AUSTRALIAN

RESEARCH

INDEPENDENT INVESTMENT RESEARCH

Moelis Australia Fixed Income Fund

May 2019

INDEPENDENT INVESTMENT RESEARCH

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Independent Investment Research, "IIR", is an independent investment research house based in Australia and the United States. IIR specialises in the analysis of high quality commissioned research for Brokers, Family Offices and Fund Managers. IIR distributes its research in Asia, United States and the Americas. IIR does not participate in any corporate or capital raising activity and therefore it does not have any inherent bias that may result from research that is linked to any corporate/ capital raising activity.

IIR was established in 2004 under Aegis Equities Research Group of companies to provide investment research to a select group of retail and wholesale clients. Since March 2010, IIR (the Aegis Equities business was sold to Morningstar) has operated independently from Aegis by former Aegis senior executives/shareholders to provide clients with unparalleled research that covers listed and unlisted managed investments, listed companies, structured products, and IPOs.

IIR takes great pride in the quality and independence of our analysis, underpinned by high caliber staff and a transparent, proven and rigorous research methodology.

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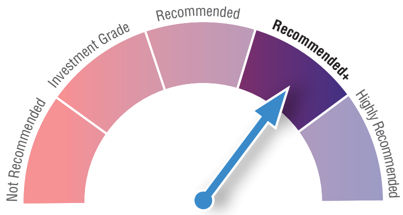
1) The research process has complete editorial independence from the company and this is included in the contract with the company;
2) Our analyst has independence from the firm's management, as in, management/ sales team cannot influence the research in any way;
3) Our research does not provide a recommendation, in that, we do not provide a "Buy, Sell or Hold" on any stocks. This is left to the Adviser who knows their client and the individual portfolio of the client.
4) Our research process for valuation is usually more conservative than what is adopted in Broking firms in general sense. Our firm has a conservative bias on assumptions provided by management as compared to Broking firms.
5) All research mandates are settled upfront so as to remove any influence on ultimate report conclusion;
6) All staff are not allowed to trade in any stock or accept stock options before, during and after (for a period of 6 weeks) the research process.

For more information regarding our services please refer to our website www.independentresearch.com.au.

Moelis Australia Fixed Income Fund

Note: This report is based on information provided by the company as at May 2019

Rating



Key Investment Information

Name of Fund	Moelis Australia Fixed Income Trust
Investment Manager	Moelis Australia Funds Management Pty Ltd
Trustee	Moelis Australia Asset Management
Investment Type	Wholesale Unit Trust
Fund Term	Open-ended Trust
Application Close	20 June 2019
Units Issue Date	1 July 2019
Unit Issue Price	$2.00 per unit
Min Investment	$100,000
Target Distribution	RBA Cash Rate + 4.00% p.a. (currently 5.50%) net of fees
Redemption Date	Given the proposed listing of the Fund in the second half of 2019, the Trustee currently does not intend to allow redemptions
Redemption Notice	Target IPO second half 2019. Otherwise, last day of each calendar quarter
Distribution Policy	Monthly
MER	0.50% p.a

Fees Commentary

The MER is 0.50% p.a. of the NAV of the Fund. This is comparatively low relative to listed credit investment peers. Upfront offer costs will be borne by Moelis Australia, not the Fund..

Portfolio Allocation Long-term Target Range

Commercial	40-70%
Consumer	30-70%
Real Estate	0-10%
Cash	1-10%

The investment opinion in this report is current as at the date of publication. Investors and advisers should be aware that over time the circumstances of the issuer and/or product may change which may affect our investment opinion.

OVERVIEW

The Moelis Australia Fixed Income Fund ("the Fund") is a newly established Australian wholesale unit trust and provides its investors with exposure to a diversified portfolio of credit investments in a unique fund structure. The portfolio will comprise a mix of commercial, accounts receivable and consumer lending products diversified by market segments, borrowers, industries, credit qualities and origination channels. More specific examples of these loan categories will include inventory funding (accounts receivable), specialised debtors (commercial), strata funding (consumer), personal lending (consumer), and, to a lesser degree, senior secured financing property loans (real estate). The Fund has been established by Moelis Australia Asset Management Limited (the Trustee) which, in turn, has appointed Moelis Australia Funds Management Pty Ltd (the Manager) as investment manager. Each of the Trustee and Manager are wholly owned subsidiaries of Moelis Australia Limited (Moelis Australia or MOE). The Fund will aim to distribute a net cash yield (after all fees) of the RBA Cash Rate + 4.00% (currently 5.50%) with distributions payable monthly (Target Return). The Fund benefits from a material co-investment by Moelis Australia, structured to prioritise investor returns and significantly reduce investor risk. Moelis Australia has committed to invest, alongside the Fund, an amount equal to 10% of the Fund's capital, on terms that provide investors with the benefit of a capital buffer and income priority through what is referred to as a credit enhancement structure. Specifically: (i) Moelis Australia's capital will first absorb any realised losses, providing a buffer to protect investor capital (Capital Buffer); (ii) Investors benefit from prioritisation of income and capital; and (iii) There is strong alignment of interest between investors and Moelis Australia. Moelis Australia will only ever receive a return on its co-investment if investors have been paid the Target Return and Moelis Australia's Capital Buffer is equal to 10% of the Fund's capital. Moelis Australia is targeting an ASX listing of the Fund in second half 2019.

INVESTOR SUITABILITY

The genesis of the investment strategy came about partly by what Moelis Australia witnessed as an increasing pool of borrowers seeking funding outside the traditional banking sources as tighter macro-prudential pressures have come to be exerted on the traditional banking sector. In this environment, the need for specialty or alternative lending has increased to service a growing supply-demand gap. In this environment, and based on a competitive edge that partly stems from a market leading position in advising on a range of transactions and work-out situations and its DNA in credit investing, Moelis Australia is particularly well placed to identify, pursue, manage and deliver on specific credit investment initiatives capable of delivering attractive through-cycle, risk-adjusted returns with strong downside protection. The addition of the credit enhancement structure, prioritising income and capital to investors by creating a significant downside buffer to both, forms a very low risk investment vehicle characterised by an expectation of consistent monthly income and strong capital downside protection. As such, from a risk perspective IIR views the Fund sitting between the relatively low returns from cash and government bonds but materially below the risk of a well managed corporate debt investment mandate.

RECOMMENDATION

IIR ascribes a "**RECOMMENDED PLUS**" rating to the Moelis Australia Fixed Income Fund. The ability to identify and our confidence in the Manager's ability to capably pursue and manage the credit initiatives that comprise the underlying portfolio of the Fund are testament to Moelis Australia's market leading expertise in certain credit segments. It provides IIR with confidence of the Manager's ability to deliver on outsized returns relative to risk and to preserve capital. While the credit enhancement caps investors participation in the upside, it serves to create a very low risk investment vehicle, with an expectation of highly predictable and consistent income and strong capital downside protection, making the Fund highly suitable for its intended place in an investor's overall investment portfolio.

SWOT ANALYSIS

Strengths

- A highly innovative and unique product offering in the Australian investment landscape that has been established based on the high degree of expertise Moelis Australia has in certain credit market segments. IIR expects this to benefit investors by way of highly consistent and predictable income and strong preservation of capital.
- Over the last few years, Moelis Australia has been quick to identify and capitalise on the opportunity of an increasing pool of borrowers seeking funding outside the traditional banking sources due to more onerous macro-prudential policies of APRA focused on Authorised Deposit-taking Institutions (ADIs). From an investment standpoint, this presents a greater pool of potential loans from which the Manager may select and market dynamics that are supportive of attractive loan pricing from a risk-adjusted perspective.
- As an organisation as well as its key principles in the business, Moelis Australia has a strong pedigree and long history in particular credit segments as well as having market leading work-outs and capital advisory expertise. This places Moelis Australia in a particularly strong position to identify, pursue, manage, and deliver on credit initiatives, such as those that form the portfolio of the Fund.
- While there has been a host of non-ADI investments issued in recent years, few provide the transparency in relation to the strategy, portfolio and performance provided by Moelis Australia, assisting investors to make an informed assessment of investment risk. Additionally, few competing participants in the non-ADI credit segment have the process rigour, investment team quality, resource depth and track record of Moelis Australia.

Weaknesses

- Market expectations are for the RBA to cut the official interest rate to 1.25%, with the market now fully pricing in a 25 basis point cut in the September 2019 meeting. We note several market economists are forecasting two 25 basis point cuts over 2019. A rate cut now looks an almost certainty following the RBA's recent significant cut to its GDP growth outlook for the year to June from 2.5% to 1.7%. That said, any interest rate cuts would likely reduce yield levels in a range of asset classes, including potentially impacting similar credit strategies benchmarked to the cash rate.
- While IIR does not have a firm view either way, an argument could be made that the credit enhancement level at 10% is excessively high based on historic ABS impairment rates and the Manager's strong pedigree and philosophy to managing credit, with investors forgoing what would otherwise be a higher target return. IIR acknowledges however that the Manager views the capital buffer is there to provide investors through the cycle protection (with historical ABS impairments as only one indicator).

Opportunities

- The income component of many domestic investors' portfolios is often heavily domestic focused and with a significant equity (hybrid) component. The Fund provides the means to earn potentially similar returns but diversify by asset class.
- Australian investors have highlighted uncertainty in taxation and superannuation policy as a concern around investments in equities and property. The Fund does not receive the tax benefits that some other investments receive, such as dividend imputation for shares or negative gearing for investment properties. There is currently lower political risk associated with the Fund's investments, presenting sector rotation opportunities.
- Low yields in cash investments is also a commonly cited concern about the current investment environment in Australia. For investors with such concerns, fixed income and credit investments having the potential to offer attractive incremental spreads on a risk-adjusted basis when managed by an adept and proven investment manager.

Threats

- The Fund's credit initiatives provide both an opportunity to earn outsized returns relative to risk but equally come with a higher degree of risk associated with new and innovative segments and investment strategies, notwithstanding the Manager's very strong credit assessment and risk management processes. That said, we acknowledge the significance of the credit enhancement in greatly mitigating this risk.
- Investors should note that should the Fund list on the ASX as a Listed Investment Trust in 2H 2019 as planned, investors will be subject to share price to NTA risk. That said, the capital buffer aims to also assist in stabilizing the NAV by providing a floor in its listed form, and overall mitigate movements in NAV.

PRODUCT OVERVIEW

The Fund comprises two separate but inter-related components; the underlying portfolio and the credit enhancement overlay.

The strategy of the Fund is to invest in a diversified portfolio of commercial, accounts receivable and consumer lending products and a range of other investments across the credit spectrum. Disbursement lending and direct funding of loan book tiers from and managed by established 3rd party credit platforms represent examples of consumer, commercial and account receivables products while strata loans represent an example of a consumer lending product. These are all new credit initiatives undertaken by Moelis Australia, but ones in which it has gained a high degree of expertise, in no small part from the advisory work it has undertaken in most of these credit segments.

The Fund may also invest in the established Moelis Australia Secured Loan Series fund ('real estate'). It is intended the real estate funding will be short term only to assist in mitigating an cash drag within the overall portfolio. The Moelis Australia Secured Loan Series fund provides a diversified exposure to a portfolio of loans secured by a first lien mortgage on Australian property.

In evaluating whether to pursue each of these credit initiatives Moelis Australia has addressed eight key criteria. This evaluation framework ultimately seeks to address whether it has a competitive edge in the segment, how attractive the market opportunity is, and whether it believes it can earn sustainable long-term compelling rewards while preserving capital.

The portfolio allocation to each of these credit strategies is subject to the long-term portfolio allocation parameters noted on the left hand margin of page one. Investors should note that it may take the Fund a period of time to achieve these long-term targets given the initial loan book size and potential growth rates of the four credit strategies differ. In the interim, however, IIR does not believe the diversification of the Fund will be adversely impacted given all four strategies will be characterised by highly diversified portfolios, particularly disbursement funding and 3rd party credit platform lending.

Moelis Australia will invest, alongside the Fund, an amount equal to 10% of the Fund's capital, on terms that provide Fund investors with the benefit of a capital buffer and income priority by way of a credit enhancement structure.

The terms of Moelis Australia's co-investment mean: (i) Moelis Australia's capital will first absorb any realised losses, providing a buffer to protect investor capital (Capital Buffer); (ii) investors benefit from prioritisation of income and capital; and (iii) There is strong alignment of interest between investors and Moelis Australia. Moelis Australia will only ever receive a return on its co-investment if investors have been paid the Target Return and Moelis Australia's Capital Buffer is equal to 10% of the Fund's capital.

Investors are entitled to distributions up to the Target Return, specifically equal to the RBA Cash Rate + 4.00% (currently 5.50%) with distributions payable monthly. Refer to Credit Enhancement Structure section for greater detail.

Moelis Australia is targeting an ASX listing of the Fund in the second half of 2019. Fund investors will be offered a priority allocation in any IPO capital raising. Given the proposed listing of the Fund in the second half of 2019, the Trustee currently does not intend to allow redemptions. If the listing is not achieved in 2019, investors may request that the Manager redeem part or all of their capital by providing a redemption notice prior to the end of a calendar quarter.

The MER is 0.50% p.a. of the NAV of the Fund. Upfront offer costs will be borne by Moelis Australia, not the Fund. On the ASX listing of the Fund, additional and/or higher fees may become payable out of the Fund assets.

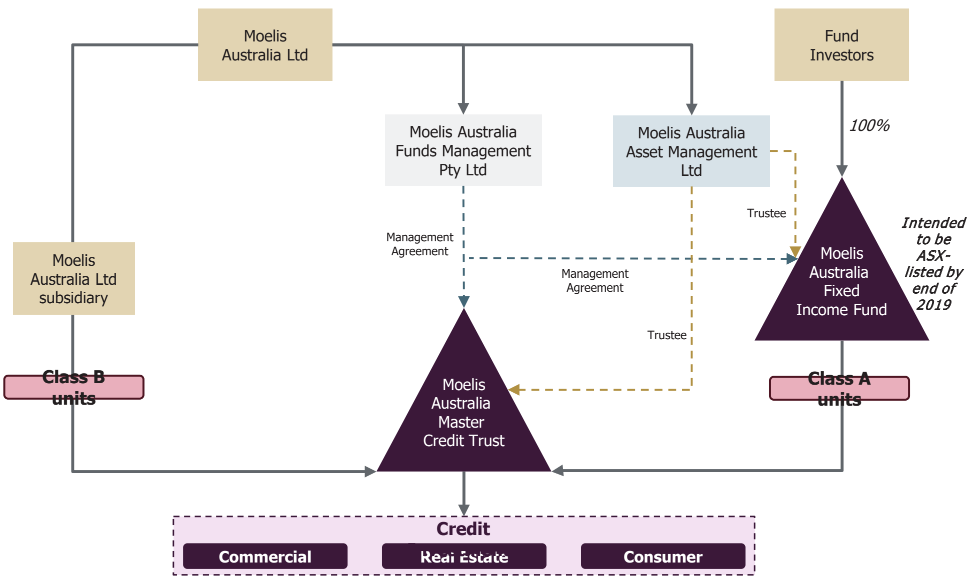
FUND STRUCTURE

The Fund will use funds raised to acquire Class A Units in the Moelis Australia Master Credit Trust (Master Trust). It is expected that the Class A Units in the Master Trust will be the sole asset of the Fund together with minimal cash balances from time to time. Moelis Australia will co-invest an amount equal to 10% of the funds invested by the Fund, in return for being issued Class B units in the Master Trust. The Class B units will be first-loss and subordinated to Class A and the class rights will give effect to the income and capital priority features.

Moelis Australia Asset Management Ltd (MAAM), a wholly-owned subsidiary of Moelis Australia, is the Trustee of both the Fund and the Master Trust (the Trustee). Moelis Australia Funds Management Pty Ltd is the Manager of the Fund and the Master Trust (the Manager).

As noted, it is the Trustee's current intention to seek a listing of the Fund on the ASX in the second half of 2019 (IPO). The IPO of the Fund would require a number of structural changes to the Fund including registration of the Fund as a managed investment scheme under the Corporations Act and the replacement of MAAM as Trustee with an appropriately licensed responsible entity. The Master Trustee can only issue new Class A Units as part of a transaction where it issues an amount of Class B Units equal to 10% of the new Class A Units to Moelis Australia. New units in the Master Trust will be issued at a price based on net tangible assets.

FUND STRUCTURE DIAGRAM



Source: Moelis Australia

CREDIT ENHANCEMENT STRUCTURE

The credit enhancement structure provides four structural features that prioritise investor income and capital:

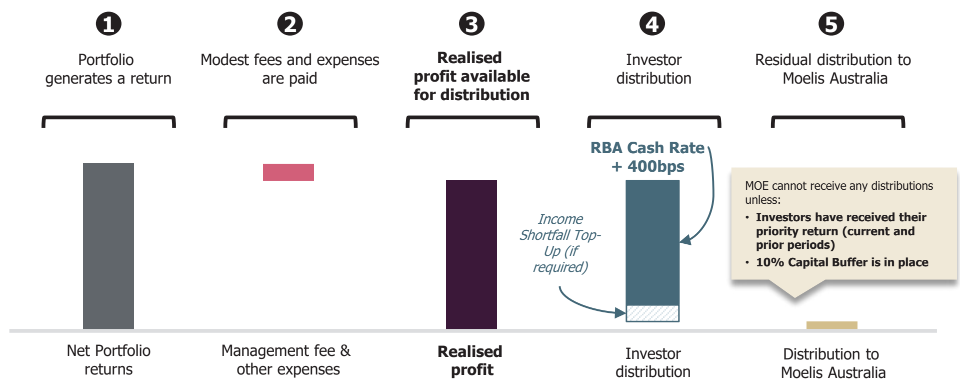
- Income Priority - Investors receive all realised profit up to the Target Return in priority to any income distribution to Moelis Australia.
- Income Shortfall Top-Up - If, in any period, Investors receive less than the Target Return, the income shortfall will carry forward to future periods to be paid in priority to any income distribution to Moelis Australia.
- Capital Priority - In the event of a capital return, Investors will receive their capital back in priority to Moelis Australia.
- Capital Buffer Top-Up - If the Capital Buffer ever falls below 10% of the Fund's capital, any Moelis Australia entitlement to distributions must be retained by the Fund until the Capital Buffer is replenished in full.

If realised profit exceeds the Target Return, then subject to any amounts payable under the Income Shortfall Top-up and Capital Buffer Top-up mechanisms outlined above, any excess realised profit will be paid as a distribution on Moelis Australia's co-investment. Both the income and capital priority structures are diagrammatically presented overleaf.

This credit enhancement structure is a common and key part of transactions in asset backed structured finance, such as ABS and RMBS. The structure is used to create a class categorisation of securities, referred to as tranches, with the tranches categorized from the most senior to the most subordinated, or junior (each with its own credit rating). Credit enhancement is a strategy for improving the credit risk profile of an investment, with the issuer benefiting from better repayment terms on the debt / investment.

With respect to the Fund, the credit enhancement materially changes the investment risk profile in the universe of credit investments from one that, based solely on the underlying portfolio, could be broadly deemed as moderate risk to one of low risk. We say moderate risk because while we have a very high degree of confidence in Moelis Australia's ability to select and manage credit investments, it must be borne in mind that the underlying portfolio largely comprises a range of new and, in some cases, innovative credit initiatives.

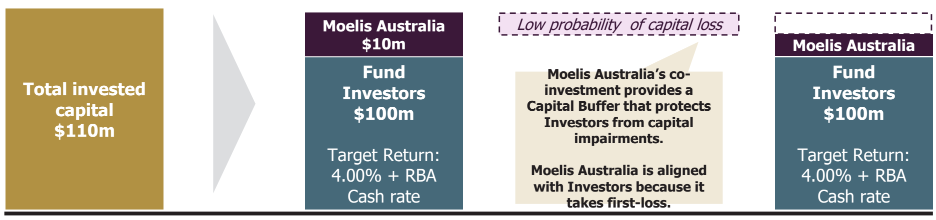
INCOME PRIORITY ILLUSTRATION



1. For example, if there was a heightened level of losses in the investment portfolio
2. Based on a total Fund size of $100m and $10m co-investment from Moelis Australia

Source: Moelis Australia

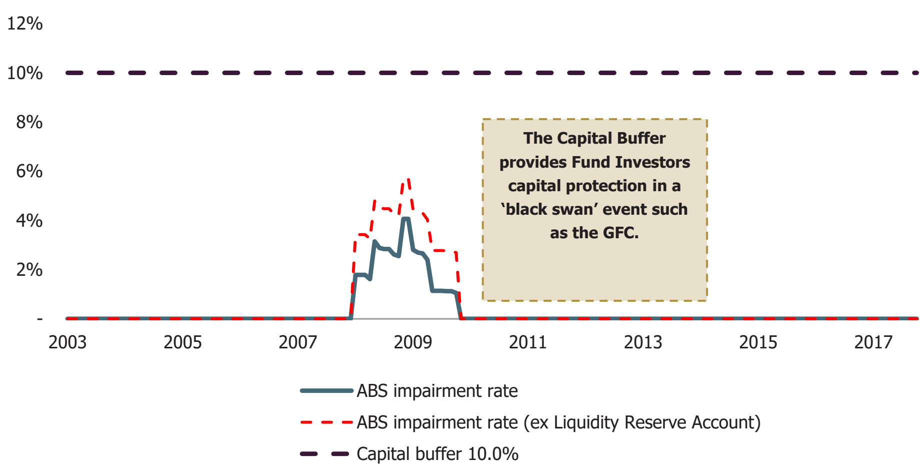
CAPITAL LOSS PROTECTION THROUGH MOELIS AUSTRALIA'S 10% CAPITAL BUFFER[2]



Source: Moelis Australia

The capital buffer serves to protect Fund investors from a 'black swan' credit deterioration event. Asset Backed Securities (ABS) structures contain a mixture, or pool of different assets, including: consumer, commercial, corporate and other forms of debt. As such, ABS structures act as a strong proxy to aggregate credit market losses, combining a range of specific assets. ABS issuances in the APAC region have experienced low credit losses, having peaked at the height of the GFC, at circa 5%. This figure is materially below the Capital Buffer.

CAPITAL BUFFER COMPARISON TO HISTORICAL ABS LOSSES[1]



Source: Moody's ABS Performance Update, Moody's Structured Finance Performance Update

The ability of Moelis Australia to identify and the manner in which it is pursuing these initiatives is in itself credit to its abilities but the new and innovative character of these initiatives by definition introduces a higher degree of risk. The addition and nature of the credit enhancement structure places the investment at the lower end of the risk spectrum - above cash and government bonds but with materially less risk than well managed corporate debt investment mandates.

MANAGEMENT GROUP PROFILE

Moelis Australia was established in 2009 and has grown from a boutique financial advisory business to a financial services group that operates three complementary but independent business divisions: Corporate Advisory, Equities and Asset Management. Since its establishment in 2009, Moelis Australia has advised on corporate transactions with a value in excess of $95 billion, raised over $7 billion in capital for clients and manages in excess of $3.7 billion in assets, as at 31 December 2018. It undertook an IPO and listed on the ASX in April 2017. It has offices in Sydney, Melbourne and Shanghai and has 160 employees.

Moelis Australia has a market leading position in Australia for capital advisory and work out situation transactions. It has significant experience in restructuring and working companies out of insolvency. It is an experience that has given Moelis Australia an acute understanding of what can go wrong in credit investments and how to ensure it gets its investment back, especially when it is putting in first loss money. This experience has informed its key priority in such investments, specifically not lose either its or its investors' money. This experience and philosophy, along with being early to identify the opportunities stemming from the retreat of Australian banks from certain types of lending, has been instrumental in the creation and structuring of the Moelis Australia Fixed Income Fund.

In 2013, Moelis Australia Asset Management (the asset management division of Moelis Australia) was established to provide asset and investment management services to domestic and foreign high net worth individual investors. Since its establishment in 2013, MAAM has achieved substantial scale, with a team now of approximately 50 staff and assets under management totalling approximately $3.7 billion as at December 2018 invested in both traditional asset classes (i.e. fixed income and listed equities) and alternative asset classes (i.e. direct real estate, private equity, credit and venture capital).

The investment philosophy of MAAM is based on developing focused and bespoke investment strategies primarily outside of traditional asset classes. This is a key differentiator for the business as it is able to provide investors with exposure to alternative asset classes across a range of industry sectors not generally accessible to individual investors. The table below summarizes some examples of the domestic stable of funds issues by MAAM up to December 2018. The AUM represented reflects the total size of the AUM raised per strategy.

Moelis Australia Asset Management Fund Track-record

Strategy	Fund Name	Industry	Inception	AUM
Credit	Moelis Australia Senior Secured Credit Fund I	Corporate credit	Aug 2016	$20m
Credit	Moelis Australia Senior Secured Credit Fund II	Corporate credit	April 2018	$105m
Credit	Moelis Australia Secured Loan Series	Real-estate credit	May 2018	$62m
Credit	Moelis Australia Secured Loan Priority Fund	Real-estate credit	Oct 2017	$66m
Credit	Moelis Australia Secured Loan Fund	Real-estate credit	Nov 2017	$25m
Hotels	The Grand Hotel Syndicate	Hotels	Dec 2014	$28m
Hotels	The Oasis Hotel Syndicate	Hotels	July 2015	$45m
Hotels	Moelis Australia Redcape Fund	Hotels	July 2017	$841m
Aged Care & Childcare	Moelis Australia Aged Care Fund	Aged Care	Nov 2017	$70m
Aged Care & Childcare	Moelis Australia Childcare Fund No 2	Childcare	Mar 2017	$25m
Aged Care & Childcare	Moelis Australia Childcare Fund No 1	Childcare	Nov 2016	$19m
Core Real Estate	Moelis Yarra Valley Syndicate	Retail Shopping Centre	Aug 2013	$21m
Core Real Estate	Moelis Armada Dandenong Plaza	Retail Shopping Centre	Mar 2016	$218m
Core Real Estate	Moelis Armada Gateway Plaza	Retail Shopping Centre	Dec 2013	$69m
Core Real Estate	Moelis Armada Ingle Farm	Retail Shopping Centre	Dec 2009	$124m

INVESTMENT TEAM

The team responsible for overseeing and managing our credit platform have significant experience across the entire credit and financing spectrum. They are supported by dedicated operational and compliance, as well as the broader Moelis Australia platform.

The key members of the investment team are detailed below.

- **Steve Bennett.** Managing Director, Credit. Over 30 years in corporate and structured credit. Prior roles include Group Executive, Finance & Treasury at Consolidated Press Holdings, Managing Director, Head of Leveraged and Acquisition Finance at UBS Asia Pacific, and Executive VP, Head of Structured Credit at Bankers Trust Australia.
- **Drew Bowie.** Managing Director, Head of Real Estate Credit. Drew has over 27 years real estate credit, portfolio management and capital market experience. He has completed an extensive number of development and investment portfolio finance facilities during varying market cycles. Prior to joining Moelis Australia, Drew was responsible for deal origination and portfolio management at MaxCap Group, Pepper Group, RBS and Macquarie Bank
- **Jaron Yuen.** Managing Director. Jaron is responsible for the firm's private equity and venture capital investments. Over 19 years of experience as an investor and adviser, with a focus on private investment in operating businesses. In recent years, he has been involved in the acquisition, financing and management of investments in various sectors in the United Kingdom, Europe, the US and Australia. Prior to joining Moelis, Jaron worked as an investment principal at UBS and Lend Lease and an investment banker at Citigroup and ABN AMRO in Sydney, London and Amsterdam.
- **Guy Kaufman.** Investment Associate. Over four years experience in Credit & Structured Finance at a major Australian bank. Prior roles at CBA in Acquisition and Leveraged Finance and Group Credit.

The four member Investment & Risk Committee consists of the following members:

- **Andrew Martin.** Managing Director Moelis Australia and Head of Moelis Australia Asset Management. Over 25 years of experience in private equity investment and investment banking, and is responsible for the firm's private equity, venture capital an credit investments. Andrew is responsible for the firm's asset management business across a range of asset classes. Prior to Moelis Australia in 2012, Andrew was a Managing Director at UBS Global Asset Management in Infrastructure and Private Equity.
- **Richard Colless.** Chairman of Moelis Australia Asset Management business. Over 40 years of experience in the financial services industry in Australia and the UK. Chairman of ING Real Estate Investment Management from 2004 until 2010 which was the manager for 5 listed property trusts in Australia with gross assets over A$10 billion.
- **Chris Wyke.** Head of Corporate Finance, Managing Director. Over 25 years' experience in private equity, turnaround, restructuring, M&A and equity and debt capital markets. Prior roles at JPMorgan and UBS in London, Singapore and Sydney.
- **Steve Bennett.** See above.

Investment Team & Investment Committee Personnel

Name	Position	Sector Focus	Years at Firm	Ind. Exp. (yrs)
Steve Bennett	Managing Director, Credit	Credit	1	30
Drew Bowie	MD, Head of Real Estate Credit	Real Estate	2	27
Jaron Yuen	Managing Director	Asset Management	3	21
Guy Kaufman	Investment Associate	Credit	>1	6
Andrew Martin	MD and Head of Asset Management	Asset Management	7	25+
Richard Colless	Chairman	Asset Management	7	40+
Chris Wyke	Head of Corporate Finance, MD	Corporate Advisory, Credit	10	25+

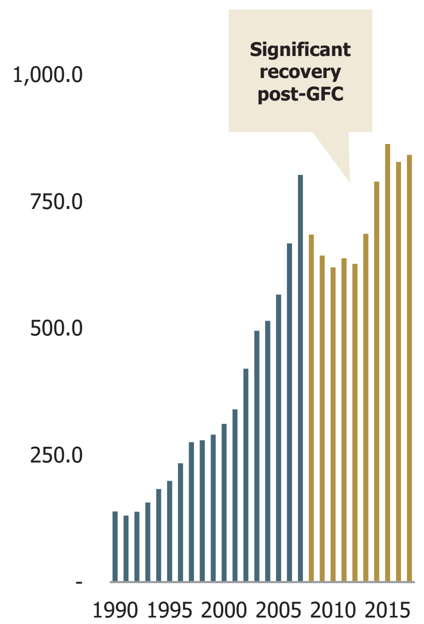
CREDIT MARKET IN AUSTRALIA

The Opportunity in Credit

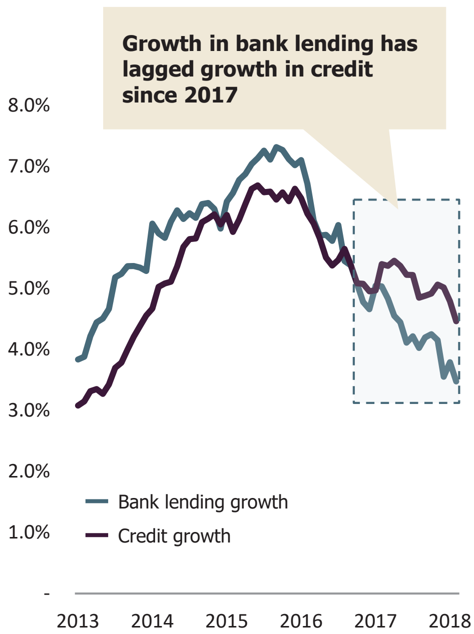
With more onerous macro-prudential policies of APRA focused on Authorised Deposit-taking Institutions, Moelis Australia was quick to identify several years ago a trend for an increasing pool of borrowers seeking funding outside the traditional banking sources. Specifically, it was witnessing an increasing flow of potential lending opportunities as well as recognising that the more onerous lending requirements on ADIs provided it the ability to be selective about which loans and credit products to proceed with. The market dynamics were supportive of attractive risk-adjusted loan pricing which presented an opportunity for a capital provider to earn excess returns.

Combined with Moelis Australia's pedigree and history in the Australian credit markets, with the key principles of Moelis Australia having significant experience in residential and commercial real estate and commercial and consumer credit, Moelis Australia has sought to capitalise on these market dynamics by launching a range of credit initiatives over the last few years and in areas where Moelis Australia believes it has a high degree of competence (skill, expertise, governance, processes, structures), a competitive edge, and where there is an attractive market opportunity over the long term.

ANNUAL LENDING COMMITMENTS (A$B)



ANNUAL CREDIT GROWTH



Source: ABS, Reserve Bank of Australia

INVESTMENT PHILOSOPHY IN CREDIT

Put simply, Moelis Australia's approach to credit is that it does not want to lose either investors' or its money. And to that end, Moelis Australia ensures it is very defensively positioned to ensure consistency and resilience of income and to preserve capital. To deliver upon this, the Moelis Australia is very focused on the ensuring that the structures, documents, processes, the analysis of risks and returns, and the ongoing monitoring of loans and portfolios are thoroughly assessed.

As a corollary of the above, Moelis Australia is not in the habit of issuing credit products that offer relatively high rates of return (10% p.a., for example) as in doing so such products come with elevated risk. Rather, the focus is to deliver excess and consistent returns for low risk, with a very strong focus on capital preservation.

The philosophy incorporates three key tenets; low risk, resilient returns, and capital preservation.

1) Low Risk: the focus is to identify structural features and characteristics of loans and overall loan portfolios that mitigate risks to both investors and Moelis Australia. By building high quality portfolios based on pricing discipline, the objective is to deliver consistent returns with low impairment rates.

2) Resilient Returns: the focus is on rigorous and disciplined analysis to determine the strength of the serviceability prospects of loans and an overall loan portfolio. The aim is to ensure yield and returns are resilient through cycles and market conditions.

3) Capital Preservation: the focus is to undertake an assessment of loan recoverability to determine and mitigate downside risks to investors' and Moelis Australia's capital. This reflects the primary concern, which is to preserve and protect capital.

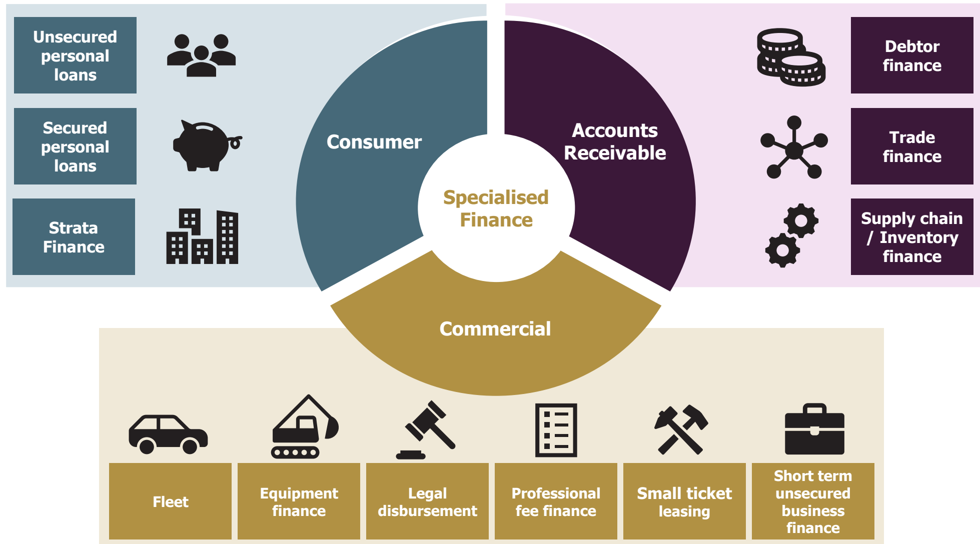
CREDIT INITIATIVES

The Moelis Australia Fixed Income Fund represents an exploration of a range of credit initiatives by Moelis Australia to capitalise on the identified solid risk adjusted return opportunities present in the market currently. While this may suggest an elevated degree of risk, relative to a tried and proven investment strategy, IIR would contend this is not the case.

When evaluating any credit opportunity, there are seven key criteria and one overarching question Moelis Australia asks itself when considering pursuing a particular credit initiative. Firstly, does Moelis Australia have significant competence in the area such that it is an expert? Does it have a competitive edge that position it strongly over the medium to long-term? Is it a substantial market opportunity over the long term and is it at a sufficiently early stage of that opportunity? Does it have the right governance structure? Is there sufficient capital protection in for both Moelis Australia and investors?

KEY CRITERIA	KEY QUESTION	MANAGER'S PERSPECTIVE ON THIS INITIATIVE
Circle of Competence	Is the initiative within MOE's wheelhouse? Can it leverage its proprietary skillsets / IP?	Something MOE understands well An area where MOE is an expert, not a learner
Competitive Edge	Does MOE have a competitive edge in this sector?	Structural features to MOE's approach that position it to be market / segment leaders over medium to long term Not just a 'follow the leader' player
Attractive Market Opportunity	Is the total addressable market for MOE attractive? Can MOE obtain a reasonable share?	Substantial market opportunity over long term MOE positioned to be a meaningful player
Right Governance	Does MOE have the right people, processes and structures in place to play in this space? Are the interests of all parties properly aligned?	Core, in-house skill set to evaluate credit in this sector Strong alignment of interest characteristics
Capital Protection	Is MOE's and investors' capital safeguarded with a substantial amount of downside protection?	Structural features that protect loan capital Negligible risk of permanent capital impairment
Compelling Rewards	Is there an attractive risk / return dynamic? Is this an 'excess return for low risk' initiative?	Compelling return relative to risk being taken Asymmetric position facilitating attractive returns with limited downside exposure
Right Horizon	Is the investment, seasoning and realisation time frame appropriate?	Time frames to loan realisation events and recycling of capital suitable given underlying loan features No asset / liability mismatches
Overall	Is MOE confident this is an opportunity where it can be successful over the long term?	High conviction initiatives with strong risk / return dynamics, where MOE has a real competitive edge Areas MOE is willing to lead with its balance sheet to demonstrate its firm belief in the initiative

The general thesis of the Fund is to invest in a diversified portfolio of commercial, consumer and asset backed lending. Portfolio allocations to these three categories, or 'pillars', will be accorded portfolio weights based on predefined ranges. These ranges will be: Commercial 40 - 70%; Consumer 30 - 70%; Real Estate 0 - 10%, and; Cash 1 - 10%. Within these categories, based on a combination of identified market opportunities and a rigorous internal evaluation based on the criteria above, the Manager has identified and will pursue three key new platform opportunities, specifically disbursement funding, strata lending and 3rd party credit platforms. Additionally, the Fund will participate in a preexisting Moelis Australia first mortgage real estate lending fund in the form of short term bridging loans to mitigate cash drag on the overall portfolio. These credit categories and specific initiatives within each are summarised below.



Source: Moelis Australia

The below table is a representation of some examples of the underlying investment universe the Fund may invest in.

	Commercial / Receivable	Consumer	Commercial / Receivables / Consumer	Real Estate
Market Scale	Several hundred million	Several hundred million to multi-billion	Several hundred million to multi-billion	Multi-billion
Example	Disbursement Funding	Strata Finance	3rd Party Credit Platforms	Real Estate Lending
Overview	Type of receivables finance for disbursement costs associated with legal cases	Finance product for owners corporations to fund major works	Significant growth in non-bank lending supporting established consumer and commercial platforms	Commercial loans secured by first mortgage real estate
MOE Platform	Proprietary in-house platform with direct, exclusive distribution	Developing platform and unique product offering to an evolving market	Proprietary analytical framework based on deep dive analytics	Established platform

The pursuit of the individual credit categories and the combination of all three in a single investment mandate is designed to create a credit investment portfolio diversified across credit market segments, borrowers, industries, credit qualities and origination channels.

The Fund is expected to evolve to exhibit the following key investment features: highly diversified lending base, with low underlying individual counterparty exposure; predictable and resilient through-cycle returns; a bias towards capital preservation and protection; and based on portfolio driven analysis that supports serviceability prospects.

Disbursement Funding

Disbursement funding is used in personal injury legal cases, which are typically run on a No Win, No Fee basis. However, plaintiff clients still need to pay for medical reports, expert costs and other disbursement expenses associated with running a legal case. A law firm generally cannot charge clients interest if they pay for these costs. For firms, the working capital commitment is significant.

Disbursement funding is a solution for personal injury law firms and clients to fund these critical case expenses with a third party loan. Disbursement funding is distinct from litigation funding. Specifically, it is based on a portfolio approach of funding a high volume of diversified matters with defined characteristics and modest disbursement costs per matter (average of approximately $4,000 per matter), compared to funding a large single litigation with binary capital exposure.

With respect to the payment of interest and repayment of principal, where a case is either settled or won (80%-90% of outcomes), the loan and interest is repaid first from compensation proceeds.

Where the case is lost (10%-20% of outcomes) the law firm repays the loan principal and either discounted or full interest and fees depending on the loan type, firm's arrangement with the disbursement funder and/or the age of the loan. The principal is protected where a matter is lost.

The Fund can obtain exposure to disbursement funding provided through two types of structures:

(a) Receivable backed lending: A receivable-backed loan facility secured against a pool of disbursement receivables of a law firm. These receivable loans have priority over the disbursement receivables and other appropriate structural protections. The Fund can provide these facilities directly; and/or

(b) Client lending: Loans provided directly to plaintiff clients. The Fund would invest in loans originated and managed by Moelis Australia's disbursement funding subsidiary, which holds an Australian Credit Licence.

The key features of Moelis Australia's disbursement funding program is based on the way it has structured the loans, including:

- **Security:** Based on an irrevocable instruction from the client, the funder is attached to the underlying case should the client or file move from firm to firm (voluntarily or directed by regulator).
- **Ranking:** First ranking, 'senior secured' style. Disbursement funding loans are repaid first, before legal costs or any client compensation.
- **Returns:** Strong loan yields while effective for clients. This was a niche segment before Moelis Australia entered the segment. Moelis Australia believes its loan program is more attractive for clients and law firms compared to alternatives, while delivering an attractive return.
- **Alignment:** High success rates. Success rates correlated with disbursement spend, as law firms incentivised to only spend if case prospects are strong.
- **Capital Enhanced:** Law firm is obligated to make payment if the case lost, shielding the funder from the full capital loss where an individual matter is unsuccessful.
- **Diversification:** thousands of relative low value loans ultimately intended to be source through multiple personal injury law firms and direct to market platforms. The critical aspect is the aggregate performance of a portfolio of many thousands of cases. This is very different to being exposed to a binary risk on an individual case outcome.

Of the above features, 'security' is arguably the most significant risk, specifically in the case where the law firm goes into administration. Under the various agreements between the client, law firm, and the funder, the disbursement loan is essentially "attached" to the case file with the client. If the law firm goes into administration, the funder's claim remains in respect of the case file, with the two options being the law firm retains the case file and continues working through it as it proceeds through an administration process or the file is appointed to another law firm.

In the case of the latter scenario, from a returns perspective there are two risks. Firstly, it is unlikely the newly appointed law firm will pay interest on the loan. Secondly, where a particular case is unsuccessful, the terms of agreement may be such that the law firm will not be obligated to repay the principal of the loan amount.

Moelis Australia, currently has law firm channel partner agreements with two of the three largest personal injury law firms in Australia, and is pursuing further agreements with large personal injury law firms in Australia. Channel partner diversification will be important to mitigating the degree of risk that relates to a law firm going into administration, both by way of spreading cases across multiple partners to facilitate a timely conclusion of client cases as well as having the cases bound by agreements with pre-existing partners.

By way of background, Moelis Australia's disbursement funding credit initiative flowed from the deep understanding of personal injury firm dynamics it gained over a 14 month advisory mandate with Slater & Gordon. Moelis Australia was engaged to engineer a complete capital reorganisation and reconstruction of the firm after it made an ambitious growth journey into the UK. The engagement required gaining a thorough understanding of the firm's business and operating model, including the success rate dynamics on personal injury cases (which are smaller values, higher volumes).

Through this process, it identified an opportunity to fund a personal injury law firm's significant working capital inventory on its balance sheet related to the financing of a clients' disbursement spend (for medical reports, expert opinion(s), etc) and obtained an Australia Credit Licence in May 2018. Historically, law firms have funded this upfront and then are repaid based on a successful case compensation payment. However, as law firms are legally not permitted to charge clients interest, it has represented a significant balance of 'dead money'.

Evaluating this credit initiative as being within its 'circle of competence', namely the ability to leverage its understanding of personal injury law firm dynamics gained from the advisory mandate tied with the ability to leverage proprietary analytical techniques to evaluate high-volume case portfolios from a credit perspective, Moelis Australia proceeded with the initiative. It secured a long term exclusivity agreement with two of the largest personal injury law firms in Australia and proceeded to create a purpose built IT platform that connects into the IT of the law firm (that runs all the applications, the paperwork, the loan balances and the data for portfolio monitoring) and that is differentiated from what small-scale competitors are able to offer.

Both the exclusivity agreements and the purpose built platform place Moelis Australia in a strong competitive position. Over a short period of time, Moelis Australia has become one of the largest players in the Australian market, having a clear pathway to approximately $70-80 million capital deployment with existing channel partner law firms on exclusive arrangements. The total opportunity in Australia is estimated at $120-150 million. Moelis Australia has launched its disbursement platform under several distinct, consumer-facing brands to facilitate growth, in addition to pursuing additional exclusive agreements with personal injury law firms. As noted above, this diversification of channels to market is not only important with respect to growth prospects but also mitigating portfolio risks with any law firm partner falling into administration.

From a risk / return perspective, the disbursement funding credit initiative looks compelling. Moelis Australia is charging attractive interest rates, plus modest fees, with a credit position supported by two forms of downside protection, specifically firm backstops and case portfolios. In relation to the latter, the critical aspect is the aggregate performance of a portfolio of many thousands of cases. This is very different too being exposed to a binary risk on an individual case outcome.

Overall, the Manager views the opportunity as presenting an asymmetric return profile to risk exposure, allowing it to invest in lower yielding, high quality, low risk loans, and has sought to create an arbitrage opportunity from limited sophisticated financier participation in a specialised market. The longevity of this risk / return profile is supported by its positioning to be a dominant player is a sector with a high degree of channel stickiness.

When evaluating the disbursement funding credit opportunity, the Manager assessed the seven key criteria and the one overarching question as based on the below table.

KEY CRITERIA	KEY QUESTION	MANAGER'S PERSPECTIVE ON THIS INITIATIVE
Circle of Competence	Is the initiative within MOE's wheelhouse? Can it leverage its proprietary skillsets / IP?	Deep understanding of personal injury law firm dynamics from S&G advisory mandate Leverage proprietary analytical techniques to evaluate high-volume case portfolios, taking an insurance style approach looking at overall success rates
Competitive Edge	Does MOE have a competitive edge in this sector?	Secured long term exclusivity with two of three biggest personal injury firms in Australian market Purpose built system that is differentiated from what small-scale competitors are able to offer
Attractive Market Opportunity	Is the total addressable market for MOE attractive? Can MOE obtain a reasonable share?	Clear pathway to ~$70 – 80 million capital deployment with existing law firms on exclusive arrangements Opportunity in Australia estimated at $120 – 150m

KEY CRITERIA	KEY QUESTION	MANAGER'S PERSPECTIVE ON THIS INITIATIVE
Right Governance	Does MOE have the right people, processes and structures in place to play in this space? Are the interests of all parties properly aligned?	MOE holds ACL to undertake the consumer facing aspect of this activity Branded disbursement funding platforms established Platform designed from ground-up to focus on best practice consumer and commercial credit processes Strong alignment of firm, client & funder interests
Capital Protection	Is MOE's and investors' capital safeguarded with a substantial amount of downside protection?	Funding is tied to underlying case portfolio, so first underwrite is aggregate success rates (stable and high over long run, correlated with disbursement spend) Backstopped by law firm guarantee
Compelling Rewards	Is there an attractive risk / return dynamic? Is this an 'excess return for low risk' initiative?	High return arrangement with two forms of downside protection (case portfolios, firm backstops) Attractive risk-return compared to traditional receivables financing
Right Horizon	Is the investment, seasoning and realisation time frame appropriate?	MOE has undertaken combination of 'back book' secured receivable financing with 'forward book' client funding initiatives Back book is seasoned and amortising while forward book ramps up over time
Overall	Is MOE confident this is an opportunity where it can be successful over the long term?	Asymmetric return profile relative to risk exposure, creating arbitrage from limited sophisticated financier participation in a specialised market MOE positioned to be dominant player in sector with high degree of channel stickiness

Strata Finance

Moelis Australia has identified an opportunity to fund common property remedial works to strata owners corporations, with individual loan values ranging from \$0.3m to \$5m. The total size of the opportunity is still to be evaluated following preliminary advertising, but is expected to only represent a small portion of the Fund's portfolio (<10% over the next 12-18 months, subject to customer demand).

Strata loans aim to reduce the upfront cost burden on lot owners to fund large-scale strata improvement and building remedial works and allows for works to be carried out whilst spreading the cost impost over a period of time. The owners corporation, with only a 50% approval rate required as a minimum, ratifies a special levy on lot owners to enable the loan to be repaid over three to five years.

Whilst the loan is unsecured, payment of an owners corporation special levy is a joint and severally liability of the individual owner and their mortgagee / covenant chargee in possession.

The owners corporation remains obliged to repay the loan despite any failure of an individual owner to pay its proportionate contribution. The owners corporation is responsible for managing / pursuing outstanding levies and may take action in civil court to force a lot owner to pay outstanding levies. A court may order redirection of rental income, salary or force the sale of the property.

Assessed worst case position it the owners corporation does not pursue or fails to recover outstanding levies and the lot remains unsold. In this case, the owners corporation remain liable for the repayment of the loan and the owners corporation will typically raise a further levy against all lot owners to ensure the loan obligations are met. This is considered remote and likely to affect only an immaterial portion of any loan book. Ultimately, when the property sells, the outstanding amount will be recovered.

There are only three significant product providers facilitating these loans in the domestic market: Macquarie, Lanock Strata Finance and StrataCash Management. The market is expected to grow significantly due to the large increase in strata living schemes over the last property cycle. Whilst the current 'cladding' issue may provide significant demand in the short term, the increase in strata buildings, many built at relatively low cost, is likely to lead to strong recurrent demand for a variety of work requirements.

The key features of the Manager's strata funding initiative based on the way it has structured the funding includes:

- **Security:** While loans are notionally unsecured, special levies to repay the loan are a joint and several liability of owners.

- **Ranking:** Strata law effectively results in these obligations becoming priority obligations of current or future owners, and potentially mortgagees.
- **Returns:** Given very low effective LVR of lend in the context of building value, and strength of recovery mechanisms, the high single digit return available delivers outsized rewards for low risk to capital.
- **Diversification:** Risk of unpaid levies spread across multiple lot owners and their mortgagees, effectively in some instances aligning credit risk to the strength of the lenders.
- **Capital Protection:** Owners corporation remains obligated to repay loan despite any failure of individual owner to pay their strata levies and is legally obliged to meet its financial obligations. Any failure to pay would effectively be rectified by other owners or mortgagees in possession.

In order to mitigate repayment risks, the Manager has designed its due diligence and underwriting procedures for loan applications to be tailored to the nuances of strata lending. This includes a range of lending specific conditions precedent that, amongst other factors, enables the Manager to assess the financial position of the owners corporation, the aged levy debtors profile, a valuation report, General Meetings minutes and through strata manager correspondence records any evidence of disharmony amongst owners.

Additionally, there is typically a delay between the commencement of special levy payments (inflows) against remedial work outgoings. This enables the Manager to build up a cash buffer at the earlier stages of the loan against any arrears.

In evaluating this credit initiative, Moelis Australia has a very strong pedigree in real estate finance. It is an early mover in the segment, providing a basis for a competitive edge. The risk-return equation is attractive and Moelis Australia has the appropriate governance and processes in place.

KEY CRITERIA	KEY QUESTION	MANAGER'S PERSPECTIVE ON THIS INITIATIVE
Circle of Competence	Is the initiative within MOE's wheelhouse? Can it leverage its proprietary skillsets / IP?	Leverages strength of MOE proprietary skill set in real estate investment and credit transactions Team with deep expertise designing property loan structures, including dealing with residential strata
Competitive Edge	Does MOE have a competitive edge in this sector?	MOE is an early mover in this space and is focused on building a simple, flexible and attractive solution for owners corporations while obtaining structural protections that are 'senior like'
Attractive Market Opportunity	Is the total addressable market for MOE attractive? Can MOE obtain a reasonable share?	Rectification works becoming a major issue with large number of strata plans (e.g. cladding, fire works, etc) Substantial demand for solution to fund works and avoid costly and dangerous delays Multi-billion dollar market opportunity
Right Governance	Does MOE have the right people, processes and structures in place to play in this space? Are the interests of all parties properly aligned?	MOE has designed its due diligence and underwriting procedures for loan applications to be tailored to nuances of strata lending product Loan management to be conducted both in house (where appropriate) or by best-in-class servicers
Capital Protection	Is MOE's and investors' capital safeguarded with a substantial amount of downside protection?	While loan is notionally unsecured, special levies to repay the loan are a joint and several liability of owners Strata law effectively results in these obligations becoming first-ranking style obligations of current or future owners, and potentially mortgagees
Compelling Rewards	Is there an attractive risk / return dynamic? Is this an 'excess return for low risk' initiative?	Given very low effective LVR of lend in context of building value, and strength of recovery mechanisms, the high single digit return available delivers outsized rewards for low risks to capital
Right Horizon	Is the investment, seasoning and realisation time frame appropriate?	Loans are amortising over a 3 to 5 year window
Overall	Is MOE confident this is an opportunity where it can be successful over the long term?	Compelling opportunity to fund into an area of high and growing demand with a unique product structure Structural features of strata law support capital protection while flexibility and simplicity of structure make product attractive to end consumers

3rd Party Credit Platforms

The Fund will aim to diversify its exposure across a range of commercial, accounts receivable and consumer lending products by very selectively directly funding loan book tiers from and managed by established credit platforms with long track records of performance.

Of the three new credit initiatives of Manager will initially pursue in the Fund, the 3rd party credit platform arguably seeks to capitalise the most on the trend of the rise of non-ADI lending, as specialty and alternative lending grows to service the demand for credit as banks reduce their risk appetite and "simplify" their offers in the wake of regulatory change.

Over the last few years there has been a proliferation of non-ADI lending platforms (supply) to meet this specialised credit demand ADIs have increasingly retreated from. These lending platforms have emerged to provide a range of consumer (personal loans), accounts receivable (debtor and inventory financing) and commercial financing (fleet, equipment, professional fee, small ticket leasing, and short-term unsecured business financing, for example). The SME market segment is a particular growth market given the extent to which banks have reduced exposure to the segment.

For many emerging non-ADI lending platforms the strategic imperative has been to grow scale, engaging in a 'land grab'. Supply of funds has been integrally crucial to do so and, ironically, it has been the banks that have partly provided this through warehousing facilities. These warehousing facilities represent senior bank facilities to non banks to fund a lower cost of capital in areas where banks used to fund but can no longer, or are reluctant to do so. In the absence of these warehousing facilities, a 3rd party credit platform would either have to reduce the amount it lends or charge a higher interest rate to borrowers.

This dynamic has not gone unnoticed by APRA which, in response, has moved to tighten the ability of the banks' ability to provide such warehousing facilities. This regulatory dynamic has added to the opportunity for Moelis Australia, or the Fund more specifically, to compete more effectively on a cost of capital for the same credit as well as creating a gap where a bank. The situation provides a participant like Moelis Australia to earn an outsized level of return relative to the risk.

Based on this identified opportunity the Fund will aim to diversify its exposure across a range of commercial, accounts receivable and consumer lending products by very selectively directly funding loan book tiers from, and managed by, established credit platforms. Any given directly funding loan books (or in certain specialised cases, loan book tiers) from, and managed exposure will be based on a due diligence process into a lending platform's processes, procedures, data integrity, amongst other factors to derive a determination of credit quality and, consequently, the risk-return equation of the loan book. The Manager may stipulate the composition of its loan book exposure to any given lending platform as well as to mitigate counterparty risk by investing no more than 5% of the total 3rd party platform portfolio in any one given lending platform.

Once funded, the loan assets will typically sit in trust for the benefit of the Trustee of the Fund, ensuring asset security. Should the platform experience financial difficulties and be in a position that is no longer providing lending and monitoring services, there is a range of businesses engaged in outsourced servicing of loan portfolios subject to the particular set of terms of each loan which could be engaged. The return to the Fund will be equal to the gross interest charged by the 3rd party platform less the platform's fee and any write-offs incurred on the loan book.

From a credit perspective, the selective funding of the segment has a number of attractive features, namely the underlying counterparties are well diversified, with the loan books comprising a large number of relatively small loan amounts combined with the fact the loans are generally over-collateralised, partially in the receivable financing segment, with loans generally provided on the basis of funding up to only 80% to 90% of an invoice face value. Target transaction examples identified by the Manager and the appeal in terms of credit features are summarised in the table below.

CATEGORY	TARGET TRANSACTION EXAMPLE
Receivables Inventory Financing	Invest in an established provider of business finance solutions, offering invoice factoring, invoice discounting and equipment finance. Attractive credit features include (i) overcollateralisation, with the business funding up to a maximum of 80% of the invoice face value (LVR typically below 70%); (ii) large loan book (turnover >$1bn), spread across client and debtor base (iii) significant credit risk diversification, with exposure to hundreds to thousands of debtors; and (iv) negligible delinquency rate (<1%).

CATEGORY	TARGET TRANSACTION EXAMPLE
Consumer Personal Lending	Invest in an established leader in the marketplace lending sector. Attractive credit features include (i) highly diversified portfolio with underlying individual exposure <$50,000; (ii) large loan book with an established track record of generating predictable cash flows; and (iii) low delinquencies, with write-offs averaging ~1%.

In assessing any new credit initiative, the Manager always asks itself what its competitive edge is. In relation to credit platforms, Moelis Australia has developed a very significant and recognised expertise in the analysis of modern credit platforms. Moelis Australia has advised on a number of significant deals, including the largest in the Australian segment to date, specifically the $8.2bn acquisition of GE Capital's Australian consumer finance business (subsequently renamed Latitude Financial Services) by a consortium consisting of KKR, Varde and Deutsche Bank. This and a number of other select advisory mandates undertaken by Moelis Australia in the credit platform segment are summarised below.

SELECT CLIENTS	
KKR / Varde / Deutsche Bank $8.2bn acquisition	Acted as adviser to the KKR/Varde/Deutsche Bank consortium on the acquisition of the GE Capital ANZ Consumer and Credit Card business.
HomeStart Finance $1.9bn Scoping Study	Advised the South Australian government regarding commercialisation options for its $1.9bn HomeStart finance platform, which provides home loans to a diverse spectrum of borrowers.
Axsesstoday $350m loan book	Moelis Australia is currently the exclusive financial adviser to equipment finance provider Axsesstoday. Moelis is undertaking a strategic review, including developing an updated financial model.
Resimac / Homeloans merger $13bn combined loan portfolio	Advised Homeloans on its merger with Resimac to create a leading non-bank lending and multi-channel distribution business in Australia and New Zealand with > $13b loan portfolio and, >$3b annual originations (at the time of transaction).

Moelis Australia has been able to leverage its proprietary expertise gained through these advisory roles to review and conduct a deep dive into the loan books of credit platforms to analyse which companies have loan books that will support future growth versus loan books that in future are more likely to go into default. Based on these assessments, Moelis Australia ultimately leverages the learnings from its experience to structure and fund credit investments to deliver attractive through-cycle, risk-adjusted returns with strong downside protection.

To do so, the Manager has created bespoke credit evaluation tools after material time and capital investment to assess present and future portfolio performance based on a company's individual portfolio composition. The advanced financial and statistical analysis undertaken allows it to optimise the loan portfolio and determine appropriate risk-return.

The Manager's assessment of a credit platform is essentially two-fold, the first conventional while the second is proprietary. The first aspect concerns conventional aspects of assessment, including the distribution pipeline, source of origination, credit governance, risk management frameworks, credit management, the management of arrears and recoveries, and performance to date.

The second is based on proprietary tools and skills based on advanced analytical techniques, big data technologies and modelling in order to dissect portfolios to understand and monitor performance characteristics in a very granular way as well as model future cashflows based on a range of simulation / real world scenarios. It is this quantitative element which really differentiates the Manager's assessment and view of credit. It is particularly important with regards to this initiative as success will be based on 'picking winners' in a segment where more than a few platforms have failed, a number due to lax lending practices.

Real Estate Lending

The Fund has the ability to invest up to 10% of the total Fund portfolio in the Moelis Australia Secured Loan Series. This will be in the form of short term bridging loans and will typically be used to mitigate cash drag on the overall portfolio. The Moelis Australia Secured Loan Series was established in April 2018 and provides investors with a diversified exposure to a portfolio of commercial loans secured by a first lien mortgage on Australian real property.

The ability to invest is partly to manage the cashflow requirements of the Secured Loan Series fund, given new applications are only opened periodically (but in the interim the manager may wish to fund an eligible property loan). From the perspective of investors in the Fund, we believe any investment in the Secured Loan Series fund will be beneficial, further diversifying the Fund portfolio based on a fund IIR has separately reviewed and rated strongly.

IIR completed its annual review on the Moelis Australia Secured Loan Series fund in March 2019 and ascribed a 'Recommended Plus' rating. For investors that wish to gain a comprehensive understanding of the fund, the published report can be found on the IIR website (http://www.independentresearch.com.au/Report/UnlistedManagedInvestment). For the benefit of readers of this report, we have provided a brief overview of the fund and IIR's investment view below.

Consistent with the stated strategy, the loan portfolio of the Moelis Australia Secured Loan Series fund to date comprises a pool of loans diversified by borrower, location, and property type. All loans are secured by a first-lien mortgage and backed by personal and corporate guarantees. Loans are expected to remain short duration by terms, specifically between 6 to 12 months. Properties will continue to be limited to metropolitan and regional centres only and backed by solid market fundamentals and a deep, liquid market. LVRs will be based on "as is" valuations rather than "best use" or "as completed" valuations. For the borrower, the loans have and will typically represent bridging finance.

The Moelis Australia Secured Loan Series Fund is targeting a distribution yield of 7.0% - 8.5% p.a. net of fees with distributions to be paid monthly. To date, the fund has generated an annualised distribution yield of 8.07% since inception. We also note that a predecessor fund, specifically the Moelis Australia Secured Loan Fund (SLF) and based on very similar investment strategy has outperformed performance objectives to date. This augurs well for the manager's ability to continue to deliver on the performance objective of the fund.

The investment strategy is managed by an experienced team and an investment manager with an established history in the property sector. The investment strategy and fund itself is considered at the lower end of the risk spectrum but we believe will successfully capture the excess returns potential that is currently in this part of the lending market.

PEER COMPARISON

The Moelis Australia Fixed Income Fund will initially be an unlisted managed fund but, if all goes to Moelis Australia's intention, is on a clear pathway to an ASX listing as a Listed Investment Trust. As such, IIR has provided a comparison of certain key investment features of the growing number of listed credit funds.

Investors should note the limitations of this peer comparison analysis. The strategies listed below are based on different investment strategies with different risk-return profiles and which are likely to perform differently in particular market environments. That said, partly on account of the credit enhancement structure, it is our expectation that the Fund would exhibit the lowest degree of risk to capital. In exchange, investors in the Fund forgo capital upside, which all other peers inherent provide the opportunity for investors to benefit from.

While the Fund offers a higher predictability of income, based on a formulaic RBA Cash Rate + 4%, that should not be interpreted has higher stability given income levels will move in step lock with RBA Cash Rate changes (which are expected to move to the downside over the foreseeable future). The same does not apply to the other listed credit fund strategies, and particularly the NB Global Income Trust given its global high yield strategy.

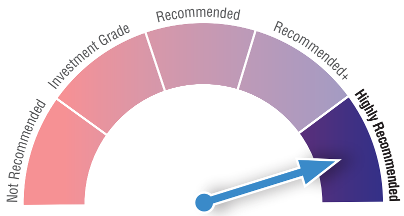
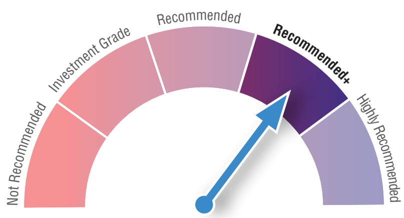
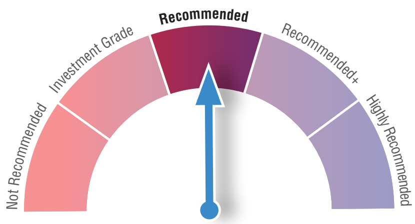
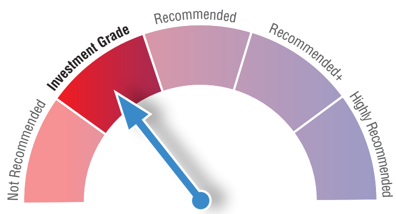
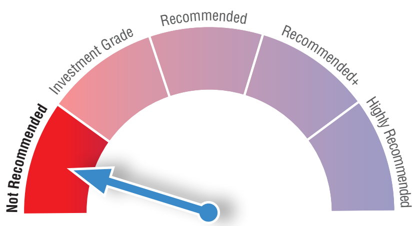
Comparable Listed Credit Funds

Fund	ASX Code	Fees	Mgr Co-Investment	Capital Buffer	Target Return (post fees)	Credit Segment	IIR Rating
Moelis Australia Fixed Income Fund	N/A	0.5%	Yes	Yes	RBA + 4.0% (5.5%)	Consumer, commercial ABS	Recommended +
Metrics Credit Partners	MXT	0.6%	No	No	RBA + 3.25% (4.75%)	Corporate loans	Recommended +
Gryphon Capital Income Trust	GCI	0.86-0.96%	No	No	RBA + 3.5% (5.0%)	ABS, RMBS	Recommended
NB Global Income Trust	NBI	0.85%	No	No	5.25%	Global high yield	Recommended +
Perpetual Credit Income Trust	PCI	0.88%	No	No	RBA + 3.25% (4.75%)	Diversified credit	Recommended +

APPENDIX A – RATINGS PROCESS

Independent Investment Research Pty Ltd "IIR" rating system

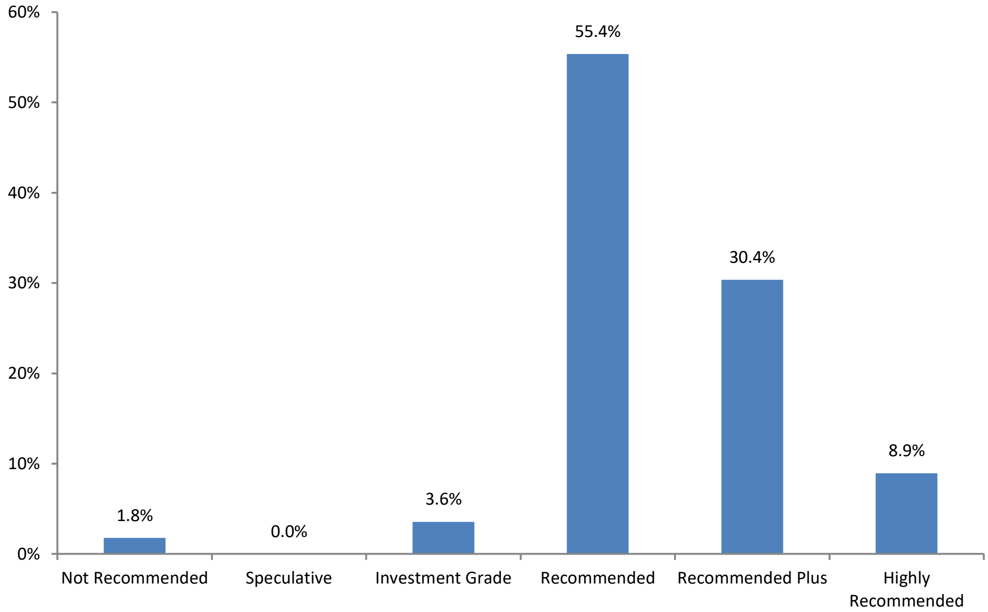
IIR has developed a framework for rating investment product offerings in Australia. Our review process gives consideration to a broad number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: management and underlying portfolio construction; investment management, product structure, risk management, experience and performance; fees, risks and likely outcomes.

LMI Ratings	SCORE
Highly Recommended	**83 and above**
	This is the highest rating provided by IIR, indicating this is a best of breed product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved exceptionally high scores in a number of categories. The product provides a highly attractive risk/return trade-off. The Fund is likely effectively to apply industry best practice to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors.
Recommended +	**79–83**
	This rating indicates that IIR believes this is a superior grade product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved high scores in a number of categories. In addition, the product rates highly on one or two attributes in our key criteria. It has an above-average risk/return trade-off and should be able consistently to generate above average risk-adjusted returns in line with stated investment objectives. The Fund should be in a position effectively to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors. This should result in returns that reflect the expected level of risk.
Recommended	**70–79**
	This rating indicates that IIR believes this is an above-average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an above-average risk/return trade-off and should be able to consistently generate above-average risk adjusted returns in line with stated investment objectives.
Investment Grade	**60-70**
	This rating indicates that IIR believes this is an average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an average risk/return trade-off and should be able to consistently generate average risk adjusted returns in line with stated investment objectives.
Not Recommended	**<60**
	This rating indicates that IIR believes that despite the product's merits and attributes, it has failed to meet the minimum aggregate requirements of our review process across a number of key evaluation parameters. While this is a product below the minimum rating to be considered Investment Grade, this does not mean the product is without merit. Funds in this category are considered to be susceptible to high risks that are not reflected by the projected return. Performance volatility, particularly on the down-side, is likely.

APPENDIX B – MANAGED INVESTMENTS COVERAGE

The below graphic details the spread of ratings for managed investments rated by Independent Investment Research (IIR). The managed investments represented below include listed and unlisted managed funds, fund of funds, exchange traded funds and model portfolios.

SPREAD OF MANAGED INVESTMENT RATINGS



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