Funding Investment Trust

This report has been prepared for financial advisers only

Favourable

December 2023

INTRODUCTION

Key Principles

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

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

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Report Date: 5 December 2023

Star Rating*	Description	Definition	
4½ stars and above	Outstanding	**Highly suitable for inclusion on APLs** *SQM Research believes the Fund has considerable potential to outperform over the medium-to-long term. Past returns have typically been quite strong. Product disclosure statement (PDS) compliance processes are of a high-calibre. There are no corporate governance concerns. Management is extremely experienced, highly skilled and has access to significant resources.*	High Investment grade
4¼ stars	Superior	**Suitable for inclusion on most APLs** *SQM Research considers the Fund has substantial potential to outperform over the medium-to-long term. Past returns have tended to be strong. PDS compliance processes are high-quality. There are no material corporate governance concerns. Management is of a very high calibre.*	High Investment grade
4 stars	Superior	**Suitable for inclusion on most APLs** *In SQM Research's view, the Fund has an appreciable potential to outperform over the medium-to-long term. Historical performance has tended to be meaningful. PDS compliance processes are strong. There are very little to no corporate governance concerns. Management is of a high calibre.*	High Investment grade
3¾ stars	Favourable	**Consider for APL inclusion** *SQM Research concludes the Fund has a moderate potential to outperform over the medium-to-long term. Past performance has tended to be reasonable. Management is experienced and displays investment-grade quality. There are no corporate governance concerns, or they are of a minor nature.*	Approved
3½ stars	Acceptable	**Consider for APL inclusion** *In SQM Research's view, the potential for future outperformance in the medium-to-long term is somewhat uncertain. Historical performance has tended to be modest or patchy. Management is generally experienced and capable. SQM Research has identified weaknesses which need addressing in order to improve confidence in the Manager.*	Low Investment grade
3¼ stars	Caution Required	**Not suitable for most APLs** *In SQM Research's opinion, the potential for future outperformance in the medium-to-long term is very uncertain. Historical returns have tended to be disappointing or materially below expectations. PDS compliance processes are potential substandard. There are possible corporate governance concerns. Management quality is not of investment-grade standard.*	Unapproved
3 stars	Strong Caution Required	**Not suitable for most APLs** *In SQM Research's opinion, the potential for future outperformance in the medium-to-long term is unlikely. Historical performance has tended to be unacceptable. There may be some material corporate governance concerns. SQM Research has a number of concerns regarding management.*	Unapproved
Below 3 stars	Avoid or redeem	**Not suitable for most APL inclusion**	Unapproved
Event-driven Rating		**Definition**	
Hold		*Rating is suspended until SQM Research receives further information. A rating is typically put on hold for a period of two days to four weeks.*	
Withdrawn		*Rating no longer applies. Significant issues have arisen since the last report date. Investors should consider avoiding or redeeming units in the fund.*	

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

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SQM Rating ★★★★½ *Favourable. Consider for APL inclusion.*

Fund Description	
Fund Name	The Funding Investment Trust
APIR code	N/A
Asset Class	Mortgage Trust (First mortgage-backed contributory mortgage trust)
Management and Service Providers	
Parent Company of Fund Manager	Funding.com.au Pty Ltd ACN 603 756 547
Fund Manager	Funding.com.au Pty Ltd ACN 603 756 547
Responsible Entity	Melbourne Securities Corporation Ltd ACN 160 326 545
Custodian	Sandhurst Trustees Limited ACN 004 030 737
Fund Information	
Fund Inception Date	13/12/2016
Fund Size	$81 million (as of August 2023)
Return Objective (as per PDS)	Target rate of return of 5% - 9% pa net of fees
Internal Return Objective	Same as the PDS return objective
Risk Level (as per PDS)	Not Specified in the PDS
Internal Risk Objective	Not specified
Benchmark	There is no benchmark nominated in the PDS
Number of stocks/positions	N/A - Varies
Fund Leverage	The Fund does not employ direct leverage (through borrowing by the Fund) or economic leverage (through the use of derivatives).
Investor Information	
Redemption Policy	Immediate/daily for cash units. Loan units are not liquid and withdrawals are subject to restrictions as described in the PDS
Pricing Frequency	Not applicable
Distribution Frequency	Monthly
Investment Horizon (as per PDS)	Varies as per an investor's selection of investment in the underlying loan, but no more than 3 years.
Currency Hedging Policy	N/A Australian currency
Investment Amounts	
Minimum Application	$5000 initial investment in cash units with a $1,000 minimum investment thereafter in each loan
Minimum Withdrawal	$1
Minimum Investment Balance	N/A
Fees	
Management Fee	Not applicable as fees are charged to Borrowers and target returns to Investors in the Fund are net of all fees and margins (margins are c 3.5% p.a.)
Frequency of Fee Accrual	Fees accrued monthly by the Lender
Frequency of Fee Payment to Manager	Fees paid monthly by Borrower to Lender
GST and impact of RITC	RITC impacts flow through to the Fund Manager rather than the Fund
TCR - % of NAV	N/A but the margin between gross return and net return is c 3.5% p.a.
Expense Recovery	N/A
Buy Spread	Nil
Sell Spread	Nil
Performance Fee	N/A- there is no Performance Fee
Withdrawal Fee (if applicable)	N/A

Other Fees and Expenses paid by Borrowers	
Establishment Fee	Up to 2.50%
Loan Application Fee	0.00%
Loan Administration Fee	0.00%
Transfer Fee	0.00%
Line Fee	0.00%
Loan Extension Fee	2% (or $1000 whichever is higher)
Early Repayment Fee	N/A
Default or Late Payment Fee	$1,200
Penalty/Late Interest Administration Fee	0% - interest capitalised
Ongoing Default Management Fee	0.00%
Security Release Fee	$650 - $1200 Per Property

Fund Summary

Description

The Funding Investment Trust (the Fund) is an open-ended unlisted registered managed investment scheme, established in 2016. It was one of the first "peer-to-peer" mortgage funds in Australia to be registered for retail investment. It uses digital technologies to enable investors to manage their choice of investments based on first mortgages.

Unlike a pooled mortgage fund, the contributory nature of the Fund enables investors to self-select the mortgage-backed loans they wish their investment to be linked to. This enables the investor to make their own decisions about the relative risk and return trade-off on a loan-by-loan basis.

Investors in the Fund invest initially in Cash Units and then may use these Cash Units to invest in Loan Units. The Loan Units receive the benefit of interest and principal repayments from the first mortgage loans (the Loans) provided to Borrowers.

The information available to investors to assist with the investment selection includes:

- The rate of return being offered;
- The location of the property;
- The description of the property;
- The value of the property;
- The total Loan amount;
- The purpose of the Loan;
- The Loan to Value Ratio («LVR»);
- The term of the investment.

For privacy reasons, information on the net income and net assets of the Borrower is not provided to investors in Loan Units.

The Fund lends the proceeds from the Loan Units that have been issued to two entities that are wholly owned subsidiaries of the Fund Manager (Funding Pty Ltd and Funding Commercial Pty Ltd) (which are referred to as the Lenders). The Fund does not invest directly in first mortgages. However, its assets are loans to the Lenders secured by a General Security Agreement over the assets of the Lenders (including the underlying loans and first-ranking mortgages).

The Lenders use the proceeds of the loans issued to the Fund to then on-lend to the Borrowers. The Loans to the Borrowers are each secured by a first mortgage over Australian real estate. The Loans are originated on the basis that interest payable by the Borrower over the term of the loan is prepaid on commencement of the loan for the full term of the Loan.

The Lender receives the principal and interest repayments on the Loans in which it invests. The interest on all loans is prepaid and received by the Lender at the time that the Loan is made. The Lender retains the prepaid interest and uses it to make monthly payments to the Fund.

The Lender then makes payments of interest (after deducting any applicable Lender fees) at monthly intervals to the Fund which then pays these to the Investors in the Loan Units of the Fund. Interest repayments are effectively used to fund distributions to Investors in the Fund.

Investors in the Fund select investments in Loan Units issued by the Fund which correspond to specific Loans made by the Lender, based on information provided about each Loan. The Investor in the Fund receives monthly interest distributions when the Borrowers of the Loans make repayments to the Lender.

Investors receive proportionate shares of repayments for the Loans in which they have effectively invested. Distributions from Loan Units of the Fund are automatically reinvested in the Trust and held in Cash Units. Investors can use these amounts to invest in Loan Units or to withdraw funds at any time.

The returns to investors come from interest income. There is no expected capital gain although there is some risk of a capital loss if a Borrower defaults on a principal repayment of a Loan.

Fund Rating

The Fund has achieved the following rating:

Star Rating	Description	Definition	Investment Grading
3.75 stars	Favourable	Consider for APL inclusion	Approved

SQM Research's Review & Key Observations

About the Manager

Funding.com.au Pty Ltd is the Fund Manager of the Fund (and also the Parent company of the Lenders). It is privately owned by the founder and CEO Jack O'Reilly (majority shareholder)and EVP, a Sydney-based venture capital firm focused on early-stage technology and B2B software companies.

The Fund Manager was founded in 2015 and has established itself as a non-bank mortgage lender. Its customers consist of both borrowers seeking loans and investors seeking to invest in the mortgage asset class.

It has a team of 30 professionals with the majority of these directly involved in the investment and lending activities. it lends Australia-wide from its base in Queensland.

Investment Team

SQM Research observes that:

- ***The business currently employs a staff of 30 filling various functions including credit, accounts, and investment. The investment team is moderate in size but appears to be effective.***
- ***its roles and responsibilities appear to be well-defined;***
- ***industry experience of team members is diversified and substantial;***
- ***the majority of the team has been working together for a relatively short period of less than 4 years;***
- ***lending decisions of the Lender are made by the Credit and Investment committee which comprises Jack O'Reilly (CEO), Steve Goldona (Head of Credit), and Kye Donnelly (Senior Credit Risk Manager)***
- ***there is some key person risk inherent in the Head of Credit role;***
- ***the decision-making process is supported by frequent meetings of the key investment staff.***

1. Investment Philosophy and Process

Investable Universe

Loans by the Lenders may be in registered first mortgages secure on Australian estate in several real estate asset classes including Residential, Commercial, Industrial and Development/Construction.

Philosophy / Process / Style

The Fund Manager's risk philosophy aims to maintain a conservative risk profile for investments in Loans by the Lender. The Lender invests only in registered first mortgage loans secured over Australian real estate, which are originated, under well-defined lending parameters and criteria consistent with the parent company's Lending Policy. The first mortgage security may be further supplemented by registered PPSR general security interests and other personal guarantees were considered appropriate.

The Lender will only invest in loans that have a Loan-to-Value (LVR) ratio of less than 70%. This protects the Lender and through it the investors in the Fund's Loan Units by providing a buffer between the loan value exposure and the value (including realisation and enforcement costs) of the security available to be realised in the event of Borrower default. While the maximum LVR ratio is set at 70%, in practice the majority of loan assets are originated at lower LVRs. As of 31 August 2023, the weighted average LVR of the Fund assets was 54%.

To mitigate and manage risk for investors the Loans are generally issued for periods of less than 12 months, but in some cases, individual loans with terms of up to 36 months are made available for investment. As of 31 August 2023, the average loan term was 9.3 months.

The investment process described in this Review is unless otherwise stated, that of the Lender, which makes credit assessments of the Borrowers' ability to service and repay the loans as well as the quality of the assets provided as first mortgage security for the Loans. It is predominantly a bottom-up process but is informed by some top-down macroeconomic considerations.

2. Performance & Risk

Return Objective

The return objective stated in the PDS is: "The Trust aims to provide investors with returns of 5% p.a. to 9% p.a. The rate of return will be dependent on the specific mortgage investment selected. The Fund does not use a benchmark to measure and assess Fund performance, because each Loan that corresponds to Loan Units in the Fund has a fixed interest rate set with reference to the specific credit risks relevant to that Loan and the market pricing environment at the time of origination. This means that the target rate of return is known by the investors at the time of investment.

Length of Track Record

The Fund has a history of 6 years. Observations and analysis of returns will have significant statistical meaning as a result of the sample size of observations. Since inception, the Fund has achieved an average net return to investors of 6.90% p.a. (after fees and costs).

The returns to investors come from distributions of interest income. There is no expected capital gain although there is some risk of a capital loss if a Borrower defaults on a principal repayment of a Loan. Distributions to investors in Loan Units are paid monthly, subject to the availability of distributable income for the relevant Loan Units. In a scenario where the Fund's realised losses and expenses exceed income in a distribution period, the Fund may elect not to make a distribution during that time. The distribution rate (% p.a. average across all Loan Units) has varied from month to month since inception as shown in the table below:

Distribution date	Average Distribution Rate (% p.a.) across all Loan Units
Dec-17	4.57%
Jan-18	8.00%
Feb-18	10.03%
Mar-18	4.59%
Apr-18	9.42%
May-18	9.79%
Jun-18	7.61%
Jul-18	6.69%
Aug-18	10.91%
Sep-18	6.17%
Oct-18	6.89%
Nov-18	11.39%
Dec-18	7.40%
Jan-19	9.00%
Feb-19	7.03%
Mar-19	6.05%
Apr-19	7.37%
May-19	10.36%
Jun-19	11.80%
Jul-19	5.12%
Aug-19	5.93%
Sep-19	7.62%
Oct-19	6.63%
Nov-19	7.01%
Dec-19	13.70%
Jan-20	7.81%

Distribution date	Average Distribution Rate (% p.a.) across all Loan Units
Feb-20	7.39%
Mar-20	7.74%
Apr-20	7.51%
May-20	6.58%
Jun-20	7.70%
Jul-20	5.58%
Aug-20	7.57%
Sep-20	5.62%
Oct-20	7.70%
Nov-20	3.95%
Dec-20	9.67%
Jan-21	7.49%
Feb-21	6.05%
Mar-21	8.09%
Apr-21	6.09%
May-21	6.66%
Jun-21	6.81%
Jul-21	6.42%
Aug-21	6.34%
Sep-21	6.02%
Oct-21	6.87%
Nov-21	6.13%
Dec-21	6.17%
Jan-22	6.00%
Feb-22	5.32%
Mar-22	7.10%
Apr-22	5.67%
May-22	6.03%
Jun-22	5.23%
Jul-22	6.21%
Aug-22	5.49%
Sep-22	6.84%
Oct-22	6.17%
Nov-22	6.31%
Dec-22	5.10%
Jan-23	6.33%
Feb-23	6.35%
Mar-23	6.49%
Apr-23	6.88%
May-23	6.86%
Jun-23	6.90%
Jul-23	6.98%
Aug-23	6.96%

Risk Objective

The Fund's PDS does not state a risk level or risk objective of the Fund.

Strengths of the Fund

- The Fund allows investors to make their own choice about which Loan Units they invest in. The online platform offers investors a transparent view of the target fixed rate of return being offered on each Loan Unit as well as the characteristics of the Loan to which the Loan Units correspond.
- The selection of Loans by the Lender is approved under a well-structured Credit Policy by a Credit and Investment Committee with experience in the credit assessment of loan assets.
- The nature of the Loans allows interest to be earned by the Lender that is sufficient to support returns on Loan Units in the Fund which are between 5% p.a. and 8% p.a. net of all fees and margins retained by the Fund Manager and its associated companies.
- The Loan terms are generally short-term term which allows for the loan book and investment opportunities to be recycled quickly.
- The Fund and the Lender are managed by a team, some of whose members have decades of experience in managing mortgage investments and cash flow and liquidity management in the banking sector.
- Since its inception in 2016, there have been no capital losses, and all interest and capital have been repaid to investors in Loan Units at their target return.

Weaknesses of the Fund

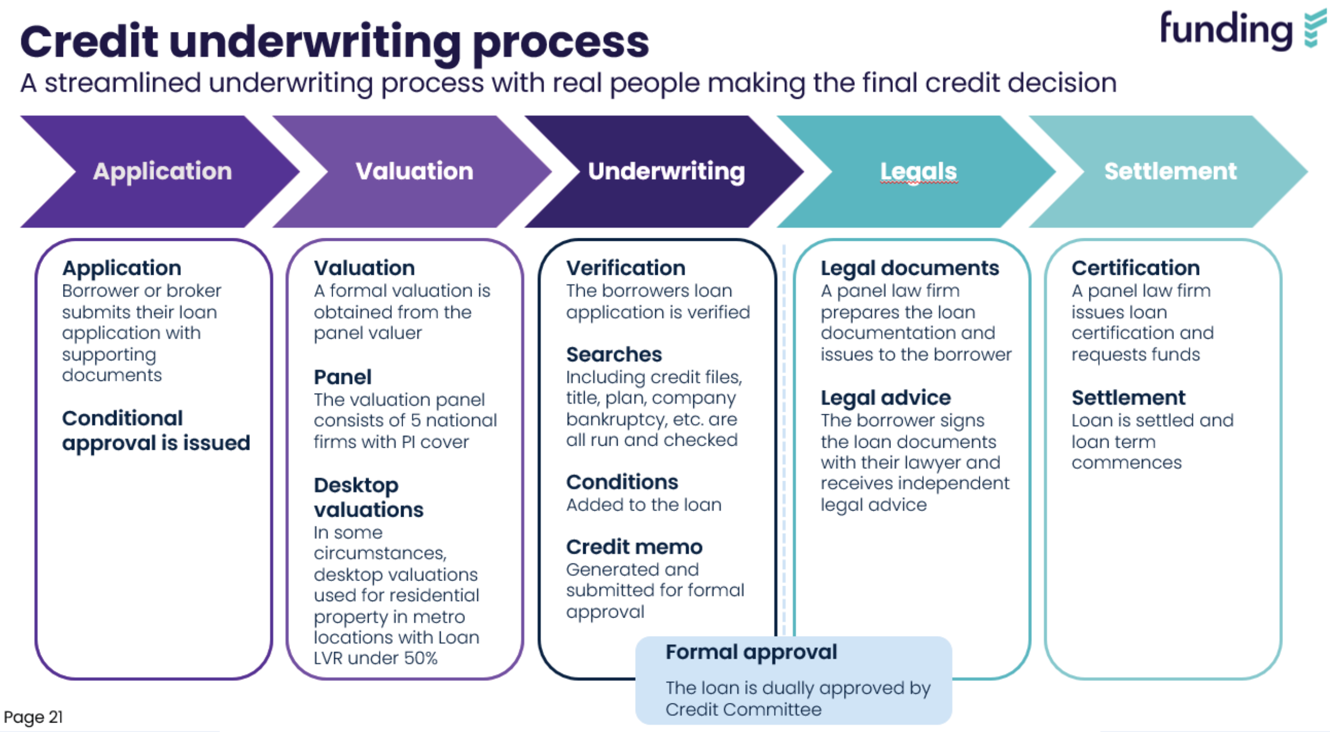
- The majority of the investment team has been working together for a relatively short period of less than four years.
- The Loan Units are illiquid and may not be withdrawn prior to repayment of the underlying Loan by the Borrower.
- In persistent recessionary economic conditions, such as have not been experienced so far in the life of the Fund, arrears and defaults on individual Loans may impact on the holders of Loan Units in those individual loans to receive full repayment of their investment principal, although this is a market risk common to all mortgage-backed securities.
- The effective costs of investment, represented by the difference between the interest and fees charged to Borrowers and the net return on Loan Units is in excess of 3% p.a. which is higher than the total cost ratio of other comparable mortgage funds.

Key Changes Since the Last Review

- This report is an inaugural review.

Investment Process Diagram

Credit assessment of each Loan is the key process. The Fund Manager has provided the following diagram of this process:



Process Description

Investment Process
Research The investment process is predominantly a bottom-up process of credit assessment but is also informed by some top-down macroeconomic considerations. The team routinely considers market trends, industry and economic conditions in the ordinary course of business. There is no dedicated internal research function with the team engaging regularly with and drawing on third-party independent research and publications **Loan Origination** Loan origination is driven mainly by demand from Borrowers, primarily via national aggregator groups and brokers. **Sector or Geographic Preferences** Loans are in registered first mortgages secure on Australian estate in several real estate asset classes including Residential, Commercial, Industrial and Development/Construction. The primary focus is on Residential property assets and small-scale, single-site Development/Construction projects. Individual loan assets may range in size from $25,000 to $5,000,000, however, the majority are less than $1,000,000 with the average value as of 31 August 2023 being $726,000.

Investment Process

Initial Assessment and Due Diligence

Loans are made on the following basis:

- First registered mortgage as primary security over acceptable real estate.
- Purpose can be for consumer/personal or business use.
- Interest-only loans with the principal repayable on expiration.
- General security interest registered on the Personal Property Security Register (PPSR) where applicable (i.e., for company borrowers).
- The Loan is within the Loan to Value (LVR) requirements.
- Borrowers or guarantors have the financial capability to meet repayment requirements.

The Lender conducts due diligence enquiries about Borrowers, including carrying out credit checks or other independent enquiries in respect of Loan applicants.

For consumer loans, the Lender complies with its obligations, including responsible lending requirements, under the National Consumer Credit Protection Act 2009 (Cth).

The Lender requires acceptable insurance cover on any building for its replacement and reinstatement, noting its interest where possible. Adequate insurance cover is to be maintained for the duration of the Loan.

The Lender will not accept certain Loans or securities including retirement villages, assisted living facilities or substantial development construction loans specialised securities. Loans for developments are advanced to the Borrower in stages based on independent evidence of the progress of the development.

Loan Approval Process

Generally, the lending manager:

1. Undertakes a review of the loan application to ensure compliance with lending parameters.
2. Undertakes an initial credit assessment of the loan application and a review of the loan application to ensure compliance with credit parameters and responsible lending policy under the National Credit Code.
3. Advises the Borrower / Originator / Mortgage broker if more information is required or of any special conditions.
4. Conditionally approves, declines (if within Delegated lending Authority) or refers the application.
5. Advises the Borrower / Originator/Mortgage Broker of any errors to be corrected.
6. Monitors correction of identified errors.
7. Performs checks.
8. Completes a final assessment and obtains final approval by the Credit and Investment Committee.

Borrower Analysis

The borrower must provide a detailed strategy for the repayment of the loan. Acceptable repayment strategies include:

- Sale;
- Refinance;
- Business sale;

Investment Process

If the exit strategy is refinance, the borrowers' ability to refinance must be assessed. This includes a credit assessment, serviceability calculations and credit report. A strategy of refinance will not be acceptable if the borrower has bad credit. Bad credit is defined as Below Average credit score being 0 to 510.

If the exit strategy is a sale of property, the property's value must be verified.

If the borrower cannot demonstrate an ability to repay the principal at the end of the term, regardless of the financial standing, the application should not normally be approved. This includes assessment of debt servicing capacity and independent verification of the borrower's income, expenses and liabilities.

Valuation Policy

Valuations are routinely, but not always, undertaken by independent valuers as part of the credit assessment process to inform and assist with the loan approval process.

The valuation policy is customised to meet the specific Loan circumstances. This is to ensure that the Lender has an independent or external assessment of the market value of the security at the time of making a Loan. The Lender generally obtains a full on-site valuation. However as the LVR decreases, or the coverage of a given Loan by real estate security increases, the need for a full on-site valuation decreases. The Lender may use alternate valuation methods mentioned below if the LVR is estimated to be below 50%. The valuation methods mentioned below could be used in these circumstances.

- **Full on-site valuation:** A full onsite inspection and report is provided by a licensed valuer.
- **Kerb-side assessment:** An exterior assessment to confirm the location and observable condition of a property, used particularly for further advances on an existing mortgage and/or if house prices have not fluctuated significantly. The assessor will often draw on comparisons with properties recently sold in the area to support the estimation.
- **Desktop assessments:** A method of assessment that does not involve a physical inspection of the residential property.
- **Automated valuation methods (AVMs):** A system or process that can provide an estimate of real estate property valuations using mathematical modelling, taking account of relevant factors, combined with a database.
- **Municipal valuation:** Municipal valuation which indicates that the proposed Loan does not exceed 50% of the value of the security.

Responsibility for Loan Approval

All loans are formally approved by the Credit and Investment Committee which comprises the CEO, the Head of Credit and the Senior Credit Risk Manager.

Risk Management

The following risks are among those that have been identified by the Fund Manager in the Fund PDS together with an indication of how the Fund Manager or Lender aims to manage or mitigate the risks:

DEFAULT OR DELAY BY A BORROWER

Management and mitigation of risk is via a process of identifying and assessing suitable Borrowers as outlined above as well as the processes used to remedy any delays, which is described below.

Investment Process

SERVICE PROVIDER RISK

Various functions relating to the Fund are carried out by a range of service providers, including the Fund Manager and the Lender.

The Loans to Borrowers are made by the Lender. Accordingly, the Lender holds all legal rights to repayment by the Borrowers. If the Lender became insolvent or otherwise ceased performing its role, the Master Loan Agreement grants the Responsible Entity (RE) a security interest in any repayments that have been received by the Lender. The Master Loan Agreement would allow the RE to take over the activities of the Lender in respect of the Loan, or to appoint a replacement to step into the Lender's place, if necessary.

Arrears & Collection Management

All loans are currently capitalised and prepaid. Therefore, there are no monthly interest collections managed by the servicing team.

The Fund Manager and the Lender maintain a watching brief regarding the potential for an increase in Borrower defaults and/or arrears especially if market conditions enter a period of softening. This is primarily achieved through regular engagement with Borrowers as their loans approach maturity including a reconfirmation of their exit strategies 90/60/30 days prior to maturity. There has so far been no material observable increase in the need to consider extensions or rollovers of current loans due to the failure of Borrowers to achieve their exit strategy.

If a Loan goes into arrears, the total outstanding loan amount is recognized as arrears.

The Collections process operates within a well-defined Collections Policy that has been in place since 2021.

It includes provisions that commence contact with the Borrower within 7 days and litigation proceedings within 90 days.

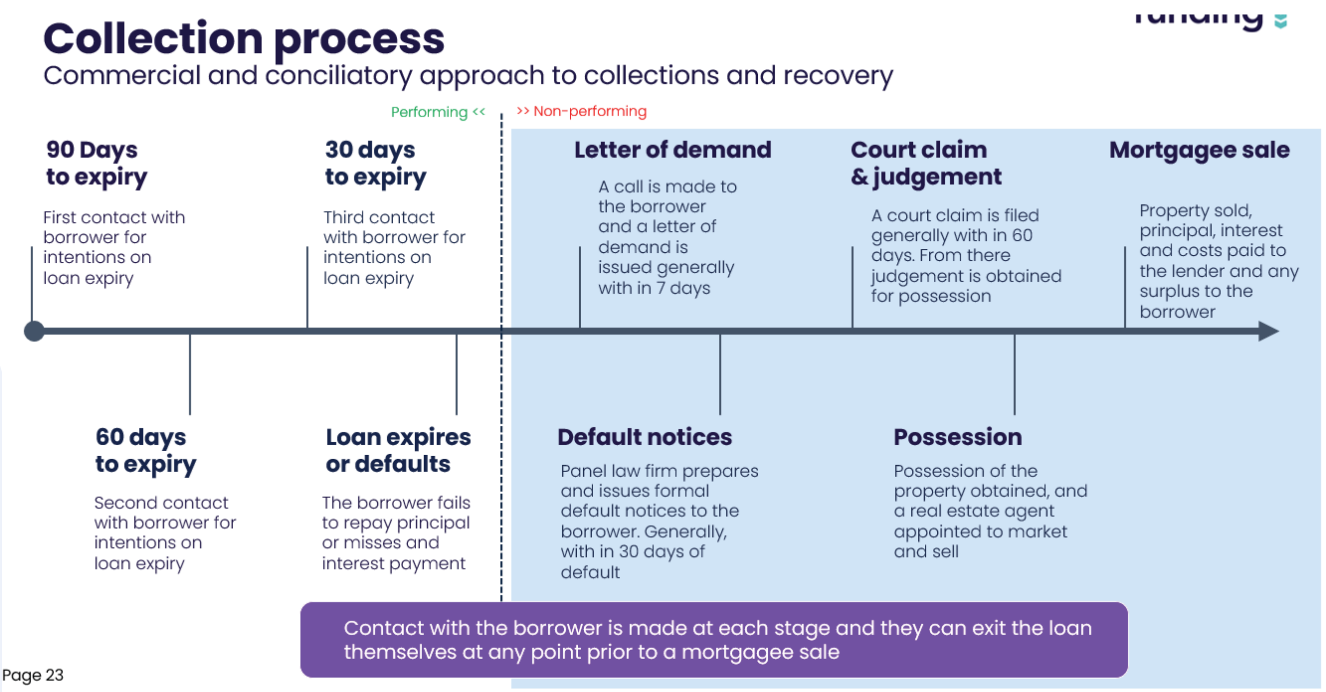
Default Management

Any Loans that fall outside of their contractual terms by a period of greater than 14 days will be managed by top-level management or directors. The objective of the recovery management process is to minimise the risk of loss and provide clear and concise guidelines that comply with legal requirements. Investors in Loan Units in the Fund that relate to such a Loan will be notified of the event.

The internal procedures of the Lender include monthly monitoring of any Default by the borrower in payment of principal and interest. The Lender's loan management strategy focuses on the management of Loans in arrears with the aim of maximising the recovery of the Loan from all possible sources. The Lender seeks to work with the Borrower where possible and practical. However, where the Lender believes it is in its best interest to do so it will exercise its rights under its loan and security documents. In some situations, this may result in the sale of the underlying security by the Lender as mortgagee. In addition to the freehold security held for a Loan, the Lender also pursues Guarantors in order to maximise its recovery. It is the Lender's usual practice to ensure that personal guarantees from the Directors of the Borrower are taken in support of the Borrower's obligations.

Investment Process

The Fund manager has provided the following diagram that describes the collection process:



Portfolio Characteristics

It is important to note that investors in the Fund select investments in Loan Units issued by the Fund which correspond to specific Loans made by the Lender, based on information provided about each Loan. They do not invest in a portfolio of Loans. There is therefore no formal target portfolio composition as it is driven by borrower and broker demand and investor appetite. The overall portfolio is reviewed every week by the Fund Investment Committee (see section on meetings below) which considers utilised and un-utilised funds and cash flows from settlements and discharges.

Individual loan assets may range in size from $25,000 to $5,000,000, however, the majority are less than $1,000,000 with the average value as of 31 August 2023 being $726,000.

The interest rates and subsequent distributions to investors in Loan Units in the Fund are determined on a Loan-by-Loan basis using an inhouse pricing matrix system which considers several factors associated with the underlying loan including loan amount, loan term, property type and location, loan type and LVR.

The Fund receives the principal and interest repayments associated with the Loans in which the Lender invests, and which it has funded. Each Member holding Loan Units referable to an individual Loan will receive their proportionate share of interest and principal repayments within 2 to 3 Business days after receipt by the Fund. Distributions will be automatically reinvested in Cash Units in the Fund and may be either withdrawn or reinvested in new Loan Units.

Key Metrics	Fund
Market Value ($m)	$ 79,058,087.00
No. Positions/Loans	108.00
Avg Borrower Rate	11.15%
Weighted Average LVR	54%

Interest Type	Weight
Fixed	100.00%
Variable	0.00%

Maturity Profile - years	Weight
0-2	100.00%
3-6	0.00%
7-10	0.00%
10+	0.00%
Cash	0.00%

Sector Profile	Weight
Residential - House	54%
Commercial - Land	2%
Residential - Unit / Apartment	7%
Residential - Townhouse / Villa	1%
Residential - Land	33%
Rural - Residential	2%
Rural - Land	1%
Commercial - Industrial	0%
Commercial - Office	1%
Commercial - Retail	0%

Geography Profile	Weight
NSW	34.79%
VIC	23.68%
QLD	25.00%
WA	4.27%
SA	6.75%
TAS	0.94%
ACT	4.57%
NT	0.00%
Other	0.00%

Borrower Credit Strength	Weight
Below Average	4.63%
Average	6.48%
Good	21.30%
Very Good	37.04%
Excellent	30.56%

Loan Purpose	Weight
Purchase a new property	20.58%
Business Loan	12.05%
Refinance an existing property	7.21%
Renovate or build	33.32%
Bridging Loan	11.17%
Personal Loan	10.39%
Debt consolidation	2.63%
Development Loan	2.66%

Arrears	Weight
0-30 days	1.89%
31-60 days	0.00%
61-90 days	0.00%
>90 days	0.00%

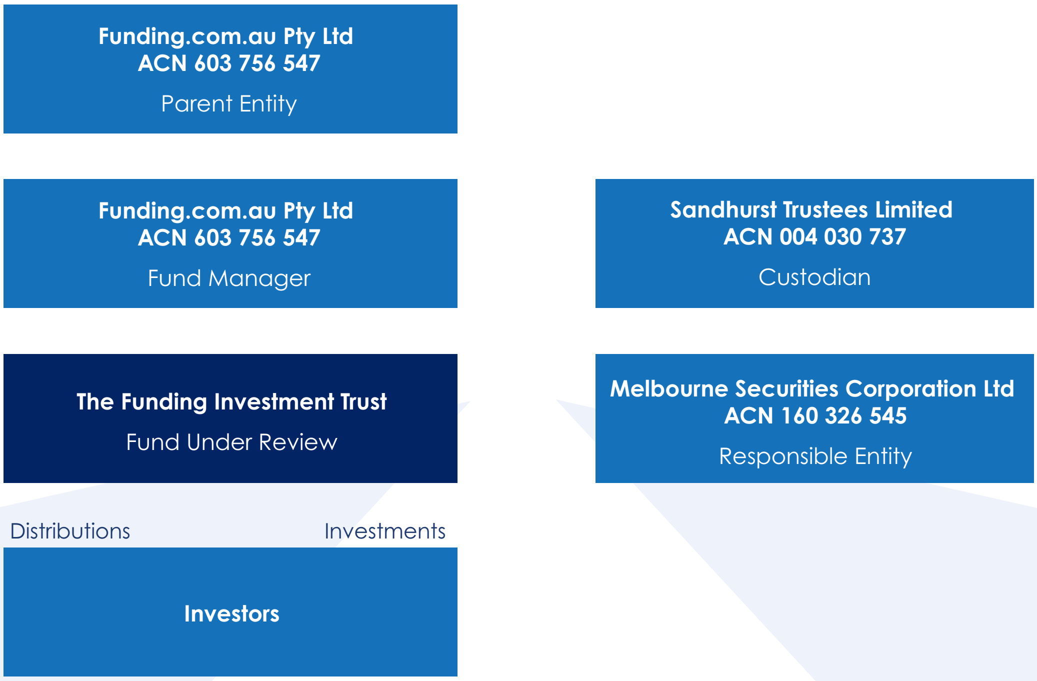
Liquidity

The Loan assets are not liquid but are generally issued for periods of less than 12 months. In some cases, individual loans with terms of up to 36 months are made available. As of 31 August 2023, the average loan term was 9.3 months.

Leverage

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

Key Counterparties



Parent Company and Fund Manager

Funding.com.au Pty Ltd (ACN 603 756 547) is the Parent Company and is also the Fund Manager of the Fund. It is privately owned by the founder and CEO Jack O'Reilly (majority shareholder)and EVP, a Sydney-based venture capital firm focused on early-stage technology and B2B software companies.

Governance

Responsible Entity

Melbourne Securities Corporation Ltd ACN 160 326 545 is the Responsible Entity of the Fund. It was incorporated in 2012 and commenced operating as a licensed trustee company in Melbourne. The Board of Directors of the Responsible Entity consists of **6** directors, 3 of whom are independent. Board members have an average of **23** years of industry experience.

SQM Research prefers the inclusion of independent members on the Board of Directors – it is a meaningful way to enhance governance and oversight.

The Responsible Entity does not have an independent compliance committee as it has a majority independent board.

Management Risk

Funds management businesses rely on the operational capabilities of key counterparties. A critical element is the ability of the Responsible Entity to monitor operational performance and to meet the regulatory and statutory responsibilities required. For any investment fund, there is a risk that a weak financial position or management performance deterioration of key counterparties could temporarily or permanently compromise their performance and competency. This can adversely affect financial or regulatory outcomes for the Fund or associated entities.

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

Investment Team

Investment Team and Key Staff

Name	Responsibility / Position	Location	Years at Firm	Years in Industry	Qualifications
Samuel Amey	Investment Relations Manager	Gold Coast	0.6	17.0	MBA
Paul Bywater	Head of Finance	Gold Coast	1.0	25.0	CA
Jack O'Reilly	Founder and CEO	Gold Coast	8.0	14.0	LLB
Kye Donnelly	Senior Credit Risk Manager	Gold Coast	3.0	5.0	BCom (Finance)
Dani Davidson	Director/Chief Performance Officer	Gold Coast	8.0	14.0	LLB
Steve Galdona	Head of Credit	Gold Coast	2.0	25.0	MAICD, FIML
Steve Brown	CTO	Gold Coast	3.5	20.0	N/A

SQM Research observes that:

- ***The business currently employs a staff of 30 filling various functions including credit, accounts and investment. The investment team is moderate in size but appears to be effective.***
- ***its roles and responsibilities appear to be well-defined;***
- ***industry experience of team members is diversified and substantial;***
- ***the majority of the team has been working together for a relatively short period of less than 4 years;***
- ***lending decisions of the Lender are made by the Credit and Investment committee which comprises Jack O'Reilly (CEO), Steve Goldona (Head of Credit), and Kye Donnelly (Senior Credit Risk Manager)***
- ***the decision-making process is supported by frequent meetings of the key investment staff.***

Meeting Schedule

The table below shows regular meetings that form an essential part of the overall process.

Meeting	Agenda	Frequency	Participants
Credit Committee	Review and approval of lending applications consistent with Credit Policy	On-demand based on deal flow as opposed to a formal schedule	CEO, Head of Credit, Senior Credit Risk Manager
Portfolio Committee	Review of portfolio positions, funding strategy, portfolio allocations and deal flow	Daily	CEO, Head of Finance, Senior Credit Risk Manager
Board Meetings	Review of Group strategy, operations, performance, risk management, corporate governance	Monthly	Board, CEO, CPO, CTO and others on as required basis
Compliance Committee	Responsible Entity	Quarterly reporting	Compliance Committee of RE

SQM Research believes the practice of constant communication and the broad-based inclusion of team members in decision-making is a vital ingredient to the success of the process. Interactive peer review and collaboration across a tightly knit group of experienced investors will likely make the best use of their combined intellectual property and shared history.

Staffing Changes

Departures		
Name	**Responsibility**	**Reason for Departure**
David Serafini	Investment & Platform Manager	Career break/travel with family

Additions / Hires			
Date	**Name**	**New Responsibility**	**Previous Position / Employer**
13-Jan-20	Kye Donnelly	Senior Credit Risk Manager	Panthera Finance
01-Apr-20	Steven Brown	CTO	Qualie
05-Oct-21	Steven Galdona	Head of Credit	Better Mortgage Management Pty Ltd
25-Jul-22	Paul Bywater	Head of Finance	Wairarapa Building Society
22-May-23	Samuel Amey	Investment Relations Manager	Accor

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

Remuneration and Incentives

The Fund Manager says that it aims to pay market-based remuneration to ensure that it can attract and retain appropriately qualified and skilled employees.

Base remuneration is subject to annual reviews across the organisation and may involve input from 3rd party recruiters and/or other in-market participants to ensure that remuneration levels are competitive.

Performance outcomes are monitored concerning informal and formal performance measures.

Bonuses are paid out from time to time; however, these payments are made in recognition of individuals whose performance or contribution goes above and beyond and can be based on a balanced scorecard system. Any such bonus payments are made on a discretionary ex-gratia basis.

SQM Research believes that remuneration in the form of firm equity and client-focused performance bonuses act as strong incentives for optimising staff engagement, retention, and productivity as well as alignment with investor outcomes. The intention (and SQM believes the effect) should be to align staff performance with investor and shareholder objectives. It focuses on the customers' needs and medium to long-term results.

SQM Research observes that there is no explicit alignment of remuneration of this fund manager with targeted investor outcomes.

Fees and Costs	Fund
Management Fee (% p.a.)	Not applicable as fees are charged to Borrowers and target returns to Investors in the Fund are net of all fees and margins retained by the Manager.
Expense Recovery / Other Costs (% p.a.)	NA
Performance Fee (%)	NA
Total Cost Ratio TCR (% p.a.)	Not applicable but the margin retained by the Manager is similar to a TCR in excess of 3% p.a.
Buy Spread (%)*	NA
Sell Spread (%)*	NA

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

Management Fee

Management fees or the margin is normally in excess of 3% p.a. of the Loan amount per annum and is paid by the Borrower. It is calculated against the Loan amount outstanding and paid by the Borrower.

The target return shown or advertised on a Loan to the investor in a Loan Unit is the net return after the margin is deducted by the Lender. If a Borrower has not made an interest payment due under the Loan, the margin will not be collected until the Borrower's repayment is made.

The management fees or margins Include GST and are net of any applicable Reduced Input Tax Credits (RITC)

Performance Fee

The Fund does not charge a performance fee.

SQM Research observes that the margin between the rate at which money is lent to Borrowers by the Lender and the target rate for the corresponding Loan Units in the Fund Fund (2.00% p.a.) is higher than the management fee and total Cost Ratio of some other mortgage trusts. In addition, there are other fees charged by the Lender to the borrowers:

Other Fees and Expenses paid by the Borrowers	
Establishment Fee	2.00%
Loan Application Fee	0.00%
Loan Administration Fee	0.00%
Transfer Fee	0.00%
Line Fee	0.00%
Loan Extension Fee	2% (or $1000 whichever is higher)
Early Repayment Fee	N/A
Default or Late Payment Fee	$1,200
Penalty/Late Interest Administration Fee	0% - interest capitalised
Ongoing Default Management Fee	0.00%
Security Release Fee	$650 - $1200 Per Property

A General Note on Distributions for Managed Funds

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

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

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

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

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

Total Cost Ratio (TCR)

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

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