

# La Trobe Australian Credit Fund – 12 Month Term Account

This report has been prepared for financial advisers  
and wholesale clients only



**Outstanding**

June 2025

# INTRODUCTION

## Key Principles

SQM Research considers (but is not restricted to) the following key review elements within its assessment:

1. Business profile - product strategies and future direction
2. Marketing strategies and capabilities, market access
3. Executive Management / Oversight of the investment management firm
4. Corporate Governance / fund compliance / risk management
5. Investment team and investment process
6. Fund performance, investment style, market conditions, investment market outlook
7. Recent material portfolio changes
8. Investment liquidity
9. Investment risks
10. Fund/Trust fees and expenses

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**Report Date: 10 June 2025**

Star Rating**	Description	Definition	
4½ stars and above	Outstanding	<b>Highly suitable for inclusion on APLs</b> <i>SQM Research believes the Fund has substantial potential to outperform over the medium-to-long term. Past returns have typically been very strong. Product disclosure statement (PDS) compliance processes are high-calibre. There are no corporate governance concerns. Management is extremely experienced, highly skilled and has access to significant resources.</i>	Highest Investment Grade
4¼ stars	Superior	<b>Suitable for inclusion on most APLs</b> <i>SQM Research considers the Fund has considerable potential to outperform over the medium-to-long term. Past returns have tended to be strong. PDS compliance processes are high-quality. There are no material corporate governance concerns. Management is of a very high calibre.</i>	High Investment Grade
4 stars	Superior	<b>Suitable for inclusion on most APLs</b> <i>In SQM Research's view, the Fund has an appreciable potential to outperform over the medium-to-long term. Historical performance has tended to be meaningful. PDS compliance processes are strong. There are very little to no material governance concerns. Management is of a high calibre.</i>	High Investment Grade
3¾ stars*	Favourable	<b>Consider for APL inclusion</b> <i>SQM Research concludes the Fund has a moderate potential to outperform over the medium-to-long term. Past performance has tended to be reasonable. Management is experienced and displays investment-grade quality, however they may not be yet fully tested. As a result the manager/product may have higher risks attached compared to peers.</i>	Investment Grade
3½ stars*	Acceptable	<b>Consider for APL inclusion</b> <i>In SQM Research's view, the potential for future outperformance in the medium-to-long term is uncertain. Historical performance has tended to be modest or patchy. Management is generally experienced and displays investment-grade quality, however they may not be yet fully tested. As a result the manager/product may have higher risks attached compared to peers. SQM Research has identified material weaknesses which need addressing in order to improve confidence in the Manager. There might be some corporate governance concerns.</i>	Low Investment Grade
3¼ stars	Caution Required	<b>Not suitable for most APLs</b> <i>In SQM Research's opinion, the potential for future outperformance in the medium-to-long term is very uncertain. Historical returns have tended to be disappointing or materially below expectations. PDS compliance processes are potentially substandard. There might be material corporate governance concerns. Management quality is not of investment-grade standard.</i>	
3 stars	Strong Caution Required	<b>Not suitable for APL inclusion</b> <i>In SQM Research's opinion, the potential for future outperformance in the medium-to-long term is unlikely. Historical performance has tended to be unacceptable. There could be material corporate governance concerns. SQM Research has a number of concerns regarding management.</i>	
Below 3 stars	Avoid or Redeem	<b>Not suitable for APL inclusion</b> <i>SQM Research has multiple material concerns surrounding the Fund.</i>	
Event-driven Rating		Definition	
<b>Withdrawn</b>		<i>The rating is withdrawn and no longer applicable. Significant issues have arisen since the last report was issued, and investors should avoid or redeem units in the fund.</i>	
<b>Discontinued - Withdrawn</b>		<i>The manager, after agreeing to be reviewed, has pulled out of the process and/or has not responded.</i>	
<b>Hold</b>		<i>Rating is suspended until SQM Research receives further information. A rating is typically put on hold for a period of two days to four weeks. Dealer groups should not be making further investments into this fund until SQM has completed its additional investigations.</i>	

\* It is strongly recommended advisers conduct additional due diligence over and above base requirements when considering such rated funds.

\*\* The definitions in the table above are not all encompassing and not all individual items mentioned will necessarily be relevant to the rated Fund. Users should read the current rating report for a comprehensive assessment.

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**SQM Rating** ★★★★★

*Outstanding. Highly suitable for inclusion on APLs.*

Fund Description	
Fund Name	La Trobe Australian Credit Fund - 12 Month Term Account
APIR code	LTC0002AU
Asset Class	Mortgage Trust (Pooled) / Fixed Interest
Management and Service Providers	
Fund Manager	La Trobe Financial Services Pty Limited
Responsible Entity	La Trobe Financial Asset Management Limited
Fund Information	
Fund Inception Date	01-Oct-02
Fund Size	\$9,950m (Mar-25)
Return Objective (per PDS)	Exceed benchmark with stable and predictable returns
Internal Return Objective	As above
Risk Level (per PDS)	Low - Medium
Internal Risk Objective	As above
Benchmark	Bloomberg AusBond Bank Bill Index + 1.5%
Number of stocks/positions	Varies. Approx. 11,100 at Mar-25
Fund Leverage	Nil
Portfolio Turnover	Not applicable
Top 10 Holdings Weight	2.3%
Investor Information	
Management Fee	1.80%
TCR (Total Cost Ratio)	1.87%
Buy Spread	Nil
Sell Spread	Nil
Performance Fee Rate	Nil
Minimum Application	\$10
Redemption Policy*	The investment matures after 12 months. Withdrawal requests must be submitted at least 30 days before the maturity date, or another 12 month term will commence. Arrangements differ for investment via a platform. Refer to the PDS for details.
Distribution Frequency	Monthly
Investment Horizon	12 months
Currency Hedging Policy	Not applicable

\* The liquidity of loans held by the Fund varies greatly. Many are residential loans with terms of up to 30 years, and many have much shorter terms. SQM Research observes that La Trobe has established liquidity arrangements for investors in the Fund with the liquidity of Fund assets in mind. The conditions under which an investor can make withdrawals from the Fund differ depending on whether the investment is made directly or through an investment platform. Please see the Liquidity section below and the PDS for further details.

## SUMMARY

### Fund Summary

#### Description

The **La Trobe Australian Credit Fund – 12 Month Term Account (the “Fund”)** is an open-ended unlisted Mortgage Fund.

The La Trobe Australian Credit Fund offers investments in **seven** structured investment accounts, with exposure almost entirely to loans secured by registered first-ranking mortgages over real property in Australia. In this report, SQM Research reviews one of the seven, the La Trobe Australian Credit Fund – 12 Month Term Account (the Fund). **All key Fund statistics in this report refer to the ‘12 Month Term Account’.**

The Fund's investment objective is to provide investors with regular income streams coupled with low-to-medium levels of risk while aiming to outperform the **Bloomberg AusBond Bank Bill Index by 1.50%**. The objective is to be fully invested in an appropriately diversified portfolio of mortgages offering investors an attractive rate of return.

The Fund is a **pooled mortgage scheme** for investors seeking exposure to mortgage loans. All underlying loans in the Fund are registered **first mortgages** spread across the major property sectors, including residential, commercial, vacant land, industrial, and development finance.

Unlike traditional mortgage trusts, investors with an interest in the Fund hold their interest as ‘tenants in common’. Instead of a unitised structure, an investor's interest is simply recorded as a dollar amount and not as units at a par value of \$1.00. The investment term of the Fund is set at **12 months**.

There are over 11,000 loans in the Fund (as of March 2025), with a weighted average loan-to-valuation ratio (LVR) of 64%. Over 70% were advanced in the last two years. They are for various terms, with most exceeding five years to maturity. A majority of loans are typically assessed on an **alternative income verification (AIV)** basis. La Trobe believes it can deliver superior returns due to a constant flow of mortgages through the larger La Trobe Financial Services Group operations, its diverse range of mortgage origination sources and its disciplined approach to the underwriting of loans.

### Fund Rating

The Fund has achieved the following rating:

Star Rating	Description	Definition	Investment Grading
<b>4.50 stars</b>	<b>Outstanding</b>	<b>Highly suitable for inclusion on APLs</b>	<b>Highest Investment Grade</b>

**Previous Rating: 4.50 stars (Issued June 2024)**

### SQM Research's Review & Key Observations

#### About the Manager

La Trobe Financial Services Pty Limited is a wholly-owned subsidiary of La Trobe Financial Pty Ltd (collectively “La Trobe Financial Group”, “La Trobe”, the “Group”, the “Manager”). La Trobe was founded in 1952 and has since focused on asset management, specialising in mortgage credit. La Trobe was acquired in 2022 by Brookfield Corporation, a leading global alternative asset manager with around USD925 billion in assets under management (AUM). SQM Research notes that there was no material change in La Trobe's business due to this change in ownership.

La Trobe manages over \$20 billion in AUM and employs more than 540 staff members spread across its head office in Melbourne and offices in Sydney. Around 65% of La Trobe's total funding needs are met by the La Trobe Australian Credit Fund, with the rest provided by institutional investors via warehouse mandates and a residential mortgage-backed securities (RMBS) program. Approximately 50% of funds in the La Trobe Australian Credit Fund as a whole are sourced directly from retail investors, with the remaining 50% coming through financial advisers (including via investment platforms).

#### Responsible Entity

The Responsible Entity for the Fund is La Trobe Financial Asset Management Limited, also a wholly-owned subsidiary of La Trobe Financial Pty Ltd. The Board of Directors of the Responsible Entity consists of **6** directors, **2** of whom are independent. SQM Research prefers the inclusion of independent members on the Board of Directors – it is a meaningful way to enhance governance and oversight. Board members have an average of **24** years of industry experience.

The Responsible Entity's **Compliance Committee** is composed of **3** members, **2** of whom are independent. The Chair **is** independent. SQM Research views independence in a RE oversight body such as the Compliance Committee as a strong and favourable factor in Fund governance. Compliance Committee members have an average of **37** years of industry experience.

### Investment Team

La Trobe has a governance and management committee structure comprised of senior officers and executives who oversee all of the Group's operations. This structure has been operating for more than 30 years, creating benefits identified by La Trobe that include a strong governance framework and an embedded succession plan for each business unit within the Group. The structure has six committees, each of which meets quarterly (with additional meetings as required), and three sub-committees.

Among La Trobe's key executives are CEO Chris Andrews and CIO Chris Paton. Chris Andrews has been CEO for three of the 19 years he has spent with La Trobe, which includes 13 years as CIO. Chris Paton became CIO three years ago, having previously held several senior roles, including General Counsel, since joining the business in 2017. Before joining La Trobe, he spent 10 years in the legal profession, specialising in banking and finance.

The investment processes employed by the Manager are designed to encourage team-based decision-making, effectively reducing the reliance on any one key individual. Considering the investment/lending process and the size of the team, ***SQM Research is of the opinion that key person risk is 'low'***. While there has been some turnover among senior employees in recent years, SQM Research believes this is normal for an organisation of La Trobe's size and is of no concern.

## 1. Investment Philosophy and Process

### Investable Universe

The Fund invests entirely in loans across Australia secured by first mortgages, with the exception of small cash and term deposit holdings held to meet cash requirements. Fund loans are to individuals and corporates for property in all major sectors, including residential, commercial, vacant land, industrial, development finance and rural property. The LVR for Fund loans is capped at 80%.

### Philosophy / Process / Style

The Manager's investment and portfolio construction philosophy is focused on building a highly diversified and defensive portfolio to provide consistent performance across a range of market conditions. The aim is for diversification across several characteristics, including property sector, interest type, geographic location, and size.

Around 99% of loan applications come through independent mortgage originators and finance brokers. La Trobe's loan approval processes are governed by its Credit Risk Policy. A majority of loans are assessed on an AIV basis.

All loans are approved in-house by the credit teams on a minimum 'dual sign-off' basis. Loans will generally be granted for personal or investment purposes, including the purchase or construction of a residential property or unit for owner-occupancy or rental investment; purchase or construction of select industrial, rural and commercial properties; purchase of land; alteration or extension of a dwelling or unit; and refinancing, including equity release.

### Portfolio Biases/Preferences

The Fund aims to be well diversified across various categories, including (but not limited to) geographic location, loan type, and borrower type. All loans must be secured by a first mortgage over real property.

### Liquidity

The terms of loans held by the Fund vary greatly. Many are residential loans with terms of up to 30 years, and many have much shorter terms. As of March 2025 more than half of all Fund loans had more than five years to maturity, and more than one-quarter were due to mature within 12 months. In normal markets, a significant portion of loans could be expected to be repaid prior to maturity, including because the property is sold, or the loan is refinanced.

La Trobe has established liquidity arrangements for investors in the Fund with the liquidity of Fund assets in mind. It refers to the illiquidity of Fund assets in the PDS, as follows: "A key objective of the Fund is to invest in loans that are secured by real mortgages, which are, by their very nature, long-term investments. This may in some circumstances potentially impact the ability of the Fund to pay withdrawal requests within the time frames provided for in the Constitution and disclosed in this PDS."



The conditions under which an investor can make withdrawals from the Fund differ depending on whether the investment is made directly or through an investment platform or super fund ("platform"). Direct investors can only redeem after an initial 12-month term. Withdrawal requests must be submitted on the required form, at least 30 days before the maturity date, otherwise the investment term will be renewed for another 12 months. Other limited possibilities for redemption exist, but in most instances these too are only available after an initial 12-month term and must be communicated to the Manager in advance. Investors should refer to the PDS for details.

Those who invest via platforms face different arrangements. Investors who invest via a platform do not become an investor in the Fund directly, with the investment platform generally having rights as an investor. There is no direct relationship between the Fund and the end investor.

The availability of withdrawals for investment platforms is subject to conditions that differ from those that apply to direct investors. Key among these is that platforms can submit withdrawal requests to La Trobe at any time, and are afforded monthly access for up to 2% of the investment platform's total investments. Requests will be processed once a month, subject to the availability of cash. As noted in the PDS, "withdrawals exceeding 2% of a platform investor's total investments are processed at the sole discretion of La Trobe Financial."

Withdrawal for investment through an investment platform may also be subject to conditions set by the platform. Investors should refer to their platform for information.

SQM Research observes that while investors via a platform are not subject to a 12-month lock-up, they may be disadvantaged compared to direct investors in situations where La Trobe limits monthly withdrawals to 2% of total platform investments for an extended period. That said, La Trobe has informed SQM Research that platform withdrawals have always been paid out in full.

### Leverage

This Fund does not employ direct leverage (through borrowing by the Fund) or economic leverage (through the use of derivatives).

## 2. Performance & Risk

### Return Objective

The return objective stated in the PDS is: The Fund aims "to provide Investors with a reasonably stable and predictable income," and "to outperform (the) benchmark ... across the economic cycle". The Fund's benchmark, as stated in the PDS, is the Bloomberg AusBond Bank Bill Index plus 1.5%.

### Material Risks

*Advisers and Investors should refer to the 'Risks' section of the PDS. Risks other than those mentioned in this section (or the PDS) may also have a material adverse impact on the Portfolio's performance or value.*

Material risks which are associated with the Fund include:

**Credit risk:** the risk that borrowers may not meet their obligations in full.

**Documentation risk:** the risk that a deficiency in documentation could, in certain circumstances, adversely affect both the return on an investment and the recovery of the investment.

**Concentration risk:** the risk that the portfolio may lack diversification of assets.

**Regulatory risk:** the risk that the value of some investments may be adversely affected by changes in government policies, regulations or taxation laws.

**Economic risk:** the risk that a downturn in general economic conditions either inside or outside Australia may adversely affect investments.

**Market Risk:** the risk that fluctuations in interest rates or property market conditions may impact returns and capital value.

**Liquidity Risk:** the risk that the Fund is unable to pay withdrawal requests within the stated time frames.

### Risk Objective

The Fund's PDS states that the risk level of the Fund is "Low to Medium".

*The true overall risk level in Mortgage Funds is determined by a range of risks, including (but not limited to): default/capital loss, liquidity, concentration, and interest rate risk. Advisers/Investors should read the IM to understand those risks.*

*SQM Research holds the view that the low volatility of returns often displayed by Mortgage Funds should not be interpreted as implying that these funds have a low*

*level of risk. The low volatility of returns (in this sector) is an artificial construct caused by an absence of frequent mark-to-market valuation of a Mortgage Fund's assets and the accrual nature of these products.*

*Therefore, fund metrics such as Volatility, Tracking Error, Information Ratio and Sharpe Ratio add little statistical value within the Mortgage Funds sector.*

Fund Performance to 30 April 2025 (% p.a.)							
Total Return	1-Month	3-Month	6-Month	1-Year	3-Year	5-Year	Inception
Fund	0.54	1.65	3.38	6.92	6.22	5.48	6.48
Benchmark	0.48	1.42	2.94	6.02	5.23	3.74	5.14
Peer Average	0.70	2.06	4.21	8.62	8.10	6.84	3.84
Alpha	0.06	0.24	0.44	0.90	0.99	1.74	1.34

With distributions reinvested. Returns beyond one year are annualised. Return history starts Nov-2002

Benchmark: Bloomberg AusBond Bank Bill Index + 1.5%

### Length of Track Record

The Fund has a history of 22.5 years.

Observations and analysis of returns will have substantial statistical meaning as a result of the sample size of observations.

### Strengths

- La Trobe Financial Group has built a strong network and niche market in the mortgage industry since 1952, particularly in the lite-documentation (AIV) sector since 1990. The Group now has AUM of over **\$20 billion**. It is amongst the largest players in this sector and one of the largest in the non-bank residential property lending space.
- The Fund is run by very knowledgeable and experienced staff, with access to various resources in the Real Estate Credit and Asset Management teams. The Group has over **540** staff members.
- The Fund is well diversified across geographical regions (states) and a very large number of borrowers.
- Arrears are managed effectively by working with the borrower and taking the required steps to bring them back in line with the payment schedule.
- AUM growth has been very strong.
- The Fund has outperformed its benchmark across all periods.

### Weaknesses

- The Fund is primarily involved in AIV documentation loans, which can be negatively perceived regarding the quality of a borrower. However, the Fund's experience, track record and stringent criteria for such AIV borrowers since 1990, mitigate this risk.
- The Responsible Entity Board of Directors (La Trobe Financial Asset Management Limited) has a minority of independent directors. However, the Compliance Committee is majority independent.

### Other Considerations

- The Fund is a pooled mortgage scheme.
- Some of the **key portfolio metrics** as of **31 March 2025** are:
  - Weighted average LVR is about 64%
  - Loan maturity: about 38% of the book has 3 years or less to maturity
  - Interest rate type split is 83% variable and 17% fixed
  - Non-performing loans > 30 days in arrears are at 3% of the book or \$300m (255 loans)
  - The residential sub-sector represents a large part of the book, at about 60%
  - AIV/Low-doc loans are about 56% of the book (entire La Trobe Australian Credit Fund)

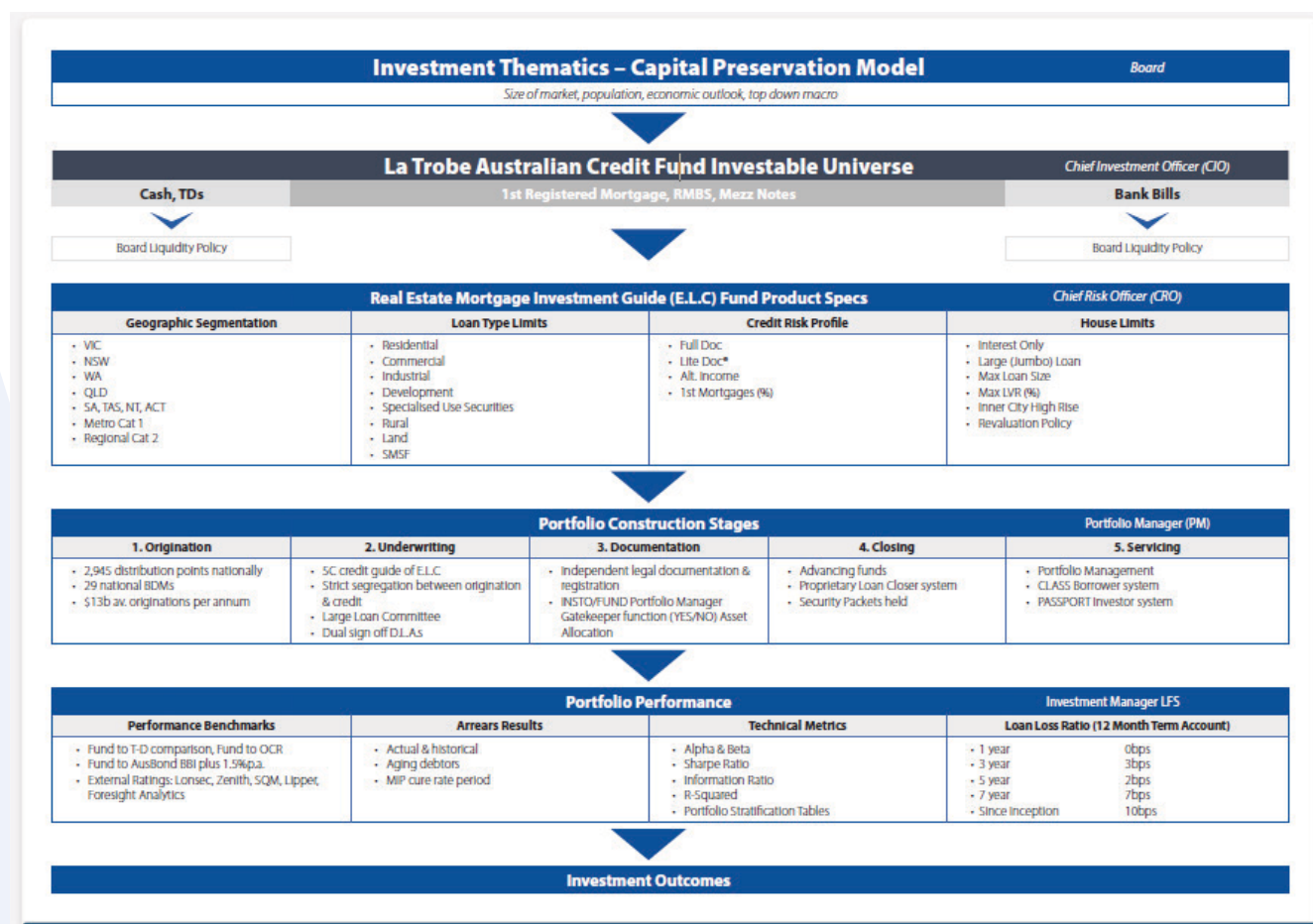


- Withdrawal conditions differ for direct investors and investment via a platform. Direct investors must invest for a minimum period of 12 months. If they wish to withdraw their funds prior to the completion of the investment term, a fee may apply. Investors who invest via a platform do not become an investor in the Fund directly, with the investment platform generally having the rights as an investor. Investment platforms are accordingly afforded monthly access for up to 2% of the investment platform's total investments. Withdrawals exceeding 2% of a platform investor's total investments may be processed at the sole discretion of La Trobe. See the Liquidity section below and the PDS for more details.
- The strength of the mortgage funds sector depends to a degree on outcomes in key macroeconomic areas such as economic growth, unemployment, and interest rates. Any significant deterioration in any of these areas can impact the property market and the borrower's ability to repay a loan.

**Key Changes Since the Last Review**

- No changes to the investment process since the previous review.

## Investment Process Diagram



## Process Description

## Investment Process

## Research/ Idea Generation

La Trobe conducts regular research into topics such as the economy, the real estate sector, and the mortgage lending industry. It especially monitors economic factors relevant to its business including the level of housing formation and debt demand, projections for official interest rates, and unemployment and other labour force statistics. This research helps La Trobe to adjust limits around loan and portfolio parameters such as maximum LVRs, geographic and sector exposure limits and loan size.

La Trobe also closely monitors the regulatory landscape, aiming to respond quickly to restrictions imposed on banks by the Australian Prudential Regulation Authority (APRA), the national banking regulator. These restrictions have led to new business opportunities for non-bank lenders,

as has growing consumer awareness and acceptance of mortgage lending alternatives. La Trobe continues to invest in these opportunities where appropriate.

## Loan Origination

Around 99% of loan applications come through independent mortgage originators and finance brokers, a channel La Trobe has been utilising since its establishment. It works with Australia's largest finance brokers, including AFG, Plan Australia, Fast, Connective, Mortgage Choice and Smartline, and currently has around 3,700 active finance broker referral sources.

La Trobe Financial Group actively monitors the performance of its finance brokers. All must be appropriately licensed and hold membership accreditation with one of the key

industry bodies. While finance brokers do not approve loans, new brokers and their representatives must undertake an accreditation process to determine their understanding of La Trobe's credit policies and procedures.

### Loan Approval

La Trobe's loan approval processes are governed by its Credit Risk Policy, which is overseen by the Manager's Origination and Credit Committee (OCC). All loan applications are assessed by a credit analyst in the relevant credit team following a uniform approach. The Manager describes this as a 'full deep dive' assessment. It covers a broad range of metrics, encompassing, among other things, the 'five Cs of credit' (character, capital, conditions, capacity and collateral), and includes the following key steps. Verification of all documentation and information relied on in the loan approval process. Assessment of serviceability, character, and credit issues in accordance with the relevant product assessment and approval policy. This typically involves a credit check of the borrower using an Equifax credit report. A valuation of the security property is requested from a La Trobe Financial Panel Valuer.

A majority of loans are assessed on an AIV basis. This allows borrowers to provide alternative income verification, principally accountant certificates and six-month trading statements, which are acceptable under responsible lending guidelines issued by ASIC (the national credit regulator). This avenue is typically accessed by the self-employed (not standard PAYG employees). Loans based on self-verification alone are outside the Fund's investment mandate.

All loans are approved in-house by the credit teams on a minimum 'dual sign-off' basis. This applies to the Delegated Lending Authority (DLA) Matrix that La Trobe maintains. This matrix reflects the Approval Sign-off limits allocated to each credit analyst depending on their loan approval experience.

Final approval requires the completion of a credit approval request form and a recommendation for approval. All loans must be recommended by one credit analyst and signed off by at least one approval officer in accordance with La Trobe's DLA Matrix. The OCC's Large Loan Subcommittee reviews large loans that do not fit within La Trobe's mainstream lending limits. These loans are assessed and priced on a case-by-case basis.

### Valuation Standards

La Trobe has extensive policies governing the valuation of property offered as security for a loan, covering areas such as how and by whom a valuation should be conducted, and in what circumstances it is required. For example, all valuations must conform to La Trobe Financial's Standing Instructions and be no more than three months old at the time of settlement.

La Trobe has outsourced management of valuations for residential properties to ValEx, a CoreLogic company. It provides valuation management and compliance services, which include maintaining La Trobe's selected valuer panel. Most commercial valuations are similarly outsourced to Valocity, a commercial property valuation platform. Larger commercial valuations are generally managed in-house.

Loans can only be advanced where the security property has been valued by a member of La Trobe's Panel of Valuers. Membership of this panel is restricted to those who meet La Trobe's requirements. These include that they are a professional person currently registered with the Australian Property Institute from a widely recognised valuation firm, have specialised in their chosen field for at least five years, and are included on the panels of other major lenders.

### Loan Selection and Portfolio Construction

La Trobe will generally grant loans for owner-occupied or investment purposes secured over real property to enable the following activities and loan purposes:

- the purchase of an existing property or unit, or construction of new, for owner-occupancy or rental investment;
- the purchase of land;
- the alteration or extension of an existing owner-occupied or investment dwelling or unit;
- the purchase or construction of select industrial, rural and commercial properties;
- refinance of existing mortgages with other financiers, including equity release;
- business or investment; and
- equity release.

La Trobe considers the structure and nature of the Fund's loan portfolio when setting loan priorities. Its focus is on constructing a balanced blend of investment-grade residential and selected commercial loans to diversify portfolio risks across several favourable demographic and geographic sectors.

At the end of March 2025 residential loans made up 60% (by value) of the portfolio, commercial 13%, industrial 9% and development finance loans 12%. NSW was the destination for 43% (by value) of loans, Victoria 34% and Queensland 16%.

#### Portfolio Characteristics

Loan Maturity Profile	Weight
0 - 6 months	15.6%
7 - 12 months	12.7%
13 - 24 months	6.1%
25 - 36 months	3.3%
37 - 60 months	4.3%
61+ months	58.0%

LVR Profile	Weight
< 50%	9.4%
50% - < 60%	14.3%
60% - < 70%	36.4%
70% - < 80%	35.8%
= 80%	4.1%
> 80%	0.0%

Rate Type	Weight
Fixed Rate	17.4%
Variable Rate	82.6%

#### Risk Management

Management of risk is a key objective across all aspects of La Trobe's lending practices. Limits and constraints imposed at the individual loan and portfolio levels are additional elements of La Trobe's efforts to control risk in the Fund. These include the following.

##### Maximum LVRs

LVR limits vary by property sector and generally range from 50% to 80%. Limits are specified below:

- Residential – 80%

- Commercial – 70%
- Industrial – 70%
- Rural – 55%
- Development finance – 70% on completion value AND 80% loan to cost ratio
- Vacant land – varies by location (i.e. metropolitan areas and otherwise), from 60% to 70%

The Fund's weighted average LVR was 64% at the end of March 2025.

#### Exposures

The Fund applies several constraints to minimise its risk exposure. They include those that maximise exposure by property sector. The limits are: residential 80%; vacant land 10%; commercial 40%; industrial 30%; rural 15%; and construction and development 15%.

More than 80% of loans are currently on variable interest rates. Where rates are fixed, this is only for short terms. In addition, all loans must be secured by a first registered mortgage and not be to a related party.

Liquidity management is a core discipline for La Trobe, which has developed a comprehensive liquidity framework for managing this risk. Key elements include regular benchmarking to industry best practice, daily liquidity reporting and maintaining a contingent liquidity plan. The Manager's broader risk management framework also incorporates operational risk and involves quarterly portfolio resilience stress testing.

#### Arrears Management

La Trobe has detailed, proactive, and well-resourced processes for identifying and managing loans in arrears. It has around 50 people in its Mortgage Help team, which is responsible for delinquent loan management and takes what it labels a 'Firm, Friendly and Fair' approach. Mortgage Help operates independently from the loan origination department, keeping credit staff separate from efforts to rehabilitate problem loans.

The longer a loan remains delinquent, the more people become involved in trying to resolve the situation. When a loan initially becomes delinquent it is assigned to a Mortgage Help Case Officer, who will manage the account, including through regular contact with

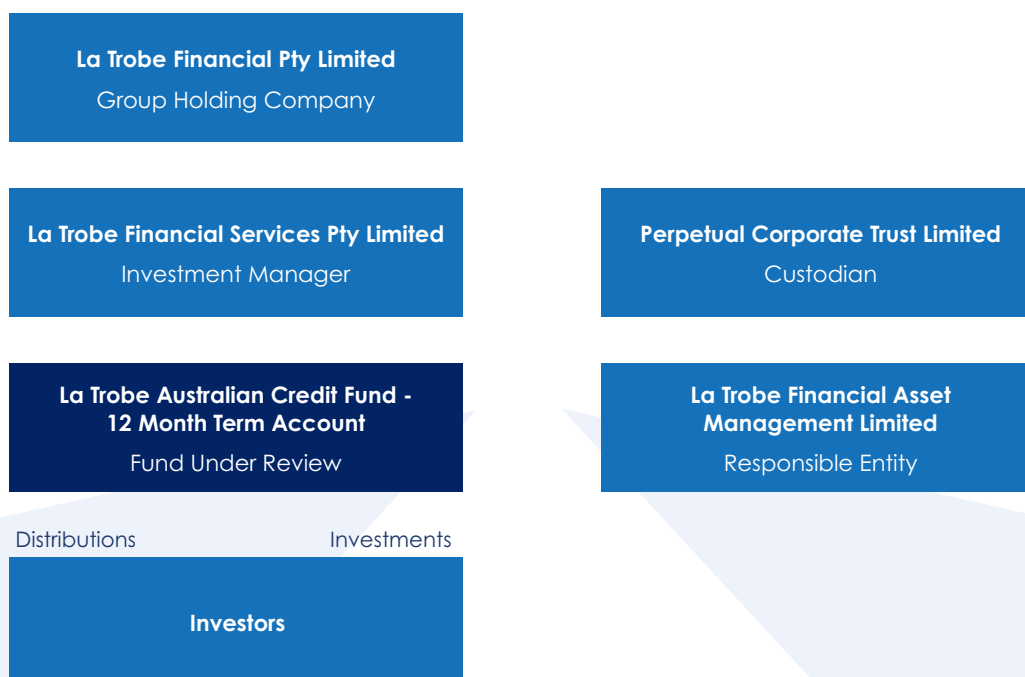
the borrowers and guarantors. If the situation remains unresolved after 60 days, more forceful steps are taken, including issuing default notices and possibly commencing legal action. These steps are coordinated by Mortgage Help's Legal Action team who engage external solicitors or advisory firms as required. If La Trobe takes possession of a security property, perhaps after a further 90 days, Mortgage Help's MIP (mortgagee in possession) and Loss Recovery team will manage the process. It will typically engage a dedicated property in possession consultant to coordinate key steps, including the property's marketing and sale. It will also take action to recover any shortfall where this is considered feasible. As of March 2025, 3.1% of Fund loans (by value) were past due by at least 90 days.

La Trobe has a provisioning policy that establishes some cover for potential and actual losses on delinquent loans. Provisions are raised based on credit losses expected on individual loans and only deducted from the accounts of Fund investors, if applicable, at redemption. A key objective of the policy is to equitably distribute capital losses among all relevant investors. La Trobe also allocates a portion of any return on Fund assets above investor returns and its management fee to an Investor Reserve. This Reserve may be used, at La Trobe's discretion, for reasons including covering capital losses incurred on individual assets and to fund loss recovery action in respect of individual assets. The Investor Reserve at March 2025 was equivalent to 0.23% of total Fund assets. La Trobe notes that Fund investors have never incurred a loss of capital.

The table below outlines limits on the Fund's asset allocation and other risk parameters:

Property Type	Permitted Range or Limit
Residential	30% - 80%
Commercial	0% - 40%
Industrial	0% - 30%
Retail	n/a
Development Finance	0% - 15%
Rural	0% - 15%
Vacant Land	0% - 10%
Cash	0% - 10%
Interest-bearing securities	n/a
State/Region	
NSW	0% - 50%
QLD	0% - 40%
VIC	0% - 50%
WA	0% - 20%
Other	0% - 10%
Loan Type	
Conforming	n/a
Non-conforming	n/a
Low-doc	n/a
Full-doc	n/a
First Mortgage	100%
Second Mortgage	0%
Loan Value	
Size for a single loan	Maximum 2.5% of FUM
LVR for a single loan	80%

## Key Counterparties



## Governance

### Management Risk

Funds management businesses rely on the operational capabilities of key counterparties. A critical element is the ability of the Responsible Entity to monitor operational performance and to meet the regulatory and statutory responsibilities required. For any investment fund, there is a risk that a weak financial position or management

performance deterioration of key counterparties could temporarily or permanently compromise their performance and competency. This can adversely affect financial or regulatory outcomes for the Fund or associated entities.

***Based on the materials reviewed, SQM Research believes that the Manager and associated key counterparties are highly qualified to carry out their assigned responsibilities. Management risk is rated as low.***

## Management & People

Name	Responsibility / Position	Location	Years at Firm	Years in Industry
Chris Andrews	Chief Executive Officer	Melbourne	19	28
Chris Paton	SVP - Chief Investment Officer	Melbourne	9	17
Martin Barry	SVP - Chief Financial Officer	Sydney	11	29
Cory Bannister	Chief Lending Officer	Melbourne	24	26
Paul Brown	Treasurer	Melbourne	5	24
Rowan Donohue	Chief Operating & Risk Officer	Melbourne	15	22
Michelle Dai	Head of Group Portfolio Management	Sydney	9	9
David Tagg	Head of Investments	Sydney	1	31
Richard Anstey	Head of Credit	Melbourne	17	25
Jacqueline Giuliani	Director of Customer Assistance, Servicing & Operations	Melbourne	4	20



Name	Responsibility / Position	Location	Years at Firm	Years in Industry
Catherine Donatiello	Head of Product Support	Sydney	2	26
Amy Hallihan	Director – Head of Operations	Melbourne	2	25
Trevor Cloete	Chief Technology Officer	Melbourne	6	23

## Staffing Changes

While there has been some turnover among senior employees in recent years, SQM Research believes this is normal for an organisation of La Trobe's size and is of no concern.

Departures			
Date	Name	Responsibility	Reason for Departure
09-May-25	Gary Bell	Chief Liquidity Officer	Retired
05-Jan-25	Sandy Singh	Head of Fund Portfolio Management	Resignation
19-Nov-24	Ron Prasad	Head of Fund	Resignation
23-Feb-24	Trish Cavallo	Head of Transformation and Strategy	Resignation
16-Feb-24	Tanya Hoshek	National Manager - Sales	Resignation
01-Sep-23	Richard Parry	Director of Finance	Resignation
28-Oct-22	Caterina Nesci	Director of ESG & International Partnerships	Resignation
31-May-22	Greg O'Neill	President & CEO	Retired
20-May-22	Troy Stratton	Deputy Chief Investment Officer	Resignation

Additions			
Date	Name	Position / Responsibility	Previous Position / Employer
14-Jul-25	James Waterworth	Head of Distribution	
01-Aug-24	Tim Wood	Head of Listed Equities	
01-Apr-24	Catherine Donatiello	Head of Product Support	
05-Feb-24	David Tagg	Head of Investments	
20-Nov-23	Ron Prasad	Head of Fund	
28-Aug-23	Mark Aggarwal	Financial Controller - Fund	
28-Aug-23	Amy Hallihan	Head of Fund Operations	
12-Sep-22	Trish Cavallo	Head of Transformation and Strategy	
15-Jun-22	Tanya Hoshek	National Manager - Sales	

*SQM Research observes that the levels of investment experience and company tenure are strong across the investment team. The size and nature of staff turnover are not an issue of concern, in SQM's view.*

Fees and Costs	Fund	Peer Avg**
Management Fee % p.a.	1.80%	1.07%
Expense Recovery/Other Costs % p.a.	–	–
Performance Fee %	0.00%	1.43%
Total Cost Ratio TCR % p.a.	1.87%	1.28%
Buy Spread %*	0.00%	0.00%
Sell Spread %*	0.00%	0.00%

\* This spread is the difference between the Fund's application price and withdrawal price and reflects transaction costs relating to the underlying assets.

\*\* Peer average is based on data provided by SQM's data provider. SQM is not responsible for any errors or omissions. The peer group average Performance Fee includes those that do not charge a performance fee (i.e. 0%). SQM observes that funds that charge a performance fee tend to charge a lower management fee than those that do not.

## Management Fee

The management fee includes GST and is net of any applicable Reduced Input Tax Credits (RITC). The Management Fee includes the Responsible Entity fees as well as the investment manager fees.

## Performance Fee

The Fund does not charge a performance fee.

### *SQM Research observes that:*

- *The Fund management fee is 73 basis points higher than the peer group average.*
- *The Total Cost Ratio (TCR) is 59 basis points higher than the peer group average.*
- *Based on the data provided by the Manager, the estimated effective total cost is approximately 1.80% based on the underlying interest earned on funds lent out, including bank deposits and the return to investors. We consider this to be comparable to other funds focused on mortgages/loans after any interest rate margins are considered.*

Risk/Return Data to 30 April 2025							
Total Return	1-Month	3-Month	6-Month	1-Year	3-Year	5-Year	Inception
Fund	0.54	1.65	3.38	6.92	6.22	5.48	6.48
Benchmark	0.48	1.42	2.94	6.02	5.23	3.74	5.14
Peer Average	0.70	2.06	4.21	8.62	8.10	6.84	3.84
Alpha	0.06	0.24	0.44	0.90	0.99	1.74	1.34
Metrics	1-Year	3-Year	5-Year	Inception			
Tracking Error (% p.a.) - Fund	0.04	0.11	0.28	0.31			
Tracking Error (% p.a.) - Peer Average	0.20	0.38	0.53	0.12			
Volatility - Fund (% p.a.)	0.03	0.24	0.32	0.33			
Volatility - Peer Average (% p.a.)	0.20	0.45	0.48	0.52			
Volatility - Benchmark (% p.a.)	0.05	0.32	0.57	0.58			
Beta based on stated Benchmark	0.26	0.72	0.54	0.53			

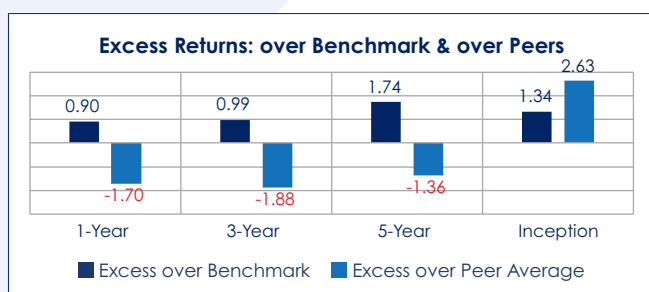
Distributions reinvested. Returns beyond one year are annualised. Return history starts Nov-2002

Benchmark: Bloomberg AusBond Bank Bill Index + 1.5%

## Quantitative Insight<sup>1</sup>

Note: Unless otherwise stated, all return and risk data reported in this section are **after-fees** and for **periods ending Apr-2025**.

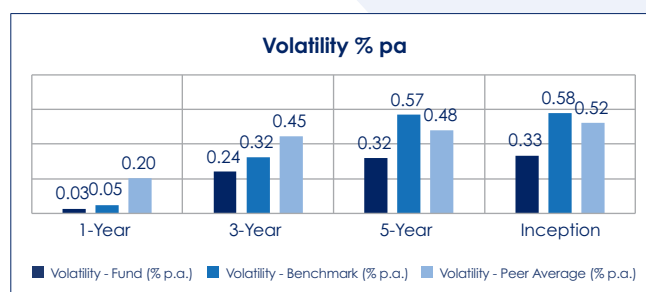
### Excess Returns (Alpha)



The Fund has displayed strong performance across all periods when compared with its benchmark. Performance has been weaker against peers, many of whom focus on writing higher-returning loan types, including shorter-term or development loans.

The **return outcomes**, as described above, are in line with the PDS objective and are consistent with SQM's expectations for the Fund relative to its fee level and volatility.

### Risk



The Fund's **volatility** (annualised standard deviation of monthly returns) has tended to be lower than the benchmark and peers.

*The true overall risk level in Mortgage Funds is determined by a range of risks, including (but not limited to): default/capital loss, liquidity, concentration, and interest rate risk. Advisers/Investors should read the IM to understand those risks.*

*SQM Research holds the view that the low volatility of returns often displayed by Mortgage Funds should not be interpreted as implying that these Funds have a low level of risk. Low volatility of returns (in this sector) is an artificial*

<sup>1</sup> Note: Sharpe and Information Ratios are not reliable comparison tools in periods where both the Fund and its peers/benchmark record a negative result

*construct caused by an absence of frequent mark-to-market valuation of a Mortgage Fund's assets and the accrual nature of these products.*

*Therefore, Fund metrics such as Volatility, Tracking Error, Information Ratio, and Sharpe Ratio add little statistical value (within the Mortgage Funds sector).*

#### Correlation of Fund to Asset Classes

Market	3 years	Inception	Market Indexes
Aust Bonds	+16.0%	+24.0%	Bloomberg AusBond Composite 0+Y TR
Aust Equity	+19.4%	-3.5%	S&P/ASX 300 TR
Global Bonds	+22.1%	+25.7%	Bloomberg Global Aggregate Hdg AUD
Global Equity	+16.0%	-8.2%	MSCI World Ex Australia NR AUD

#### Correlation Key

Low	High	Description
0%	20%	low, weak
20%	40%	modest, moderate
40%	70%	significant, material
70%	90%	strong, high
90%	100%	substantial

#### Tail Risk

*(The analysis in the table below looks at the **tail risk performance relationship of the Fund to the ASX300**, a practice that SQM has set as common across asset classes in Fund reviews. This approach recognises that for the large bulk of financial planner clients, their key traditional asset class **risk** regarding **size** and **volatility** is to Australian equities. Exploring that relationship is useful regardless of the asset class of the Fund itself, as it is helpful to understand how a Fund has acted in times of Australian equity market stress in terms of softening or exaggerating the negative performance experienced at such times.)*

The table below details the **largest negative monthly returns** for the ASX 300 since the inception of the Fund. This is compared to the Fund's performance over the same months.

#### Extreme Market Returns vs Fund Return Same Month

Index: S&P/ASX 300 TR From Nov-02 to Apr-25				
Rank	Date	Market	Fund	Difference
1	Mar-20	-20.83%	+0.41%	+21.24%
2	Oct-08	-12.88%	+0.69%	+13.57%
3	Jan-08	-11.00%	+0.63%	+11.62%
4	Sep-08	-9.94%	+0.69%	+10.63%
5	Feb-20	-7.76%	+0.41%	+8.17%
6	Aug-15	-7.70%	+0.45%	+8.15%
7	Jun-08	-7.57%	+0.67%	+8.24%
8	May-10	-7.54%	+0.63%	+8.17%
9	May-12	-6.74%	+0.63%	+7.36%
10	Nov-08	-6.30%	+0.66%	+6.96%
<b>Totals</b>		<b>-98.25%</b>	<b>+5.85%</b>	<b>+104.10%</b>

No. of Months			
<b>Correlation</b>	+35.2%	Positive Return	10
<b>Capture</b>	-6.0%	Outperform	10

#### Tail Risk Observations:

The data in the table above indicate that the Fund displays strong **defensive characteristics** in the face of extreme Australian equity tail risk.

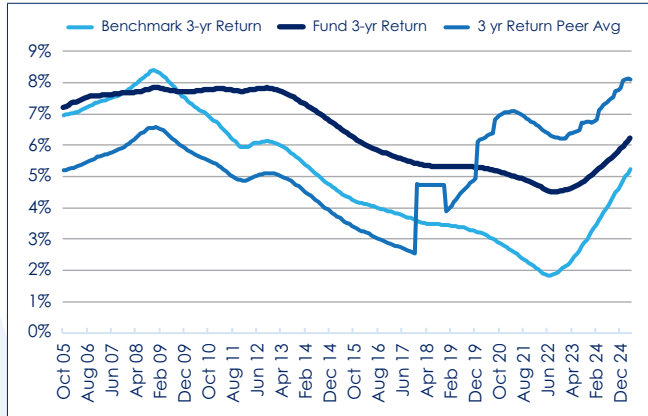
#### Annual Returns

Year	Fund	Benchmark	Peer Avg	vs. Bench	vs. Peers
2013	+6.56	+4.41	+3.69	<b>+2.16</b>	<b>+2.87</b>
2014	+6.25	+4.22	+3.34	<b>+2.03</b>	<b>+2.91</b>
2015	+5.58	+3.88	+4.85	<b>+1.71</b>	<b>+0.74</b>
2016	+5.33	+3.60	+3.10	<b>+1.73</b>	<b>+2.22</b>
2017	+5.33	+3.27	+4.59	<b>+2.05</b>	<b>+0.74</b>
2018	+5.33	+3.45	+6.88	<b>+1.88</b>	<b>-1.55</b>
2019	+5.26	+3.02	+7.48	<b>+2.24</b>	<b>-2.23</b>
2020	+4.74	+1.87	+6.82	<b>+2.87</b>	<b>-2.08</b>
2021	+4.39	+1.53	+6.44	<b>+2.86</b>	<b>-2.05</b>
2022	+4.52	+2.77	+6.98	<b>+1.75</b>	<b>-2.46</b>
2023	+6.22	+5.44	+8.14	<b>+0.78</b>	<b>-1.92</b>
2024	+6.94	+6.03	+9.04	<b>+0.91</b>	<b>-2.10</b>
Apr-25	+2.23	+1.93	+2.83	<b>+0.30</b>	<b>-0.60</b>

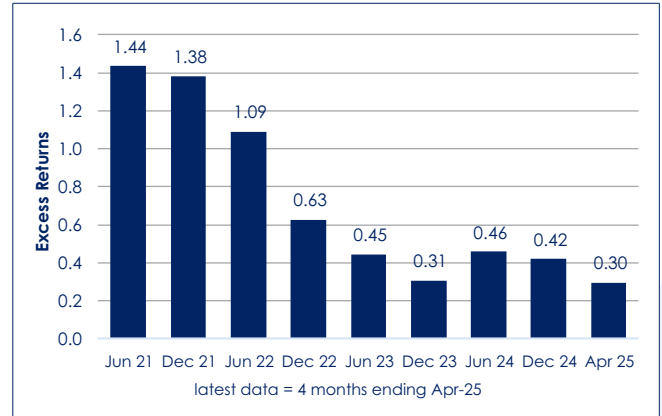
2025 data = 4 months ending Apr-25

## Return and Risk

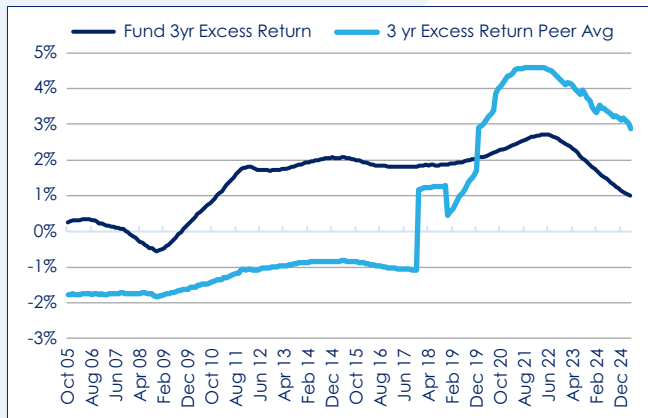
### Rolling Returns



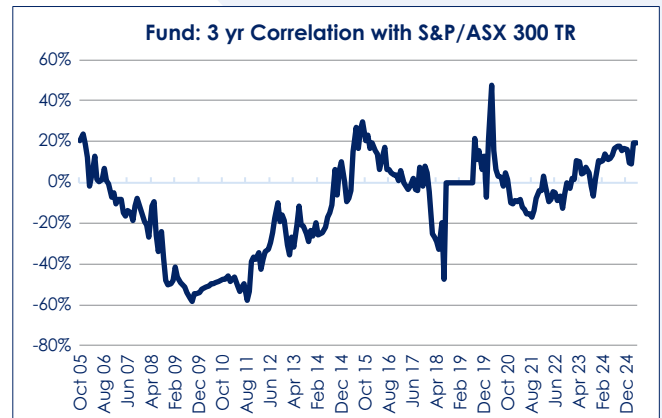
### Fund Excess Return Half Yearly



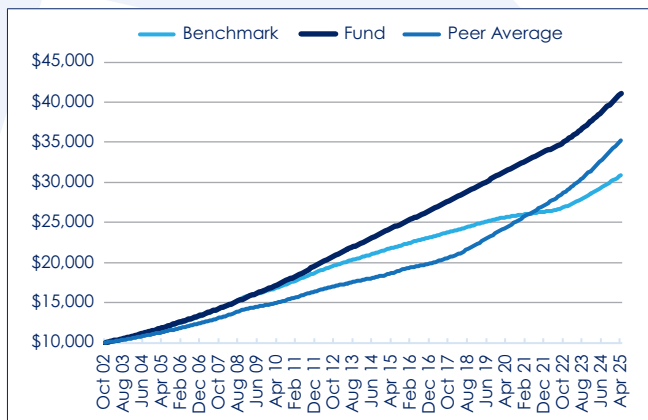
### Rolling Excess Returns



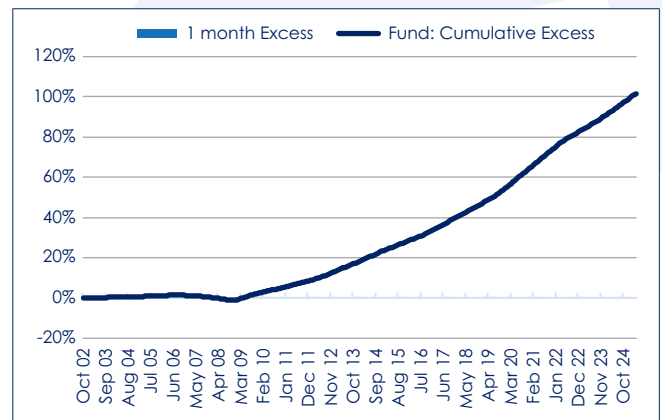
### Rolling Correlation



### Growth of \$10,000

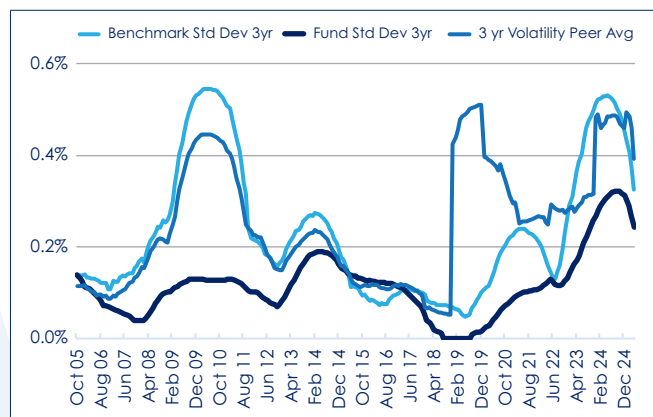


### Cumulative Excess Returns



## Return and Risk

### Rolling Volatility





**Drawdown**

A drawdown tracks the path of the Fund's accumulated NAV (with dividends reinvested). It is measured over the period of a peak-to-trough decline and the subsequent recovery back to that previous peak level. The total return over that entire period is, of course, zero. The metric of interest, the drawdown itself, is quoted as the percentage change between the peak and the trough over that period. Funds typically have multiple drawdowns of varying size and length over their lifetime. The table above shows how many drawdowns have occurred and their average peak-to-trough size.

**Alpha**

SQM defines **Alpha** as the excess return compared to the Benchmark and is calculated as

$$\text{Alpha} = \text{Fund Return} - \text{Benchmark Return}$$

**A General Note on Distributions for Managed Funds**

The Responsible Entity of a Managed Fund will provide for a regular schedule of distributions, such as monthly/quarterly/semi-annual or annual. This is subject to the Fund having a sufficient distributable income. The official total distributable income available to pay to investors is determined for the period of that Fund's financial year. By distributing the net taxable income of the Fund to investors each year, a Fund itself should not be liable for tax on its net earnings.

If a Fund makes distributions more frequently than once over the financial year, those distributions will be based on estimates of the distributable income for that distribution period. The final total amount of distributable income available for passing on to investors can only be calculated after the close of the financial year, based on the Fund's taxable income for that year.

If the total distributions a Fund pays out exceed total taxable income for that particular financial year, the excess amount may be treated as a return of capital rather than income. This will possibly have tax implications for the investor.

Due to the considerations outlined above, there may be periods in which no distributions are made, or a Fund may make additional distributions.

A Fund's ability to distribute income is determined by the performance of the Fund and general market conditions. Accordingly, there is no guarantee that a Fund will make a distribution in any distribution period.

**Total Cost Ratio (TCR)**

**Managed Investment Schemes:** The TCR for Managed Investment Schemes, Exchange Traded Products, and Investment Bond funds is an addition of the Investment Management Fees and Costs (including admin fees), Performance Fee Costs, and the impact of dollar-based fees.

**Superannuation funds:** The TCR for Superannuation and Pension funds is an addition of the Investment Management Fees and Costs (including admin fees), Performance Fee Costs, Administration Fees and Costs, the impact of dollar-based fees and a deduction of Super OTC Derivative Costs.

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**SQM**  
RESEARCH

**Address:**

Level 15, 99 Walker Street  
North Sydney, New South Wales, 2060

**Contacts:**

Louis Christopher 02 9220 4666  
Chetan Trehan 02 9220 4607  
Paul Saliba 02 9220 4606

**Analyst:**

Michael Lindsay

**Central Contacts:**

Phone: 1800 766 651  
Email: [info@sqmresearch.com.au](mailto:info@sqmresearch.com.au)  
Web: [www.sqmresearch.com.au](http://www.sqmresearch.com.au)