsible for all credit management and negotiations with arrears control and loan workouts, and it reports significant matters to the board quarterly.

Foresight Analytics periodically monitors the Fund's levels of arrears as an indicator of LFAM's ongoing capability to execute its role. Given the nature of the specialist mortgages within the Fund, the Fund is exposed to a higher level of loan arrears than industry averages for prime residential mortgages. However, the Fund's arrear levels are comparable to arrears on non-conforming loans in the market. As at 30 September 2024, total loan arrears were at 3.1% of FUM for the 12 Month Term Account and 3.4% for the Classic Notice Account.

LFAM has also managed any shortfalls arising effectively, with no investors in any of the Fund's portfolio accounts incurring any capital losses since inception. Shortfalls have been relatively low and met through cash holdings or the Investor Reserve. Over the last ten years, shortfalls on loans in the 12-Month Term Account have averaged 0.07% per annum, and in the Classic Notice Account, 0.13% per annum. Investors in the Classic Notice, 90-Day Notice, 6-Month Notice, 12-Month Term, 2-Year and 4 Year Accounts benefit from an Investor Reserve maintained by the Responsible Entity. In the case of the 12 Month Term Account, the Investor Reserve represents the difference between earnings on the pool of mortgages and income payments to investors after the management fee (a fixed 0.25% contribution is made in relation to the balance of those accounts with an Investor Reserve during their establishment phase, and as determined by the Asset & Liability Committee otherwise in accordance with the LFG's Investor Reserve Policy Statement). This Investor Reserve provides 3 levels of accumulated support to investors. The first is to provide income smoothing between different interest periods, thereby providing stable income paid to investors monthly. The second is that it can be called upon to make good any decline in the value of the assets, thereby covering any capital losses. Finally, it provides a more equitable matching of the risk and reward profile of the investment account over time.

La Trobe Financial undertakes its role effectively and identifies assets with qualities that match Fund requirements and investors' risk appetites. The formal and clear segregation of duties in originating, pricing, and documenting loans and valuing properties are key factors supporting the ranking. Loan arrears and shortfalls require continued prudent management and review to protect Fund investors' capital and expected return.

ESG CONSIDERATIONS

Broadly speaking, the LFG has made significant progress in the development and implementation of a comprehensive ESG framework in recent years and, to a degree, unmatched in the non-bank lending segment. We would also note that La Trobe Financial has now integrated ESG risk into its 6 risk buckets and into the broader risk taxonomy for the LFG.

We detail a number of the initiatives in each of the 3 'silos' below.

Environmental

The LFG considers the environmental component in 2 parts: its corporate environment and its lending processes.

In relation to the former, in 2020, the LFG announced and implemented a carbon audit process with the objective of achieving carbon neutrality. In 2021, it achieved that goal and was certified as such by Carbon Neutral in 2022. The LFG continues to believe that there are opportunities for further progress in sustainability via renewable energy, supply-chain efficiencies and recycling initiatives.

LFG is actively innovating and seeking to drive investor demand for green products. In 2021, it established a task force for the establishment of green loans and green RMBS bonds. It has developed a Sustainability Bond Framework and Sustainability Mortgages Framework, which provide a pathway towards the development of green mortgage products and green assets for investment. The Sustainability Bond Framework and the Sustainability Mortgages Framework complement La Trobe Financials' ESG framework together with other ESG-related frameworks governing different business functions of the LFG.

Turning to the environmental impact on the LFAM portfolio, the main issue is the risk of natural disasters affecting the collateral value of any given property. When disasters occur, new valuation reports are expected to be extremely conservative in areas affected by natural disasters until a new market level is established. Damages caused by bushfires and floods are typically covered by building insurance provided by all major insurers in Australia. However, insurers are increasingly stepping away from certain areas deemed high-risk. The risk is potential buyers not being able to gain finance, assets becoming 'stranded' and a consequent downward adjustment in property prices.

The 'good news' from an LFAM perspective is that the impact of natural disasters on its loan portfolios has historically been low and is expected to remain so. This resilience is attributed to LFAM's lending focus on metro areas near major cities, where natural disasters are less frequent. The recent adjustments to LFAM's lending policies further strengthen its position against environmental risks. The maximum LVR for loans secured by residential properties has been increased to 80%, with additional controls in place for higher-LVR loans, ensuring a conservative approach to risk. Vacant land loans now have differentiated LVR caps of 70% for metro, 65% for regional, and 50% for rural areas, reflecting the varied environmental risk profiles associated with these locations.

The proportion of metro loans in LFG's RMBS issuances remains higher than the market average and is noted by rating agencies as a credit strength. Non-metro loans are distributed across states and territories, reducing concentrated exposure to region-specific natural disasters. LFAM's rigorous approach includes requiring borrowers to maintain comprehensive building insurance, with oversight by a dedicated insurance team to ensure compliance. A designated insurance team regularly reviews the insurance expiry dates and reminds borrowers to renew when necessary. LFAM also carries an umbrella mortgage impairment policy, which provides cover for instances where the borrower has failed to renew insurance, but LFAM was not on notice regarding this expiration. When damages occur, insurance claims are paid to LFAM with funds disbursed to assist in reconstruction or to pay down debt where the borrower does not wish to reconstruct. In the event of a subsisting loan default, LFAM will hold these funds.

In assessing environmental risks to property values, LFAM utilises a series of screens to decide whether to extend financing. Natural disasters such as floods, fires, winds, desertification, rising sea levels and extreme heat are all taken into consideration. Industry impacts, such as exposure to tourism, hospitality and mining, are also factored into the screening process.

Social

The social component can also be divided into 2 parts: the LFG's corporate activities and its lending practices.

In relation to the former, the LFG supports a range of charities, foundations and social causes. A comprehensive list can be found on the LFG's website under the ESG section. Additionally, and as expected, there is a commitment to inclusion and diversity in relation to the LFG's employment policies.

In terms of lending, its social license is largely gained by serving an under-serviced borrower cohort, specifically servicing many credit-worthy borrowers who are often overlooked by mainstream lenders. These borrowers often fail conventional bank lending criteria due to factors such as bank appetite, the credit profile of the borrower, the form of income verification, the borrower's age, past minor default history due to missed bills, the borrower's newly employed status or recent arrival into Australia. However, these borrowers have proven to be a strong, reliable and low-default asset class, as evidenced by the LFG's financial results over successive years.

The LFG has shown a commitment to offering market-leading solutions to customers whose needs are not met by the traditional banking sector. Examples include pioneering Lite Doc® lending in Australia in 1990 and recognising frontline emergency service workers in 2020 with its Everyday Heroes Loan.

Governance

Governance was covered above in detail, but just to close the loop, we summarise that the LFG's governance framework is particularly strong. It benefits from an investment manager that has been lending for over 7 decades, a particularly experienced and qualified board, and a very strong culture of compliance organisation-wide.

FUND LIQUIDITY

The illiquid nature of the Fund's assets can expose investors to high risk. However, LFAM has continued to meet its ongoing liquidity needs, maintain additional asset reserves, and preserve investors' capital.

Fund liquidity is managed in accordance with the Fund's Constitution and investment mandates and more than meets its current regulatory requirements. The illiquid nature of the Fund assets can pose a liquidity issue if investors are seeking withdrawal from the Fund. However, LFAM clearly spelled out members' rights to withdraw from the Fund in the Fund's Constitution and PDS. In circumstances where the Fund is not liquid, LFAM has the right to suspend redemption requests.

From a liquidity perspective, the Peer-to-peer Select Investment Account carries the least liquidity risk for the Fund, given that investors have no right of early withdrawal (matched to loan term investment) from the underlying mortgage assets. The Fund's Product Disclosure Statement informs all investors that withdrawals are not available for Select Investment investors during the agreed term of each selected asset. Liquidity in this investment account simply lies with the borrower's legal obligation to repay the loan. The Fund does not have to provide any further liquidity. When a loan matures, investors are legally entitled to redeem their investment, subject to the borrower repaying the loan.

From a process perspective, LFAM has a designated team of 3 people solely focused on liquidity management, led by the Chief Liquidity Officer, Gary Bell. Every day, this team presents a liquidity forecast for the next 24 hours, 48 hours, and the next fortnight. At 11am, the team will meet with the Treasury team to discuss liquidity positions and any actions that may be required. There has been an enhancement and streamlining to the forecasting process over the last 12 months, specifically migrating from what was a manual input process (more prone to human error and more time-consuming) to a new automated process managed through Anaplan, allowing the team to focus on more value-add tasks in relation to liquidity management.

The liquidity management framework for the USPC leverages LFAM's extensive experience managing the La Trobe Australian Credit Fund, with a strong focus on aligning product design with liquidity requirements. The Fund incorporates features such as monthly subscriptions with fixed cut-off dates and a redemption framework that limits withdrawals to 5% of units on issue each quarter, mirroring the liquidity provided through the Fund's BDC share buyback regime. Early or intra-quarter redemptions are not permitted, ensuring that liquidity demands remain predictable. Notice periods for redemptions and the ability to defer payments up to 30 days post-quarter further enhance the Fund's ability to manage liquidity effectively.

Additionally, the USPC Fund includes a robust hedging strategy that it has developed in consultation with Chatham Financial to mitigate currency risks, with liquidity management calibrated to absorb potential short-term currency volatility. Daily liquidity operations are anchored in a comprehensive reporting process, including the Hedge Portfolio Valuation Report and 11am Liquidity Report, both of which provide forward-looking insights and stress-tested contingency plans. This framework ensures that liquidity needs are met even during periods of market dislocation, with governance overseen by the Investments team and ALCO.

ASSET & DATA SECURITY

LFAM has appointed Perpetual Corporate Trust Limited as custodian for the Fund's mortgage investments. The Custodian Agreement is a commercial agreement between the 2 parties that incorporates the matters required by ASIC Regulatory Guide 133 (Managed Investments: Scheme Property Arrangements).

The custodian holds all the certificates of title of the mortgaged properties in a dedicated vault located on Collins Street, Melbourne. La Trobe Financial audits security packets to ensure that the packets are physically held and that the security seals on the packets have not been tampered with.

Part of the Fund Compliance Plan requires the performance of Perpetual as custodian to be overseen and reported on periodically. Perpetual prepares a quarterly Custodian's Compliance Report detailing insurance coverage, adherence to RG 133, and service standards for safeguarding

Fund property. The Compliance Plan Auditor will review these records as part of its audit of the Plan. In addition to this, Perpetual has its annual reporting requirements under GS007.

The group has a privacy policy and physical access controls in place to safeguard the security of personal and confidential data stored at office premises. The strengths of La Trobe Financials' cyber security arrangements are considered within the data systems and technology component.

Foresight Analytics considers the asset and data security measures implemented by LFAM to be **Very Strong**, driven by the comprehensive audit and oversight of the activities of the independent custody service provider, supported by the group's in-house custody experience and expertise.

DATA SYSTEMS & TECHNOLOGY

Information Technology (IT) software is wholly owned by La Trobe Financial, and its IT requirements are managed in-house. The Business Optimisation Division is headed by Rob Clough. As La Trobe Financial has grown its business, with a significant increase in the number of advisors and the introduction of the US Private Credit Fund, the firm has placed a strong emphasis on enhancing its data security and technology capabilities. The team led by Daniel Muchow, the Head of Cyber Risk and Security, has been focused on proactively managing the evolving cyber threat landscape. This includes building the in-house cyber security team with the right skills and expertise, implementing best-of-breed security tools to monitor the firm's internal network as well as its cloud-based systems, and undertaking regular external validations such as penetration testing and control assessments.

In FY24, La Trobe re-platformed its online investment platform, La Trobe Direct. These initiatives were executed with speed and precision, enhancing the technology stack's cybersecurity, functionality and overall efficiency. While La Trobe is a 'people first' organisation, it recognises the importance of a modern, dynamic tech strategy in driving quality, service levels and business efficiency.

In late 2023, the business implemented 'LOIS' (Loan Origination & Information System), its proprietary loan origination workflow tool, which improved efficiency and reduced headcount in the first half of 2024, while still managing the growing loan book. It helped shorten the service level agreements (SLAs) for loan processing, indicating faster turnaround times and increased efficiency by 20%.

The Fund administration system, called PASSPORT, handles all daily data processing for the Fund and maintains the data required to service its investors. This software is separate from all other accounting applications of the Investment Manager and the Responsible Entity.

La Trobe Financial uses a proprietary borrower system called CLASS to record, track, and monitor all servicing assets. An account number is allocated to each borrower during their loan assessment and serves as their unique identifier for the duration of the loan.

The IT platform assists with risk management and compliance. The system contains a specially designed compliance to ensure all mortgage portfolios satisfy commercial, regulatory, and corporate policy obligations. Internal auditors also test these controls regularly, while external auditors test the controls annually.

Backup and disaster recovery procedures are in place and are regularly tested and documented. Detailed policies and procedures concerning disaster recovery and business continuation have been developed by La Trobe Financial and reviewed by LFAM. Testing under a disaster scenario concludes that LFAM can continue its operations from the Sydney office or its disaster recovery centre provided by Interactive Systems Availability, located in Port Melbourne, with minimal disruption to business should the Head Office in Melbourne be disrupted. The business continuity, disaster recovery, and pandemic plans have all been recently tested and have stood up well, with no significant improvement opportunities being identified.

La Trobe Financial has undertaken extensive benchmarking analysis against relevant industry standards, including ASIC Report 429 Cyber Resilience (Report 429) and Australian Prudential Regulation Authority (APRA) standards and prudential practice guides, even though La Trobe Financial is not subject to APRA supervision. This includes APRA Cross Industry Prudential Standard 232 Business Continuity Management (CPS 232), CPS 234 Information Security (CPS 234), Cross Industry Prudential Practice Guide 234 Management of Security Risk in Information and Information Technology (CPG 234), and CPG 235 Managing Data Risk (CPG 235). This benchmarking shows a systems and risk controls environment of high standard and professionalism.

La Trobe Financial considers cyber security its primary source of business risk and describes its focus on protecting data as 'laser-like'. The LFG works with 'white hat' hackers to test the cybersecurity system quarterly. It also uses UpGuard's services to independently assess LFAM's cybersecurity capabilities. UpGuard has rated LFAM's capabilities higher than any other non-bank lender in the domestic market. La Trobe Financial also monitors all relevant third-party service providers, with which, upon LFAM's instructions, UpGuard will also rate. All relevant third-party providers must score above a specified level.

Foresight Analytics' assessment of LFAM's Systems Technology as **Very Strong** reflects the following key aspects:

- Complementary yet independent in-house computer systems to store and match asset information and investor data
- Formal, consistent security processes and protocols to manage relevant systems and data risks
- Sound business continuity practices that are tested annually to ensure they meet LFAM's prescribed operational requirements and principles
- Comprehensive and industry-benchmarked cyber risk management systems supported by internal specialist resources.

FINANCIAL ADEQUACY & STABILITY

Foresight Analytics ranks LFAM's financial viability and stability as **Superior**. LFAM has demonstrated sound financial performance and continually manages its finances to ensure all regulatory requirements are satisfied and to protect investors' returns. LFAM benefits from the financial strength and support of the wider LFG. Unlike most other non-bank lenders in the residential mortgage sector, which are ex-growth, LFAM continues to go from strength to strength.

As of 30 September 2024, the Fund's FUM reached over $12BN, up 20% year-on-year. Strong growth in revenue and net profits was achieved in the 2024 financial year, as shown in Table 3 below. Financial accounts for the Fund and LFAM for the year ended 30 June 2024 have been audited with no qualifications.

Table 4: Key Financial Statistics – La Trobe Financial Asset Management (AU$M)

Financial Year Ended June 30	2024	2023	2022	2021	2020	2019
Gross Revenue	345.8	290.9	195.4	134.4	135.9	104.0
Total Expenses (before tax)	180.3	154.7	110.9	87.7	81.0	70.6
Net Profit After Tax	115.8	95.4	58.1	32.7	38.4	23.4
Total Assets	129.5	91.0	61.3	68.6	52.3	50.0
Total Liabilities	55.3	37.5	22.7	27.5	24.0	23.6

Owing to LFAM's reliance on La Trobe Financial as an Investment Manager, Foresight Analytics also assessed the financial adequacy and stability of La Trobe Financial. Foresight Analytics is satisfied that La Trobe Financial can financially support and fulfil its role over the medium term.

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OPERATIONAL CAPABILITY ASSESSMENT RANKING SCALE

Assessment	Definition
Superior	An assessment of 'Superior' reflects the superior capacity of an operating party to perform its operational role and assist the issuer or fund to meet financial obligations in a timely manner. An operating party's superior capacity is supported by many superior and reliable operational abilities and strong financial status.
Very Strong	An assessment of 'Very Strong' reflects the very strong capacity of an operating party to perform its operational role and assist the issuer or fund to meet financial obligations in a timely manner. An operating party's very strong capacity is supported by many very strong and reliable operational abilities and some superior qualities.
Strong	An assessment of 'Strong' reflects the strong capacity of an operational party to perform its operational role and assist the issuer or fund to meet financial obligations in a timely manner. An operating party's strong capacity is supported by many strong and reliable operational abilities and some very strong qualities.
Adequate	An assessment of 'Adequate' reflects the adequate capacity of an operational party to perform its operational role and assist the issuer or fund to meet financial obligations in a timely manner. The operating party's adequate capacity will support its role, but its resilience to expected operational or financial changes is limited.
Weak	An assessment of 'Weak' reflects the weak capacity of an operational party to perform its operational role and assist the issuer or fund to meet financial obligations in a timely manner. The operating party's weak capacity displays material, operational, financial or risk management and compliance deficiencies.
Failure to perform	Assigned when a party contracted to perform an operational role has failed to meet the required standards and terms and conditions of the contract.