# Product Assessment

**Report as at 30 Jun 2025**

RECOMMENDED

# La Trobe Australian Credit Fund - 12 Month Term Account

Rating issued on 30 Jun 2025 | APIR: LTC0002AU

## Investment objective

To outperform the Bloomberg AusBond Bank Bill Index by 1.50% p.a. with low capital volatility.

| | |
|---|---|
| **Manager** | La Trobe Financial Services Pty Limited |
| **Distributor** | La Trobe Financial Asset Management Limited |
| **Sector** | Australian Fixed Interest \ Private Credit |
| **Investment Style** | Active |
| **RI Classification** | Aware |
| **Absolute Risk** | Moderate |
| **Relative Risk** | Active - Benchmark Unaware |
| **Investment Timeframe** | 5-6 Years |
| **Zenith Benchmark** | Bloomberg AusBond Bank Bill Index |
| **Min Investment Amount** | $10 |
| **Redemption Frequency** | Annually |
| **Income Distribution** | Monthly |
| **Fund Size (31 May 2025)** | $10.22B |
| **Management Cost** | 1.80% p.a. Incl. GST |
| **Performance Fee** | N/A |
| **Buy / Sell Spread** | 0.00% / 0.00% |
| **Inception Date** | 01 Oct 2002 |

## Fund facts

- A pool of direct first registered mortgages primarily backed by residential, industrial and commercial assets
- Engages primarily in low-doc, mortgage lending
- Maintains an Investor Reserve to smooth returns and offset any potential losses arising from non-performing loans

## Viewpoint

The Fund, managed by La Trobe Financial (La Trobe), provides exposure to a portfolio of internally-originated real estate mortgages, diversified across regions, borrower types and loan purposes. In Zenith's opinions the Fund represents a differentiated offering relative to traditional fixed income strategies, with the quality of La Trobe's underwriting process ultimately driving performance outcomes.  Zenith considers the fund to be a suitable option for those investors that are comfortable with the minimum initial 12-month term and the Fund's notional high fee load.

La Trobe employs over 550 staff, organised into several divisional lines including credit, investment, custody, finance, technology and governance, located across Melbourne and Sydney. Each division is lead by a business head, with a number of management committees supporting the day-to-day operations and management of the business.

In our opinion, La Trobe's resourcing is significant spanning mortgage origination, treasury, portfolio management, loan servicing and arrears management. Further, the firm's commitment to investing in processes and systems in line with mortgage book growth has ensured that underwriting standards have been maintained and loans arrears controlled below industry averages.

La Trobe seeks to outperform the Bloomberg AusBond Bank Bill Index by 1.50% p.a. (net of fees) by investing in a diversified pool of primarily residential mortgages, with smaller exposures to commercial, industrial, vacant land, rural and construction mortgages. Furthermore, La Trobe targets the complex prime segment of the mortgage market as this is an area that is generally underserviced by authorised deposit-taking Institutions (ADIs), such as major banks.

Zenith highlights that investing in pools of residential mortgages represents an attractive opportunity set compared to traditional corporate bonds. In particular, the spreads or returns are materially higher and represent compensation for a range of factors including movements in collateral values, borrower credit risk, illiquidity premia and early prepayment risk.

La Trobe's assessment of creditworthiness focuses on the borrower's credit history and stability, savings record (or equity available), loan serviceability and collateral security. Borrowers' creditworthiness is assessed using, amongst other things, credit checks (Equifax) for both new loans and renewals.

In Zenith's opinion, La Trobe's credit assessment process is robust, employing a range of measures to address the nuances of each borrower type (e.g. assessing loan serviceability based on interest coverage ratio (ICR) and debt service coverage ratio (DSCR) for commercial loans and on net disposable income (NDI) for residential loans).

The portfolio management team is ultimately responsible for selecting loans from an approved list of mortgages, based on the risk/return, regional diversification, blending loan maturities and ensuring the portfolio's liquidity profile is maintained.

In Zenith's opinion, the portfolio construction process achieves diversification across regions, LVR profiles, sectors, borrowers and loan types. Further, La Trobe employs a well-developed capital budgeting framework which supports the matching of borrower funding requirements with investor activity at the Fund level.

# Fund analysis

## Fund characteristics

| Constraint | Value |
|---|---|
| Cash or liquid securities | Minimum: $A 0.5 million |
| Individual loan exposure | Maximum: 2.5% of FUM |
| Fund LVR | Maximum: 80% |
| Loan term | Maximum: 40 years |
| Security type | |
| Residential | 30% to 80% |
| Commercial | 0% to 40% |
| Industrial | 0% to 30% |
| Rural | 0% to 15% |
| Construction & development | 0% to 15% |
| Vacant land | 0% to 10% |
| Geographic allocation | |
| ACT/NT | 0% to 10% |
| NSW | 0% to 50% |
| QLD | 0% to 40% |
| SA | 0% to 10% |
| TAS | 0% to 10% |
| VIC | 0% to 50% |
| WA | 0% to 20% |
| Interest rate type | |
| Variable | Target: 50% |
| Fixed | Target: 50% |

## Investment objective and philosophy

La Trobe seeks to outperform the Bloomberg AusBond Bank Bill Index by 1.50% p.a. (net of fees) by investing in a diversified pool of primarily residential mortgages, with smaller exposures to commercial, industrial, vacant land, rural and construction mortgages. Furthermore, La Trobe targets the complex prime segment of the mortgage market as this is an area that is generally underserviced by authorised deposit-taking Institutions (ADIs), such as major banks.

The philosophy of maintaining high-quality credit processes and lending criteria allows La Trobe to exploit higher premiums associated with borrowers underserviced by mainstream financiers. La Trobe believes that the combination of a robust loan selection criteria, conservative lending limits, a disciplined underwriting process and rigorous recoveries on non-performing loans results in higher returns with controlled risk.

Further, La Trobe asserts that investing in pools of residential mortgages represents an attractive opportunity set compared to traditional corporate bonds. In particular, the spreads or returns are materially higher and represent compensation for a range of factors including movements in collateral values, borrower credit risk, illiquidity premia and early prepayment risk.

Zenith highlights that originating mortgages is a resource-intensive process requiring capabilities across loan underwriting, legal, loan servicing and arrears management. In our opinion, La Trobe capabilities in these areas are a key strength of the fund.

## Portfolio applications

Residential mortgages are fixed interest securities where returns are generated from a pool of mortgages obligations with the underlying borrowers typically pay a floating interest rate (based on a margin above BBSW) to La Trobe. While the Fund is managed with a broad investable universe that includes niche segments such as rural and vacant land, it is expected that the majority of loans will be made to residential borrowers and to a lesser extent, commercial and industrial borrowers.

Zenith believes the Fund may be suitable for investors seeking exposure to a higher-yielding strategy, which may improve a portfolio's potential risk/return profile. However, given the Fund's portfolio is concentrated in real estate mortgages with a focus on low-doc lending opportunities, it may not be suitable for the more risk-averse investor. Rather, Zenith believes it may be suitable as a satellite exposure and should blend well with traditional Fixed Interest strategies to produce a more balanced set of investment outcomes.

### Liquidity

La Trobe utilises an 'Annual Access Cycle', a 12-month fixed term for investor funds once an investor enters. Once each investor's maturity date is reached, funds may be withdrawn providing the withdrawal request is submitted at least 30 days prior to the maturity date. In the absence of a withdrawal request, an investment will be automatically rolled over for a further 12 months.

Once the initial 12-month period expires, investors seeking to continue their investment can choose an ongoing investment term. This will be the choice of either a new 12-month term or a 'Regular Access Cycle', whereby investors can elect for a proportionate level of their capital to become available for redemption over each month (8.3% of capital), quarter (25%) or semi-annual period (50%).

Withdrawals by platform investors are available on a monthly basis, however the Fund may limit this to 2% of the platform investor's total investments.

La Trobe has structured these mechanisms to allow more efficient matching of assets and liabilities, and also to mitigate extraneous events causing a sentiment led run of redemptions. Accordingly, investors should consider whether this structure suits their circumstances.

Whilst these mechanisms limit easy access to funds, Zenith believes they are appropriate given the illiquid nature of the underlying asset class. Zenith strongly believes mortgage funds should not be utilised as a substitute to cash, nor should they be treated as a liquid place to allocate funds. Notwithstanding its design, the presence of term structures does not eliminate all risks associated with a clustering of redemption requests.

## Fund responsible investment attributes

| Key Information | Description |
|---|---|
| Zenith RI classification* | Aware |
| Has Responsible Investment Policy | Yes |
| **PRI Status** | |
| PRI Signatory | No |

*Zenith RI Classification scale:

- Traditional
- Aware
- Integrated
- Thematic
- Impact

# Absolute performance

**Performance as at 31 May 2025**

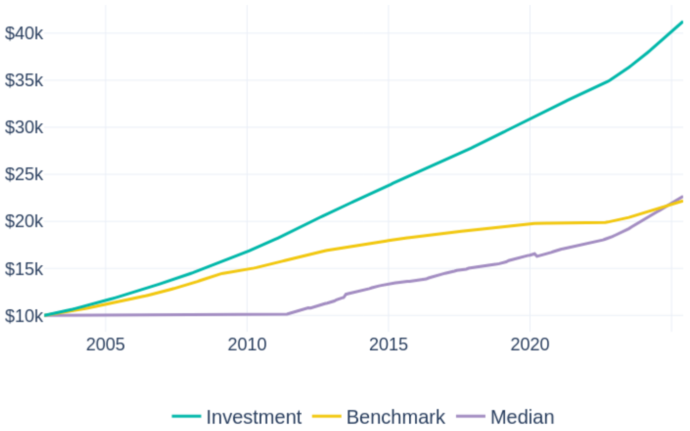
## Monthly performance history (%, net of fees)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD | BM YTD* | BM2 YTD** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2025 | 0.56% | 0.56% | 0.54% | 0.54% | 0.54% | | | | | | | | 2.78% | 1.78% | 2.41% |
| 2024 | 0.55% | 0.55% | 0.55% | 0.56% | 0.56% | 0.56% | 0.56% | 0.56% | 0.56% | 0.56% | 0.56% | 0.56% | 6.94% | 4.47% | 6.03% |
| 2023 | 0.47% | 0.47% | 0.47% | 0.48% | 0.48% | 0.50% | 0.52% | 0.52% | 0.52% | 0.52% | 0.54% | 0.55% | 6.22% | 3.89% | 5.44% |
| 2022 | 0.32% | 0.32% | 0.30% | 0.30% | 0.30% | 0.36% | 0.36% | 0.39% | 0.42% | 0.44% | 0.45% | 0.46% | 4.52% | 1.25% | 2.77% |
| 2021 | 0.36% | 0.36% | 0.36% | 0.36% | 0.36% | 0.36% | 0.36% | 0.36% | 0.36% | 0.35% | 0.35% | 0.35% | 4.39% | 0.03% | 1.53% |

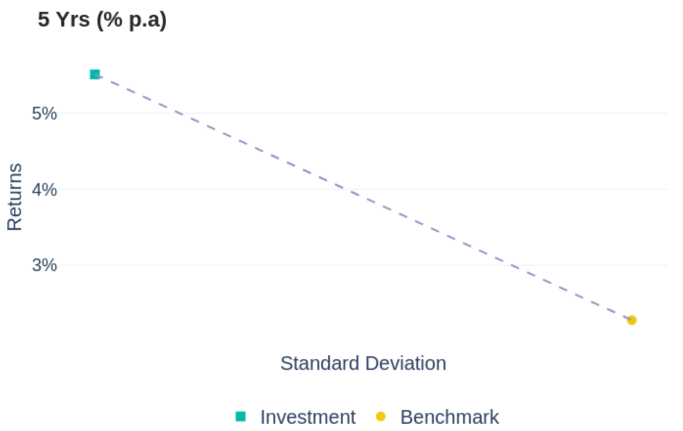
**Bloomberg AusBond Bank Bill Index*

***Bloomberg AusBond Bank Bill Index + 1.50%*

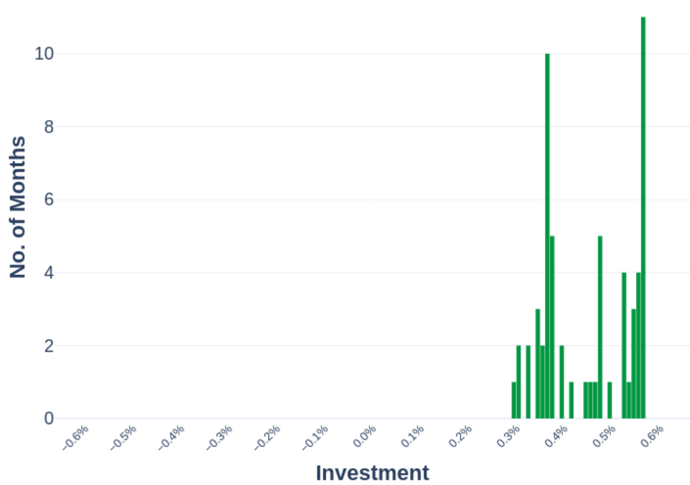
## Growth of $10,000




## Risk / return




## Monthly histogram




## Minimum and maximum returns (% p.a.)

## Absolute performance analysis

| Instrument | 1 Yr | 3 Yrs | 5 Yrs | 10 Yrs | Inception |
|---|---|---|---|---|---|
| **Investment** | **6.90%** | **6.31%** | **5.51%** | **5.40%** | **6.48%** |
| Income | 6.90% | 6.31% | 5.51% | 5.40% | 6.48% |
| Growth | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| **Benchmark** | **4.42%** | **3.79%** | **2.28%** | **2.02%** | **3.59%** |
| **Median** | **8.56%** | **8.18%** | **6.67%** | **5.28%** | |
| **Cash** | **4.42%** | **3.79%** | **2.28%** | **2.02%** | **3.59%** |

## Ranking within sector (p.a.)

| Ranking within Sector | 1 Yr | 2 Yrs | 3 Yrs | 5 Yrs |
|---|---|---|---|---|
| Fund Ranking | 25 / 27 | 26 / 27 | 26 / 27 | 23 / 24 |
| Quartile | 4th | 4th | 4th | 4th |

## Absolute risk

| Instrument | 1 Yr | 3 Yrs | 5 Yrs | 10 Yrs | Inception |
|---|---|---|---|---|---|
| **Standard Deviation (% p.a.)** | | | | | |
| Investment | 0.03% | 0.21% | 0.32% | 0.23% | 0.33% |
| Benchmark | 0.05% | 0.28% | 0.56% | 0.42% | 0.58% |
| Median | 0.13% | 0.42% | 0.65% | 0.97% | 1.15% |
| **Downside Deviation (% p.a.)** | | | | | |
| Investment | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Benchmark | 0.00% | 0.00% | 0.01% | 0.01% | 0.00% |
| Median | 0.00% | 0.00% | 0.00% | 0.51% | 0.44% |

## Absolute risk/return ratios

| Instrument | 1 Yr | 3 Yrs | 5 Yrs | 10 Yrs | Inception |
|---|---|---|---|---|---|
| **Sharpe Ratio (p.a.)** | | | | | |
| Investment | 79.10 | 12.21 | 10.18 | 14.83 | 8.67 |
| Benchmark | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Median | 30.75 | 10.50 | 6.77 | 3.37 | 3.04 |
| **Sortino Ratio (p.a.)** | | | | | |
| Investment | infinity | infinity | infinity | infinity | infinity |
| Benchmark | NaN | NaN | 0.00 | 0.00 | 0.00 |
| Median | infinity | infinity | infinity | 6.35 | 8.04 |

Zenith benchmarks funds within the 'Australian Fixed Interest – Specialist' peer group against the Bloomberg AusBond Bank Bill Index. While this benchmark may not be consistent with the one adhered to by all sector participants, it has been adopted to provide investors with a common reference point against which the performance of similarly structured strategies may be assessed.

La Trobe seeks to outperform the Bloomberg AusBond Bank Bill Index by 1.50% p.a. (net of fees) with low capital volatility.

All commentary is current as at 31 May 2025.

The Fund has generated returns in excess of its investment objective over the medium to long-term periods of assessment.

Meaningful peer group comparisons are challenging given the heterogeneous nature of the strategies employed across the sector, along with the different levels of credit quality and liquidity.

# Relative performance

## Excess returns

| Statistic | 1 Yr | 3 Yrs | 5 Yrs | 10 Yrs | Inception |
|---|---|---|---|---|---|
| Excess Return | 2.47% | 2.52% | 3.23% | 3.38% | 2.89% |
| Monthly Excess (All Mkts) | 100.00% | 100.00% | 100.00% | 100.00% | 99.26% |
| Monthly Excess (Up Mkts) | 100.00% | 100.00% | 100.00% | 100.00% | 99.25% |
| Monthly Excess (Down Mkts) | 0.00% | 0.00% | 100.00% | 100.00% | 100.00% |

## Capture ratios (% p.a.)

| Statistic | 1 Yr | 3 Yrs | 5 Yrs | 10 Yrs | Inception |
|---|---|---|---|---|---|
| Downside Capture | 0.00% | 0.00% | -5778.89% | -5778.89% | -5778.89% |
| Upside Capture | 154.20% | 164.61% | 228.83% | 257.72% | 176.88% |

## Tracking error (% p.a.)

| Instrument | 1 Yr | 3 Yrs | 5 Yrs | 10 Yrs | Inception |
|---|---|---|---|---|---|
| Investment | 0.04% | 0.10% | 0.27% | 0.21% | 0.30% |
| Median | 0.12% | 0.21% | 0.30% | 0.84% | 1.05% |

## Information ratio

| Instrument | 1 Yr | 3 Yrs | 5 Yrs | 10 Yrs | Inception |
|---|---|---|---|---|---|
| Investment | 58.67 | 25.29 | 12.00 | 16.13 | 9.51 |
| Median | 35.67 | 21.04 | 14.48 | 3.86 | 3.33 |

## Beta statistics

| Statistic | 1 Yr | 3 Yrs | 5 Yrs | 10 Yrs | Inception |
|---|---|---|---|---|---|
| Beta | 0.34 | 0.71 | 0.54 | 0.52 | 0.53 |
| R-Squared | 0.30 | 0.92 | 0.93 | 0.91 | 0.83 |
| Correlation | 0.55 | 0.96 | 0.97 | 0.96 | 0.91 |

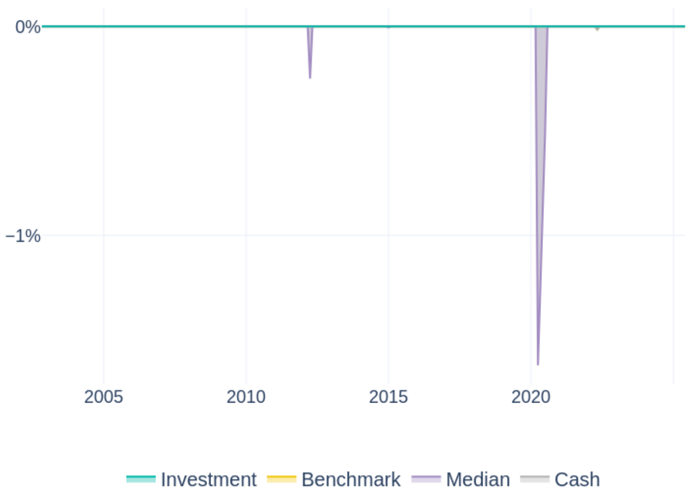
All commentary is current as at 31 May 2025.

Zenith seeks to identify funds which can outperform their index in greater than 50% of months, as we believe this represents a persistence of manager skill.

Given that the nature of pooled mortgage funds is to maintain capital stability, statistics in this section of the report should be viewed as less relevant. Relative performance analysis compares the performance of the Fund to the Bloomberg AusBond Bank Bill Index, an absolute, cash-based index. As such, relative statistics including capture ratios and beta are less meaningful.

## Drawdown analysis (since inception)

*Drawdown analysis assesses the relative riskiness of a Fund versus the benchmark, in reference to capital preservation. The maximum Drawdown is recorded as the percentage decline in the value of a portfolio from peak to trough (before a new peak is achieved). All Drawdown analysis is calculated commencing from the inception date of the Fund in question, and Drawdown analysis for the Fund and benchmark(s) are calculated independently. That is, the largest drawdown for the Fund and benchmark(s) will not always refer to the same time period.*




All commentary is current as at 31 May 2025.

The Fund is not subjected to the same mark-to-market pricing that is commonly observed across more traditional Fixed Interest strategies. As such, an assessment of the Fund's drawdown profile is not a meaningful measure of peer relative performance.

# Fund commentary

## Fund risks

Zenith has identified the following key risks of the Fund. Although Zenith believes the risks noted are all significant, we have listed them in order of importance. In addition, we have not intended to highlight all possible risks.

**Credit risk:** The majority of the Fund's loan book comprises low-doc loans. Low-doc lending practices tend to be inherently more exposed to default risk than full-doc loans. While La Trobe has extensively tailored its processes to apply a full-doc type regime, credit risk is elevated compared to more traditional lending in this sector.

**Borrower default risk:** This risk is heightened due to the low-doc lending focus and as such, arrears management processes are critical. La Trobe has continued to monitor and refine its arrears management processes, coupled with continuing to operate under restrained lending limits, to manage these risks, however they will remain elevated compared to more traditional lending in this sector.

**Limited redemption risk:** The Fund is subject to liquidity restrictions including no access to capital over the first twelve months and further limits over the ensuing twelve month period. Therefore, the Fund may not be suitable for investors requiring immediate access to capital.

**Asset class risk:** Although the Fund offers diversity in terms of regions, sectors, issuers, securities and maturities, the majority of the portfolio is exposed to the performance of the domestic residential property. As such, a key risk to the performance of the Fund is a significant deterioration in this market, which could result in asset write-downs and default arrears; ultimately resulting in portfolio losses.

**Development risk:** Lending to finance property development or construction projects is an elevated risk proposal where a multitude of factors can impede a borrower's ability to service loans. Whilst the firm limits lending to this sector and uses both 'market' and 'as if complete' independent valuations to aid risk management, risks are higher compared to lending on stable, cash flow generating assets.

## Security/asset selection

La Trobe's mortgage investment selection process comprises three distinct stages:

- Loan origination
- Loan approval and underwriting
- Portfolio construction

The loan origination process utilises a network of independent mortgage brokers complemented by an internal sales and marketing team. Deals with mortgage brokers tend to be via established relationships, larger groups or direct accreditation, usually with smaller organisations. La Trobe undertakes ongoing monitoring of finance brokers by reviewing volumes of loan applications, settlements and performance.

Following origination, a La Trobe underwriter undertakes the loan assessment, with the complexity of the loan being matched to the skills and experience of the underwriter. Following this, applications are submitted for credit approval, which requires a dual sign-off by authorised personnel, with those loans deemed large or complex potentially requiring additional approvals.

La Trobe's assessment of creditworthiness focuses on the borrower's credit history and stability, savings record (or equity available), loan serviceability and collateral security. Borrowers' creditworthiness is assessed using credit checks (Equifax) for both new loans and renewals. Financial information on income and assets are verified by the borrowers' accountant and debt serviceability assessed.

In cases of PAYG income, direct inquiry with the employer is undertaken by the credit analyst. An independent valuation is also required from La Trobe's panel of valuers and the Fund's panel of solicitors will also undertake legal due diligence and provide certification of each loan.

In Zenith’s opinion, La Trobe’s credit assessment process is robust, employing a range of measures to address the nuances of each borrower type (e.g. assessing loan serviceability based on interest coverage ratio (ICR) and debt service coverage ratio (DSCR) for commercial loans and on net disposable income (NDI) for residential loans). Given the nature of the loan book and client base, Zenith believes the approval process is sound, providing an effective layer of risk mitigation.

## Responsible investment approach

La Trobe has a Responsible Investment Policy (RIP) that was last updated in April 2022. The firm is not a signatory to the United Nations Principles for Responsible Investment (PRI).

La Trobe incorporates environmental, social and governance (ESG) factors as part of its standard policy management and business processes. ESG and ethical factors are captured through the application of its lending criteria, including maintaining conservatism with respect to borrower serviceability, Equifax scores and ensuring that its arrears management procedures are applied compassionately and with respect to the borrower.

## Portfolio construction

The portfolio management team is ultimately responsible for selecting loans from an approved list of mortgages, based on the risk/return, regional diversification, blending loan maturities and ensuring the portfolio's liquidity profile is maintained. In effect, the Portfolio Manager can modulate the underlying exposures and risk profile of the strategy, to ensure the return objective is met with risk controls tightly managed.

The 12TM portfolio comprises thousands of underlying loans, diversified across property types, geographic locations and borrowers. Sector allocations and any clustering of risk exposures are reviewed on an ongoing basis with the origination team able to limit the origination in those regions or property types where it has concerns on property values or if the portfolio is becoming over-exposed.

Portfolio construction is focused on matching the underlying maturity profile of the portfolio with potential redemptions, with the latter reasonably predictable based on historical investor behaviour and some of the restrictions placed on accessing capital.

Potential mismatches are managed through diversifying mortgage maturities across investment horizons and ensuring that the portfolio has a continual stream of maturities with generally one third of the portfolio maturing within a two year horizon. Further, as a lender that specialises in the non-conforming segment, mortgage prepayments are typically higher, often exceeding 30% p.a., which enhances the overall liquidity profile of the strategy.

In Zenith's opinion, the portfolio construction process achieves diversification across regions, LVR profiles, sectors, borrowers and loan types. Further, La Trobe employs a well-developed capital budgeting framework which supports the matching of borrower funding requirements with investor activity at the Fund level.

### Risk management

La Trobe's approach to risk management is largely an outworking of the application of its underwriting policies and maintenance of its lending standards. While each type of lending (e.g. residential, industrial and commercial) exhibits different types of risks, the risk of arrears and portfolio losses are controlled by maintaining discipline with respect to the following:

- Loan to value (LVR) constraints
- Maintaining minimum Equifax borrower credit scores
- Loan size
- Borrower type (e.g. individual, trust, company or SMSF)
- Loan vintages and seasoning
- Diversification of collateral across metropolitan and regional areas

Portfolio construction constraints, while fairly wide, limit riskier exposures to areas such as construction lending, high LVRs and excludes second mortgages. Risk is further limited by only using independent valuations on loan security, avoiding financing specialised property types and prohibiting related party lending, which has historically represented problem areas for this asset class.

The 12TM is managed with an Investor Reserve which is used as a buffer against losses and mechanism for smoothing distributions. The Investor Reserve generally represents between 0.30% and 0.60% of the Fund's net asset value (NAV) and is expected to be utilised during periods where arrears and portfolio losses are elevated.

Zenith notes that the Investor Reserve has been effective in absorbing capital losses experienced by the Fund, noting the reasonably benign environment for mortgage arrears.

The portfolio is managed within a detailed liquidity framework, with a set of levers in place to ensure that liquidity ratios are maintained in accordance with risk appetite settings. Managed under the auspices of APRA's liquidity coverage ratios, a range of stress tests are applied on a daily and monthly basis, including stressing the portfolio based on zero inflows and the maximum permissible amount of outflows.

In terms of mortgage arrears, late payment fees (LPFs) flow directly to 12TM investors which is consistent with best practice and also avoids any potential conflicts of interests that may arise from mortgage managers benefiting from underperforming loan investments.

### Investment fees

| | Fund | Sector Average |
|---|---|---|
| Total Fees and Costs (RG 97) | 1.80% p.a. | 0.98% p.a. |
| Management Fees and Costs | 1.80% p.a. | 0.86% p.a. |
| Transaction Costs | 0.00% p.a. | 0.07% p.a. |
| Performance fees as at 30 Jun 2024 | 0.00% | 0.10% |
| Performance fees description | N/A | |
| Management Cost | 1.80% p.a. | 0.84% p.a. |
| Buy / Sell spread | 0.00% / 0.00% | 0.05% / 0.05% |

*All fees and costs are inclusive of GST unless indicated otherwise. The Performance Fee shown is the performance fee disclosed in the PDS. It is calculated by taking the average performance fees charged over the last five financial years (or less if the investment or performance fee mechanism has not been in place for five financial years).*

The sector average fee (in the table above) is based on the average management cost of all flagship 'Australian Fixed Interest – Private Credit' funds surveyed by Zenith.

The Fund does not incur buy/sell spreads; however, a fee of up to 1.50% may be levied in the event of an authorised early withdrawal prior to maturity (platform investors are exempt from this fee).

In Zenith's opinion, while the stated management cost is high relative to the return objective and the broader peer group, we acknowledge simple fee comparisons in private credit can be difficult owing to the wide variety of fee structures that can be applied, often outside a fund.

*(The fees mentioned above are reflective of the flagship version only, fees may differ when the product is accessed through an alternate investment vehicle such as a platform).*

## About the fund manager

### Organisation

Founded in 1952, La Trobe is an independent credit specialist and alternative asset manager, with operations in Melbourne and Sydney, spanning over 550 staff. La Trobe's credit operations specialise in lending to borrowers who are under serviced by mainstream financiers, principally utilising low-doc lending.

La Trobe is 100% owned by global alternative asset manager, Brookfield Asset Management, which is listed on the New York Stock Exchange (NYSE: BAM).

Investment management functions are undertaken by La Trobe Financial Services Pty Ltd (LFS), whilst La Trobe Financial Asset

Management Ltd (LFAM) is the responsible entity for the Fund. Both entities hold an Australian Credit Licence.

La Trobe's mortgage lending operations are funded via the issuance of Residential Mortgage Backed Securities, major national and international institutions on a wholesale basis, and via investors in the La Trobe Australian Credit Fund.

As at 31 May 2025, La Trobe had funds under management (FUM) of $A 20 billion. Of this, the La Trobe Australian Credit Fund had FUM of $A 13.2 billion, with $A 10.0 billion in the Fund (12 Month Term Account).

### Investment personnel

| Name | Title | Industry Experience (yrs) | Tenure (yrs) | Location |
|---|---|---|---|---|
| Chris Andrews | Chief Executive Officer | 25 | 22 | Melbourne, Australia |
| Chris Paton | Chief Investment Officer | 18 | 8 | Melbourne, Australia |
| Martin Barry | Chief Financial Officer | 29 | 11 | Sydney, Australia |
| David Tagg | Head of Investments | 31 | 1 | Sydney, Australia |
| Michelle Dai | Head of Group Portfolio Management | 10 | 10 | Melbourne, Australia |
| Paul Brown | Treasurer | 25 | 5 | Melbourne, Australia |

La Trobe employs over 550 staff, organised into several divisional lines including credit, investment, custody, finance, technology and governance, located across Melbourne and Sydney. Each division is lead by a business head, with a number of management committees supporting the day-to-day operations and management of the business.

The Origination & Credit Committee (OCC) drives the business in setting relevant policies and guidelines, which shape the core aim of operating as a mortgage financier. This nine-person committee is chaired by Chief Lending Officer, Cory Bannister. The OCC controls the flow of loans to the Fund, determines lending guidelines with reference to the Board's risk appetite and monitors non-performing loans, which forms a feedback loop to the overall lending policies.

The Asset & Liability Committee, is responsible for all mortgage pricing and managing interest rate risk for the Group as well as setting the distribution rate to investors. This nine-person committee is chaired by Martin Barry, Chief Financial Officer.

Given the resource-intensive nature of mortgage origination, La Trobe uses a team-based decision-making process to ensure an appropriate level of specialisation is achieved within each function. However, the overall strategic direction of the funds management business falls within the remit of the Board, Compliance Committee and Executive Committee, with operational aspects implemented by the executives of the respective teams.

With respect to managing the portfolio, the critical components are funds management, credit operations, asset management and portfolio management. Credit operations (lending) are separate from the asset management team, which manages arrears, litigation and loss recovery. In turn, these teams are separate from the portfolio management team, which drives the portfolio construction process and ensures compliance with risk management limits.

Zenith notes that in January 2025, Head of Portfolio Fund Management Sandy Singh left the business. La Trobe has indicated that rather than replace his role, many of his responsibilities will fall to Head of Investments, David Tagg, with the remainder picked up by other team members.

Remuneration structures utilised by La Trobe generally rely on market-based remuneration standards. Generally, bonuses are not paid, with the exception of Executive General Managers, where these are based on a range of risk and cultural metrics. In Zenith’s opinion, La Trobe’s remuneration structure is appropriate.

In our opinion, La Trobe's resourcing is significant spanning mortgage origination, treasury, portfolio management, loan servicing and arrears management. Further, the firm's commitment to investing in processes and systems in line with mortgage book growth has ensured that underwriting standards have been maintained and loans arrears controlled below industry averages.

## About the sector

### Sector characteristics

The Zenith ‘Australian Fixed Interest — Private Credit’ sector consists of funds that offer fixed or floating-rate loans to Australian corporates, real estate mortgagors, or private equity (PE) sponsors to finance operations, construction projects or merger and acquisition (M&A) activities. Loans may also be provided to refinance existing debt or to optimise a borrowing company’s debt/equity mix.

Fund managers within this sector predominantly add value through bottom-up loan selection, sector positioning and restructuring activities. Private credit funds typically target higher yields and lower volatility relative to public fixed income and liquid corporate/securitised debt, as well as low correlation to traditional credit assets. Notwithstanding this, private credit funds have lower levels of liquidity, less frequent valuation of loans and generally higher costs to investors, when compared to traditional fixed income.

Private credit encompasses a wide range of lending strategies and purposes. These can include direct lending (bilateral and syndicated loans directly negotiated between borrower and lender(s)), mezzanine debt (subordinated loans, often with equity-like features), distressed debt (buying or restructuring debt in workout situations) and asset-backed debt (loans secured against hard or financial assets). Further, certain private credit strategies allow for exposure to equity positions, typically arising from debt-to-equity swaps. Whilst equity exposures are often incidental, they can materially affect a strategy’s risk profile. As such, Zenith has a low tolerance to equity exposures within the private credit sector.

Zenith benchmarks all funds in this space against the Bloomberg AusBond Bank Bill Index, which may or may not be reflective of the underlying benchmark, in addition to a spread, used by many of the managers in this category. The index has an average term to maturity of approximately 45 days, comprising 13 bank bills of equal face value, each with a maturity of approximately seven days apart.

### Sector risks

**Default risk:** Given fixed interest securities represent loans to borrowers (including governments, banks, and companies), there is a risk that these borrowers may default on interest or principal repayments. Default risk is often reflected in credit ratings assigned by various credit agencies, which are subject to change.

**Interest rate risk:** Fixed interest securities are sensitive to changes in interest rates. An increase in interest rates may result in a fall in the value of these securities, while a decrease in interest rates can result in an increase in value.

**Credit spread risk:** In addition to being sensitive to general interest rate changes, non-government securities are also sensitive to changes in credit spreads (commonly the difference in yield between a government bond and a corporate bond). A widening of spreads results in a fall in the value of these securities.

**Liquidity risk:** Private credit loans are illiquid investments, and currently there is a limited and immature secondaries market. Whilst fund managers often have liquidity measures in place to facilitate redemptions, investors may be limited by how much of their investment can be withdrawn at any one time.

**Valuation risk:** Given the nature of private credit investing, where valuations are conducted on a less frequent basis and through different approaches, valuation risk is considered high relative to public listed markets. As such, the reported value of investments may be higher than the ultimate realisable value.

**Covenant risk:** There is a risk that the loan covenants covering private credit transactions are either too weak, unstructured or unenforced, especially with an increase in covenant-lite loans. As a result, lenders may potentially face loss or decreased control if a borrower's financial situation deteriorates.

**Equity risk:** Certain private credit strategies allow for exposure to equity positions, typically arising from debt-to-equity swaps. Whilst equity exposures are often incidental, they can materially affect a strategy's risk profile.

## Administration and operations

| | |
|---|---|
| Responsible Entity | La Trobe Financial Asset Management Limited |

## Zenith rating

### Report certification

Date of issue: 30 Jun 2025

| Role | Analyst | Title |
|---|---|---|
| Analyst | Dugald Higgins | Head of Responsible Investment & Real Assets |
| Sector Lead | Andrew Yap | Head of Multi Asset & Austn. Fixed Income |

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### Rating history

| As At | Rating |
|---|---|
| 30 Jun 2025 | Recommended |
| 13 Jun 2024 | Recommended |
| 05 Oct 2023 | Recommended |
| 06 Jun 2023 | Recommended |
| 31 May 2022 | Recommended |
| 30 Nov 2021 | Recommended |
| 10 Jun 2021 | Recommended |
| 28 May 2020 | Recommended |

*Last 5 years only displayed. Longer histories available on request.*

In March 2021, Zenith implemented a new ratings methodology for products classified as Traditional Index. Any rating issued from this date forward for Traditional Index products only reflect this change in methodology, with the relevant Traditional Index ratings being Index Approved, Index Recommended and Index Highly Recommended. Ratings issued for Traditional Index products prior to March 2021 are retained for historical purposes in line with our regulatory requirements and were issued in line with Zenith's Fund Research Methodology. Further information in relation to Zenith's Traditional Index Research Methodology and Traditional Index Ratings can be found on the Zenith website.

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