Core Property
Fund Research & Ratings
www.coreprop.com.au

Unlisted Private Debt Fund Report

Centuria Bass Credit Fund

October 2021

Open ended property mortgage fund with a targeted return of 6% - 10% p.a.

For wholesale investors

Centuria Bass Credit Fund

Contents

About Core Property Research

Core Property Research Pty Ltd was established in July 2017 to provide market leading and insightful research on the property funds sector for its clients and investors. Our ratings and research cover sector level research, ratings and recommendations on listed and unlisted property funds, and is built upon the extensive research experience of its staff.

The Core Property team collectively, has over 50 years' experience across property, financial services and investment markets. The team has also evaluated over 500 different funds across multiple sectors and a range of investment structures over the last decade.

IMPORTANT NOTICE

This document is published by Core Property Research Pty Ltd ACN 620 084 880 (Core Property). Core Property is an Authorised Representative (Authorised Representative No. 1280479) of Core Property Research Holdings Pty Ltd ACN 633 170 751 (AFS Licence No. 518320) (Licensee). No representation is made by Core Property or the Licensee as to the accuracy or completeness of the contents of this document, and no responsibility or liability is accepted by Core Property or the Licensee for any errors, misstatements in or omissions from this document which arises from any use of or reliance on this document.

For further information, please refer to the Disclaimer & Disclosure notice at the end of this document.

Centuria Bass Credit Fund

October 2021

The Centuria Bass Credit Fund ("the Fund") is an open-ended, unlisted unit trust which aims to provide investors with an exposure to a portfolio of real estate backed loans, secured by first and second ranked mortgages.

The Manager, Bass Securities Pty Ltd ("the Manager") is a joint venture that combines the credit lending expertise of Bass Capital with the real estate expertise of Centuria Capital Limited (ASX: CNI), an ASX listed fund manager with $16.4B of funds under management. Bass Capital was established in 2016 and to date has a good track record having undertaken $612M of loan commitments while maintaining 100% preservation of investors' capital.

The Fund operates as a pooled investment scheme where investor funds are aggregated and loaned out to borrowers across a portfolio of loans. The Fund has a Target Return IRR of 6% -10% p.a. (net), with distributions paid on a quarterly basis. The Manager is expecting 8% Target IRR returns in the first 12 months, at the mid-point of the range. Distributions are targeted to be paid on a quarterly basis during the first 12 months. The Fund is structured to pay a net distribution, after deducting for management fees and expenses, which Core Property considers to be appropriate for the Fund.

The Fund is open ended in nature and is available to wholesale investors, with a minimum investment of $100,000 ("the Offer"). The initial unit price has been set at $1.00 per unit (at 1 October 2021) adjusted for any accrued distributions. The Manager is looking to raise $50M under the initial Offer and is looking to grow the Fund to $500M over time. Initially, 15% of an investors' commitment will be called immediately with the balance called progressively over a 3–6month period.

The Manager has a conservative approach to risk, based on a track record that includes investing 94% in first ranked mortgages on a weighted basis and a 100% preservation of capital. The Fund has access to $185.9 in mandated (meaning loan terms have been agreed with the borrower) loan opportunities identified by the Manager which meets the Fund's investment guidelines and investment mandate. The main characteristics of the mandated loan opportunities are: (1) 99% in First ranked mortgages; (2) loan duration ranges between of 9-18 months; (3) an average portfolio LVR of 67% (range 60% -73%); and (4) estimated investor IRR of around 9% p.a. The Manager has also identified a further $918.9M of further prospective loans which are currently being assessed.

The Trustee will also offer a monthly withdrawal facility, which is subject to the financial position of the Fund and its liquidity position at that time. The Fund has clear guidelines and processes to process withdrawal requests to treat all investors in a fair and equitable manner. We discuss this in more detail in the *Withdrawal/ Liquidity* section of the report.

Notwithstanding the metrics and track record discussed above, exposure to real estate construction/ development risk or short-term lending on real estate transactions implies that investors are exposed to risks associated with repayment of capital and interest income during adverse market conditions. Investors should also expect the risk profile of the portfolio to change over time, and the Fund's performance will depend on the Manager's ability to recycle capital into new loans and minimise the dilution of returns from uncommitted capital on the Fund's balance sheet.

Core Property is unable to comment on the risks associated with specific loans that the Fund would invest in. Rather, it has relied on the representations made by the Manager regarding the loan management processes, borrower assessment and loan documentation requirements, and the management team's capability in operating the Fund.

Investor suitability

Core Property considers the Fund would be best suited to wholesale investors who understand the nature of lending into development property, construction, residual stock and development projects. Such loans typically provide higher returns albeit with higher risks over a shorter time period. That said, the Fund offers an investment alternative by focusing on: (1) short-duration secured debt investments (1-3-year horizon); (2) investments that have limited or no correlation to traditional asset markets; and (3) investments that can be accurately priced due to the contractually determined nature of the future cash flows.

An investment in the Fund should be a small part of a broader portfolio of investments to enhance income returns.

Recommended

See the Appendix for a description of our ratings. The above rating must be viewed in the context of comparable Funds and not across all products

Fund Details	
Offer Open:	Open-ended
Minimum Initial Investment:	$100,000
Unit Entry Price:	$1.00 per unit (1 October 2021)[1]
Fund Term:	Open
Targeted IRR return:	6% - 10% p.a. (net)
Distribution Frequency:	Quarterly, within 45 days
Liquidity:	Monthly

Note 1: From 1 October 2021 the Unit Price is adjusted to take into account the Net Asset Value of the Fund. This includes any accrued distributions.

Fund Contact Details

Ben Harrop
Head of Distribution
ben.harrop@centuria.com.au
Phone: 02 8923 8923

Centuria Investor Services
centuriabass.enquiry@centuriainvestor.com.au
1800 182 257

Fund Website

www.centuriabass.com.au

Note: This report is based on the Centuria Bass Credit Fund Information Memorandum dated 1 September 2021, together with other information provided by Centuria and Bass Capital.

Key Considerations

Management: Bass Securities Pty Ltd is a joint venture that combines the credit expertise of Bass Capital with the property funds management experience of Centuria Capital Limited (ASX: CNI). Bass Capital was established in 2016 and has undertaken $612M of loan commitments across 52 loans. Its funds have delivered an average IRR of 11.7% with 100% preservation of capital for investors. Bass Capital's principals are also major investors in their loans, providing an alignment of interest for investors. Centuria is an ASX-listed fund manager with $16.4B of funds under management.

Fund structure: The Fund is open ended. Investor funds are pooled by the Fund and invested into an underlying portfolio of loans secured by real property mortgages in Australia.

The Initial Offer: The initial Offer is for the issue of 50M units priced at $1.00 per unit as at 1 October 2021. The Offer is available to wholesale investors, with a minimum subscription of $100,000. Investors will be asked to nominate a Commitment Amount, being a binding agreement for the total investment amount. Investors should expect the Manager to draw down around 15% of the Commitment Amount on 4 October 2021, with the remainder to be drawn over a 3–6-month period.

Unit Price: The Fund is open-ended, and investors may continue to invest in the Fund following the close of the initial Offer. After the initial Offer, new units will be issued on a monthly basis at the prevailing Unit Price, which takes into account the latest net asset value of the Fund. The Unit Price will include any accrued distributions to ensure new investors receive a pro rata distribution based on the issue date of units.

Investment Strategy: The Fund's investment guidelines include (1) all loans are required to be secured by first or second ranked mortgages on construction, residual stock and land developments, (2) a minimum 75% portfolio allocation to first ranked mortgages, with the Manager targeting 80%+, (3) loan durations of 4-36 months with a focus on 12-18 month durations, and (4) limits on the concentration of loans (maximum 15% in any one investment, maximum 20% to any one borrower and maximum 65% to any one geography).

Portfolio: The Fund will progressively invest in a portfolio of loans, with access to a current pipeline of $185.9M of mandated loans. The mandated loans include construction, bridging and land developments, with 9–18-month durations, with around 99% secured by first mortgages with an average LVR of 67%. The Fund will also have access to the prospective portfolio of loans by Bass Capital, which is currently $918.9M. As the loans are relatively short term in nature, investors should expect the portfolio to evolve and change over time.

Target Returns: The Fund has a Target Return IRR of 6% - 10% p.a. Distributions are expected to be paid quarterly, up to 45 days after the applicable period.

Fees: Core Property considers the fees charged to be appropriate for the Fund. The fee structure is designed to provide investors with a net distribution paid quarterly.

Investment risks: Core Property is unable to comment on the risks associated with specific loans that the Fund will invest in. The performance of the Fund will depend on, but not be limited to (1) the performance of the Manager, including loan selection and management ability, (2) the solvency and financial position of the borrowers, (3) risks specific to the property sector in which the loans are made, (4) prevailing market conditions specific to the investments, and (5) the cost and availability of debt financing. It is possible that the escalation of any of these risks could affect expected returns.

Liquidity: The Fund provides monthly withdraws for investors. Withdrawals are subject to the discretion of the Trustee based on the financial position of the Fund and available liquidity. The Trustee may also facilitate a withdrawal via a process that ringfences the investor's share of the portfolio to enable the withdrawal to be paid out over time as the loans mature (see Liquidity / Exit strategy).

Investment Scorecard

Management Quality	★★★★★
Governance	★★★★☆
Portfolio	★★★★☆
Income Return	★★★★☆
Total Return	★★★☆☆
Gearing	NA
Liquidity	★★★★☆
Fees	★★★☆☆

Key Metrics

Fund Structure	
The Fund is a unlisted, unregistered open ended unit trust that invests in secured property credit transactions. The Fund pools investor funds which are loaned to SPVs, who on-lend the funds to borrowers.	

Management	
Bass Securities Pty Ltd is a joint venture, established in April 2021, between Bass Capital and Centuria Capital Limited (ASX: CNI). Bass Capital is a specialist fund manager of property credit transactions, established in 2016. Centuria is an ASX-listed fund manager with over $16.4B of funds under management.	

Portfolio Guidelines	
Investment Strategy:	The Fund invests in first and second ranked mortgage loans secured on land, residual stock, and construction loans.
Location:	Australia
Security:	100% of investments to be secured by first and second ranked mortgages.
Security Split:	First ranked mortgages = minimum 75% (target 80%+)
Concentration Limits:	Maximum 15% of NAV in any one investment Maximum 20% of NAV to any one borrower. Maximum 65% of NAV to any one geography.
Loan Term:	4 - 36 months (target 12-18 months)

Return Profile	
Target Return IRR:	Target Return IRR = 6.0% – 10.0% p.a. (net of fees) Year 1 target IRR = 8.0% p.a. (Manager target)
Distribution Frequency:	Quarterly, within 45 days
Tax:	Tax consequences depend on individual circumstances and investors should seek their own taxation advice.
Investment Period:	The Fund is open-ended. Investors may submit a withdrawal on a monthly basis, subject to liquidity.

Risk Profile	
Property/Market Risk:	Investors may be exposed to a potential capital loss if a loan is not repaid and cannot be recovered from the underlying property.
Counterparty Risk:	Investors are exposed if any selected borrower fails to perform their contractual obligations, either in whole or in part, which may affect targeted returns.
Manager Risk:	The performance of the Fund relies on the ability of the Manager to originate, manage and profitably realise loan investments within a specific period of time.
Liquidity Risk	Investors may not be able to recover their investment, if the assets cannot be sold or cannot be converted into cash.
Valuation Risk	Valuations of the assets against which loans are provided may not reflect true value, which may impact the Manager's ability to recover on any loan in default.

For a more detailed list of the key risks, refer to Section 9 "Risk factors" of the Information Memorandum.

Fees Paid	
Entry Fee:	Nil
Management Fee:	0.50% p.a. (plus GST) of Net Asset Value[1].
Cost and Expenses:	Based on amount incurred.
Exit Fee:	Up to 1.0% (plus GST) of redemption price of units being withdrawn[2].
Transfer Fee:	Up to 1.0% (plus GST) of the redemption price being transferred[2].

Note 1: The Manager may also be entitled to additional compensation for cost associated with the lending process (eg. establishment fees, underwriting fees, legal fees, valuation costs and administration expenses).
Note 2: The Manager does into intend to charge an Exit Fee or Transfer Fee in the ordinary course of operations.

Target Portfolio Metrics	
Initial Offer:	$50.0M
Target Fund size:	$500.0M
Pipeline of Loans:	$185.9M Mandated $918.9M Prospective
Mandated Loans	
Term:	9-18 months
Loan Amount:	$1M - $75M
Security:	90% First ranked mortgage 10% Second ranked mortgage
LVR:	65% average (60% - 73% range)
Property Location:	Australia

Legal	
Offer Document:	The Centuria Bass Credit Fund Information Memorandum dated 1 September 2021
Wrapper:	Unlisted Property Debt Fund
Investment Manager	Bass Securities Pty Ltd (ACN 624 793 102)
Trustee:	Bass Financial Services (ACN 617 409 588, AFSL No. 499 339)

Fund Overview

The Centuria Bass Credit Fund ("the Fund") is an open-ended unlisted, unregistered unit trust which aims to provide investors with an exposure to a portfolio of credit loans, backed by secured mortgages on properties. The Fund is managed by Bass Securities Pty Ltd ("the Manager"), which is a joint venture between Bass Capital and Centuria Capital Limited (ASX: CNI). The joint venture was established in April 2021 to combine Bass Capital's expertise in non-bank lending with Centuria's extensive property management experience. Bass Capital was established in 2016 and has a robust track record having undertaken $612M of loan commitments, with an average IRR of 11.7% and a 100% preservation of investor capital.

The Fund is open-ended and available to wholesale investors with a minimum investment of $100,000. Investors may subscribe for units on a monthly basis, in the Fund at the initial unit price of $1.00 per unit. The unit price is adjusted to take into account movements in the Net Asset Value of the Fund, including any accrued distributions. Investor's funds are pooled together and loaned to special purpose vehicles (SPV's), which then on-lend the funds to individual borrowers. Following the maturity of the underlying investment loans, the principal loan amount is repaid, and the proceeds are able to be recycled into new loans.

The strategy of the Fund is to target mid-market property credit transactions, typically in the $5M - $75M range which the Manager believes is underserviced by the market. The Manager has a conservative approach to risk, with the Fund at least 80% weighting to first ranked mortgages (above the Fund's 75% target minimum). Historically, the Manager has delivered 94% of its portfolio from first ranked mortgages.

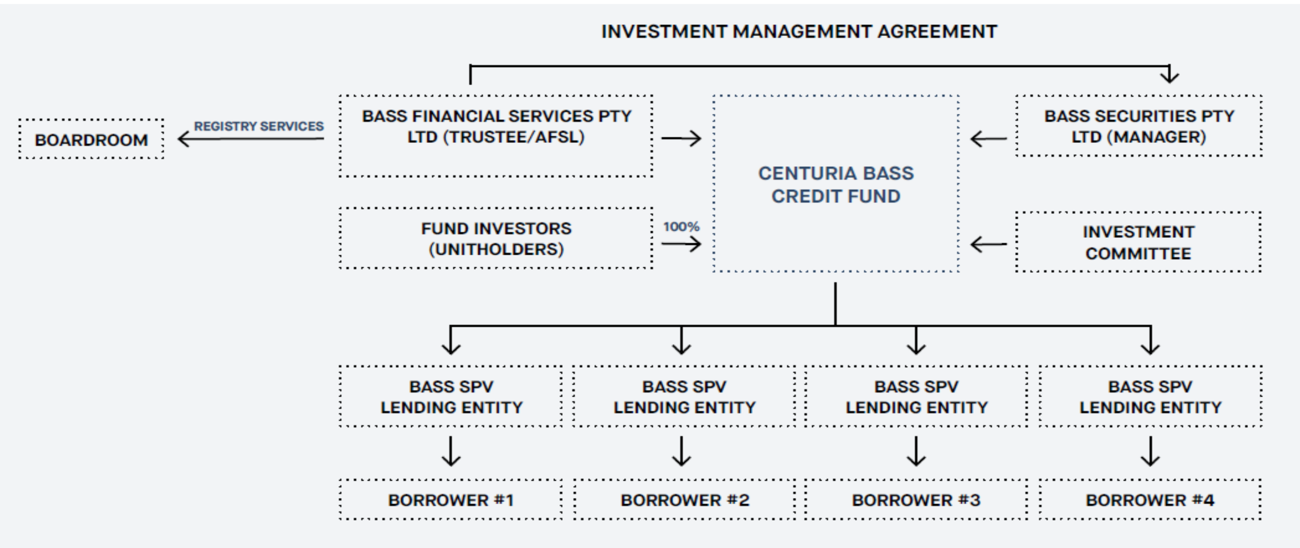
The Fund receives interest payments from the loans via the SPVs and, after deducting for costs and expenses, distributes the net proceeds to investors. The Manager is targeting the Fund to deliver a target return IRR of 6% - 10% p.a., provided by way of quarterly distributions. Based on the Manager's expectations in the current market, it expects the Fund to deliver a ~8% p.a. distribution in the first year, at the midpoint of the target range.

The Fund has a target portfolio size of $500M, with the initial Offer based on a $50M issue of units. As the Fund is open ended, the Offer does not have a minimum or maximum amount. Instead, the Manager will continue to offer units to investors on a monthly basis.

The Fund's portfolio is expected to be filled from a pipeline of $185.9M in loans that have already been mandated. The loans are 99% with first mortgages and have an average Loan To Valuation Ratio (LVR) of 67% (range 60% - 73%). The Manager has also indicated a further pipeline of $918.9M of prospective loans that are also being assessed.

A summary of the Fund structure is provided below.

Figure 1: Fund structure



Source: Centuria Bass Credit

The Initial Offer

Investors may apply for Ordinary Units at an initial Unit Price of $1.00 per unit ("the Offer"). The Offer is available only to Wholesale Investors as defined in the Information Memorandum, with a minimum investment of $100,000.

The Fund will be opened periodically to meet the investment pipeline and reach the portfolio target of $500M. Under the initial Offer, investors will be required to nominate a Commitment Amount, being a binding agreement for the intended investment amount. Approximately 15% of an investor's commitment is drawn on 4th October (commencement date), with the balance expected to be progressively drawn down over the following three to six months as the Fund meets fills its investment pipeline. Investors will be provided at least five days' notice prior to the call and will receive quarterly updates and invitations to a quarterly webinar.

The Fund may issue Acquisition Units from time to time to provide funding for the Fund. Acquisition Units have the same terms as Ordinary Units however will rank in priority to Ordinary Units in a withdrawal process. The issue of Acquisition Units may be undertaken with related parties or third parties.

Unit Pricing

The Issue Price under the initial Offer is set at $1.00 per unit. Following the close of the initial Offer, the Unit Price for subsequent issues of units will be based on the Net Asset Value of the Fund, which takes into account the latest valuation of assets and includes any accrued distributions. The amount is then divided by the number of units on issue to determine the Unit Price. As such, the Unit Price is expected to increase progressively during a quarter to take into account accrued distributions and reduce when the units go ex-distribution. Core Property considers this to be appropriate as it ensures that investors receive a pro rata distribution from the date entry into the Fund.

Investors should be aware that debt funds, by definition, are exposed to a loss of capital if the Fund is unable to fully recover the principal loan amount. Any loss of capital may impact the Unit Price of the Fund.

Liquidity / exit strategy

The Fund provides Investors with the opportunity to withdraw from the Fund monthly at the Trustee's discretion. Following the receipt of the Withdrawal Form, if the Fund has sufficient liquidity, units will be redeemed and money returned to investors within 21 business days of the Redemption Day, which is generally the first business day of each month. To ensure withdrawals are not detrimental to the Fund, withdrawal requests must be for the lesser of $100,000 or the entire value of the Investor's investment. Where the Fund has Acquisition Units on issue, the redemption of Acquisition Units will rank in priority over redemption of ordinary units.

The Trustee may also facilitate a redemption via a transfer of units to another Investor.

If the Fund has does not have sufficient liquidity to meet a redemption request, the redemption request (if accepted by the Trustee) may be satisfied via the following process. The process effectively ringfences the portfolio to enable the redemption request to be met over time as the portfolio loans reach maturity and are repaid. The process involves the following:

1) Uncommitted cash: The Trustee determines the amount of uncommitted cash that has not been allocated to an investment for a specific purpose. The Trustee then calculates the redeeming Investor's pro-rata portion the uncommitted cash in accordance with the units being redeemed.
2) New Class: The Trustee calculates the investments and assets in the Fund and then calculates the Investor's remaining pro-rata portion of this amount. The Trustee then re-classifies the Investor's remaining units that are subject to the redemption request as a new class of units that is referrable to that pro-rata proportion of the remaining investments and assets held by the Fund.
3) Existing investments: The investor will continue to receive returns derived only from the remaining investments and assets referable to the new class of units. As those existing investments mature and are paid back to the Fund, the Trustee will distribute to the redeeming Investor their pro-rata share of the matured and repaid existing investments (net of fees, taxes and costs) until the redeeming investors redemption request has been fully satisfied.

Redemption units are calculated by the Net Asset Value minus a Sell Spread (if applicable). The Trust deeds allows for the Trustee to charge a Buy/Sell spread, however, does not intend to do so for the term of the Fund. If a Buy/Sell spread is charged, the amount will be retained as an asset of the Fund.

Investment Strategy

The Fund adopts an investment strategy targeting secured property credit transactions with a bias towards senior secured loans. Investments may include:

- First mortgage debt – on secured land, residual stock and/or construction loans;
- Second mortgage debt – on secured land, residual stock and/or construction loans; and
- Credit transactions of a similar or related nature with property security.

Sourcing of loans: Typically loans with be sourced through Centuria Bass Credit's network which includes financial brokers, corporate advisers, builders and developers. The Fund may also source loans from within the wider Centuria Group.

Structure of loans: The Trustee will generally make loans to Special Purpose Vehicles (SPVs) in circumstances that meet the investment criteria and mandate. Upon maturity of the underlying property credit transactions, the Fund is repaid capital which is then recycled.

Investment Process

The IM sets out the investment process of the Fund, which works towards preserving capital. The Deal Team, which is supported by a senior dedicated portfolio management resource from Centuria Bass Credit is responsible for providing an 'end to end' approach to managing the property credit transactions of the Fund. The Deal Team holds a range of responsibilities from the beginning to the end of the portfolio's property credit loans and will play an imperative role in the success of the Fund's portfolios of loans.

- To ensure a capital preservation focus, the Deal Team performs thorough analysis on the prospective credit transaction via detailed interviews with key members of the guarantor group, third-party specialists, and other independent sources. The process will ultimately aim to determine the risk associated with the loan, by assessing the character and critical details of the transaction.
- As part of the Investment Manager's review process, the prospective property credit transaction is then presented to the Investment Committee.
- The Investment Committee consists of experienced credit investors and is responsible for critically evaluating the credit and adopts a conservative, downside-review approach to each opportunity. A unanimous approval is required from the Investment Committee before a prospective property credit transaction can proceed to the loan execution stage.
- Following loan execution and financial close, the Deal Team then actively manages the property credit transaction through its ordinary lifecycle (between 4 – 36 months) to ensure covenants and other financial conditions are not breached.

The following is the portfolio guidelines that will be in place (post ramp-up).

Figure 2: Lending guidelines

Lending Guidelines	
Loan amount	▪ Investments will target mid-market loans, typically between $5M to $75M
Loan Term	▪ The Term for an individual loan (Sponsor Loan) is expected to be between 4 months and 36 months.
Interest	▪ To be determined between the Manager and the Sponsor on a case-by-case basis, consistent with prevailing market rates.
Security	▪ 100% of the Fund's investments will be secured by a first or second mortgage over property.
Asset / Deal Type	▪ Bridging Finance, Land, Settlement Funding, Residual Stock, Construction Funding
Loan to Valuation Ratios (LVR)	▪ Approximately between 60% - 70% ▪ The Fund is targeting a weighted average LVR below 65%. ▪ Approvals based on LVRs will be considered on a case-by-case basis.
Valuation	▪ The security property for all loans must be independently valued for suitability and market value.
Concentration Limits	▪ A maximum of 15% of the Net Asset Value of the Fund will be invested in any one investment ▪ At least 75% of the Net Asset Value of the Fund will be allocated to first mortgage property secured debt, with a target allocation of 80%. ▪ A maximum of 20% of the Net Asset Value of the fund will be allocated to any one borrower. ▪ A maximum of 65% of the Net Asset Value of the Fund will be allocated to any one geography.

Source: Centuria Bass Credit

Loan Default: In the event of a default, the Manager will be responsible for default management and commencing recovery action against the defaulting borrower. Any default interest payment will be shared with investors in the Fund, after the deduction of costs associated with managing the default.

Borrowers that breach the term of the Loan may not necessarily result in a default of the loan. When a loan does default, it is the structure and buffer built into the loan that maximises the capital preservation. Historically, Centuria Bass Credit has had borrowers that have breached loan terms, paying penalty interest, however none of the defaults exceeded 90 days and all capital and interest payments were fully repaid.

Fees Charged by the Fund

The fee structures in the mortgage and property funds industry vary widely depending on the fund style, the underlying structure of a fund, and the complexity of the product. In a few instances, investors are charged no fees, but a fund might disclose just the net return per annum to investors. In such cases, the Manager effectively takes the spread between what the borrower pays and what is paid to investors.

In other instances, Managers charge transactional costs to the investor and in other instances, transactional costs are charged to the borrower. As such, it is difficult to provide a meaningful analysis of the Fund's fee structures in relation to industry averages.

The Fund charges a Management Fee of 0.50% p.a. of the Net Asset Value of the Fund in addition to a fee to cover the operating expenses of the Fund. Core Property notes the following:

- The fee structure is designed to provide a Target Return IRR of 6% - 10% p.a. (net) for Investors. As such, it is not intended that the fees and expenses will impact on the unit price of the Fund.
- Investors should note the Manager is entitled to additional compensation by way of costs associated with the lending process (eg establishment fees, underwriting fees, legal fees, valuation costs and administration expenses). These fees are paid directly by a Borrower and are not an additional cost to Investors in the Fund. The fees also do not include any fees or indirect costs and expenses incurred in the preserving, exercising, protecting or enforcing the Lender's rights under a loan agreement.

Given the structure, Core Property expects each loan agreement to have a separate fee structure in place. Core Property expects the all-in fee payable to the Manager to be within the industry range of 0% - 5% p.a. of net assets. A summary of the fees and expenses is provided below.

Figure 3: Summary of Fees charged by the Fund

Fee Type	Fee Charged	Core Property Comment
Management Fee	0.50% p.a. plus GST of the Net Asset Value of the Fund.	The Fee is paid out of the net assets of the Fund. Core Property considers the fee to be appropriate.
Other fund Expenses	Expenses incurred by the Fund will be paid out of the assets of the Fund	All costs related to the establishment, operation, administration, marketing and distribution of the fund. The actual costs are paid out of the assets of the Fund. Core Property considers this to be appropriate and in line with industry practice.
Performance Fee	Nil	The Fund does not charge a Performance Fee. Core Property considers to be appropriate for the type of Fund.
Transfer Fee	Up to a maximum of 1% (plus GST) on the redemption price of the units being transferred.	The fee is charged at the Trustee's discretion and is deducted from any transfers from the Fund. The Manager has advised that it does not intend to charge this fee in the ordinary course of operations. If the fee is charged, the amount received will become an asset in the Fund. Core Property considers this to be appropriate.
Withdrawal Fee	Up to a maximum of 1% (plus GST) on the redemption price of the units being withdrawn.	The fee is charged at the Trustee's discretion and is deducted from any withdrawals from the Fund. The Manager has advised that it does not intend to charge this fee in the ordinary course of operations. If the fee is charged, the amount received will become an asset in the Fund. Core Property considers this to be appropriate.

Source: Centuria Bass Credit

Property Credit Market

As of March 2021, the total size of Australian authorised deposit-taking institutions (ADI's) exposure to secured and unsecured commercial property credit is estimated to be $305.4B. Following the Global Financial Crisis, ADIs and their subsidiaries have continued to carry majority of domestic debt provision in Australia's financial system, with an estimated market share of around 75%.

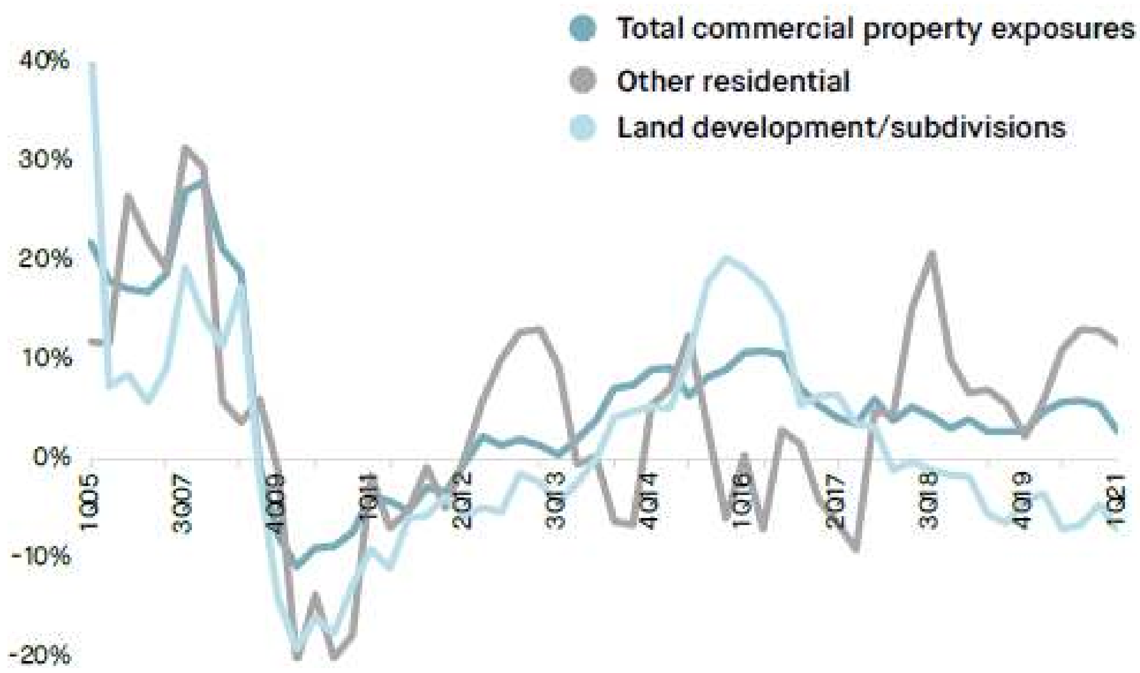
Following recent regulatory changes and elevated levels of commercial property finance, ADI's have begun to reassess their exposure to the property market, specifically limiting their exposure to land and residential developments, while increasing investments in office, retail, and industrial segments. The trend of ADI's re-structuring their lending appetite has already been observed in senior construction financing which has significantly reduced compared to five years ago, creating an opportunity for non-ADI lenders to capture the market share that was previously held by ADIs, and generally charge higher interest rates.

As ADI's become more focused on the office, retail and industrial sectors, the Manager sees an opportunity to be strategically positioned as an alternative source of capital for property credit. Specifically, the Manager sees an opportunity to provide non-ADI financing to subdivision and residential development subsectors that have faced tighter lending restrictions such as stricter pre-sale requirements, lower maximum loan to value ratios and stricter geographic concentration limits.

The Manager believes that as ADI's continue to tighten credit to commercial real estate, the demand for specialised non-ADI lenders in Australia will continue to grow, and high-quality investment opportunities will be accessible to experienced lenders with institutional capabilities.

Historically, traditional non-ADIs have been attracted to the economies of scale available in larger transactions and largely ignoring Australia's middle market borrowers. By positioning itself as a mid-market lender, Bass Capital has been able to capitalise on this underserviced part of the market.

Figure 4: Change in bank's exposure to commercial property rolling 12 months as of 31 March 2021



Source: APRA

Loan Portfolio

The Fund has an initial portfolio target of $50M, with the Manager targeting to reach $500M over time.

The portfolio will be sourced from a pool of existing Mandated loans totally $185.9M. An additional $918.9M pipeline of Prospective loans are also under consideration for potential investment subject to requisite due diligence by the Manager on the borrowers. All loans in the Mandated and Prospective portfolios tabled below appear to be in line with the Fund's investment mandate. The Manager has confirmed that for the larger loans, the Fund will only invest a percentage share of the loan to ensure that the loan remains within the portfolio guideline limits.

The Mandated and Prospective portfolios are predominantly secured by First Mortgages, which is in line with the Manager's historical weighting of 94% to First Mortgages. The historical weighting is well above the Fund target 80% weighting.

Investors should consider the following loans as indicative only, and the portfolio is expected to change over time.

Figure 5: Mandated portfolio – as at 16 August 2021

Description	Asset type	State	Mortgage	Term (Months)	Facility Amount	IRR	LVR
Construction	Apartments	VIC	First	15	$10.0M	9.0%	73.0%
Bridge	Residential	NSW	First	9	$6.0M	8%	60.0%
Construction	Apartments	WA	First	18	$56.0M	10.0%	66.0%
Land	Residential subdivision	NSW	First	TBC	$4.0M	9.0%	72.0%
Construction	Apartments	QLD	First	12	$8.8M	10.0%	65.0%
Construction	Apartments	NSW	First	18	$8.4M	10.0%	65.0%
Construction	Apartments	NSW	Second	18	$0.9M	14.0%	72.0%
Land	Residential subdivision	NSW	First	12	$4.1M	10.0%	65.0%
Construction	Service Stations	NSW	First	15	$17.2M	9.0%	65.0%
Construction	Apartments	NSW	First	18	$58.7M	9.0%	70.0%
Construction	Apartments	QLD	First	12	$11.6M	9.0%	67.0%
Total					**$185.9M**	**9.0%**	**67.0%**

Source: Centuria Bass Credit

Figure 6: Prospective transactions– as at 16 August 2021

Description	Asset type	State	Mortgage	Facility Amount	IRR	LVR
Construction	Apartments	QLD	First	$90.0M	6 – 10%	60% - 70%
Construction	Commercial	NSW	First	$52.0M	6 – 10%	60% - 70%
Construction	Residential	VIC	First	$30.0M	6 – 10%	60% - 70%
Construction	Apartments	NSW	First	$29.4M	6 – 10%	60% - 70%
Construction	Apartments	NSW	First	$25.2M	6 – 10%	60% - 70%
Construction	Subdivision	NSW	First	$25.2M	6 – 10%	60% - 70%
Residual Stock	Residential	WA	First	$22.4M	6 – 10%	60% - 70%
Construction	Residential	NSW	First	$18.8M	6 – 10%	60% - 70%
Bridge Loan	Townhouse	VIC	First	$11.0M	6 – 10%	60% - 70%
Construction	Service Stations	NSW	First	$6.7M	6 – 10%	60% - 70%
Construction	Residential	NSW	First	$5.5M	6 – 10%	60% - 70%
Construction	Residential	SA	First	$3.2M	6 – 10%	60% - 70%
Additional prospective opportunities				$599.0M		
Total				**$918.9M**	**9.0%**	**65.0%**

Source: Centuria Bass Credit

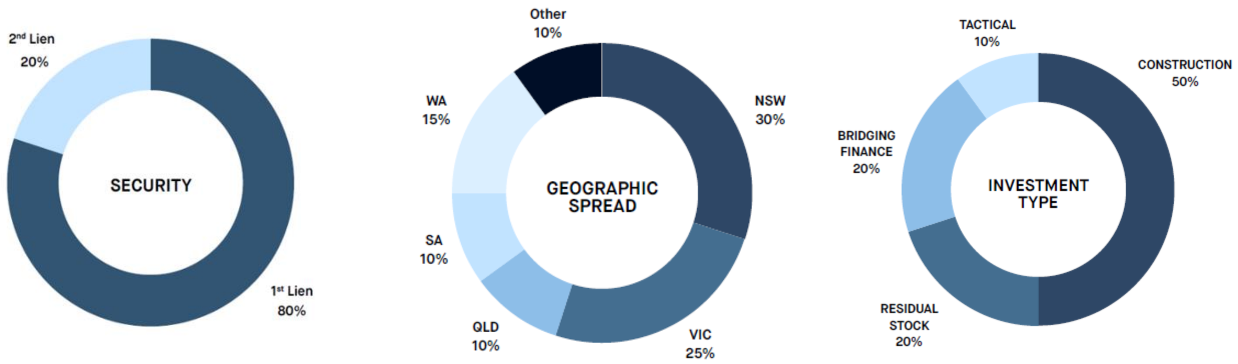
Diversification

The Manager expects the portfolio metrics to initially go through a "ramp-up" phase as capital is deployed into loans. Once the portfolio has built sufficient scale, the indicative diversification metrics are expected to reflect:

- Loan type: Construction (50%), Residual Stock (20%), Bridging Finance (10%) and Tactical transactions (10%)
- Geographic spread: NSW (30%), VIC (25%), WA (15%), QLD (10%), SA (10%), Other (10%).
- Security: First Mortgage (80%), Second Mortgage (20%).

The following figures provide an indicative portfolio composition and may change over time.

Figure 7: Investment type & security distribution



Source: Centuria Bass Credit

Management & Corporate Governance

Background of the Trustee & Fund Manager

The Trustee, Bass Financial Services Pty Ltd and Manager, Bass Securities Pty Ltd are subsidiaries of Centuria Bass Credit, an institutional real estate debt fund provider established following the 50/50 joint venture (JV) between Bass Capital Partners and Centuria Capital Group in April 2021.

Bass Capital Partners was founded in 2016 to provide non-bank financing for mid-market development projects, bridge financing and residual stock. The company has built a strong track record of returns and capital preservation, with no investors having experienced a capital loss.

Centuria Capital is an ASX-200 listed specialist investment manager with $17.4B funds under management across listed and un-listed property funds, as well as investment bonds. The JV has enabled Centuria's expansion into the real estate debt market and provides Bass Credit with institutional property expertise into industrial, commercial and healthcare assets, as well as opportunities to increase scale through Centuria's extensive investor network.

Management of the Fund

Management of the Fund is undertaken by a team with complementary experience in investment banking, commercial property debt and financial services industries. Key management personnel are provided in the table below, in addition to a team of 13 additional team members located in Sydney, Melbourne and Adelaide.

Figure 8: Board and Senior Management

Name & Role	Experience
John McBain Joint CEO – Centuria Capital Group; Director – Centuria Bass Credit	John joined the board of Centuria Capital Limited (formerly Over Fifty Group Limited) in July 2006 and was appointed as Chief Executive Officer in April 2008. John has built an extensive reputation over the years within the property industry. John founded property funds manager Waltus Investments Australia Limited and Hanover Group Pty Limited a specialised property consultancy and boutique funds manager. Waltus was formed in 1995 and was one of the first dedicated property funds managers in Australia. John was also a founding director and major shareholder in boutique funds manager Century Funds Management Limited, which was established in 1999 and acquired by Over Fifty Group in July 2006. Prior to 1990, John held senior positions in a number of property development and property investments companies in Australia, New Zealand and the United Kingdom. John holds a Diploma in Urban Valuation (University of Auckland).
Jason Huljich Joint CEO – Centuria Capital Group; Director – Centuria Bass Credit	Jason became the Centuria Group Joint CEO in June 2019 after previously leading Centuria's Real Estate and Funds Management business. Jason was also a founding director and major shareholder in boutique funds manager Century Funds Management, which was established in 1999 and acquired by Over Fifty Group in July 2006. He is an Executive Director of Centuria Capital Group. Jason has extensive experience in the commercial property sector, with specialist skills in property investment and funds management. He is a past President of the Property Funds Association (PFA), which represents the $125 billion direct property investment body in Australia and continues to serve on their national executive. Jason holds a Bachelor of Commerce (Commercial Law) from the University of Auckland, New Zealand.
Giles Borten Co-Founder, Director and Co-CEO – Centuria Bass Credit; Investment Committee Chair	Giles co-founded Centuria Bass Capital in 2016 after an extensive 25-year career in global investment banking and funds management. Through his career, Giles held senior positions at UBS Investment Bank as Head of Leveraged Finance for Europe and Asia Pacific and Head of Corporate Debt Capital Markets and Debt Advisory/ Restructuring Europe. Giles has also worked at J.P Morgan, Hong Kong, and Sydney, ANZ Investment Bank and Ferrier Hodgson. Giles holds a Bachelor of Economics degree from the University of Adelaide and previously qualified as a Chartered Accountant.
Nicholas Goh Co-Founder, Director and Co-CEO – Centuria Bass Credit; Investment Committee Member	Nick co-founded Bass Capital in 2016 following 23 years in investment banking and funds management. Previously, Nick acted as Managing Director at leading boutique investment banks such as Gresham Partners and Wingate Group, establishing and heading the divisions delivering mid-market investment, high-yielding lending and placement. Prior, to this, Nick held leadership roles with Allco Finance and Transfield Holdings, as well as positions with PwC and NAB. Nicholas holds a Bachelor of Economics from the University of Adelaide, a Masters of Finance and previously qualified as a Chartered Accountant.
Yehuda Gottlieb Partner – Centuria Bass Credit	Yehuda joined Bass Capital as partner in February 2020 and has more than 15 years' experience in the financial services industry with various roles across strategy consulting, investment banking, structured finance and funds management. Previously, Yehuda served as General Manager of Investments for Spotlight Group with sole responsibility for over $500M FUM. Yehuda was also co-founder of Valara Capital and has worked at Wingate Group, Austock and Accenture. Yehuda holds a Bachelor of Commerce and Business Systems from Monash University, a Graduate Diploma of Applied Finance as well as a Master of Business Administration from Melbourne Business School.

Name & Role	Experience
Simon Holt Investment Committee Member; Chief Financial Officer - Centuria Capital Group	Simon joined Centuria Capital Group as Chief Financial Officer in May 2016. Prior to this, Simon was most recently Chief Financial Officer of WorleyParsons, where he spent eight years. Simon has held a range of senior Finance positions at Westfield Group and Westfield Trust. Simon is a Chartered Accountant and holds a degree in Business (major in Accounting and Marketing). He is also a Member of Australian Institute of Company Directors.
Marshall Denning Investment Committee Member; Group Treasurer - Centuria Capital Group	Marshall joined Centuria Capital Group as Group Treasurer in January 2021. Marshall has extensive experience in the property debt and equity capital markets having held prior roles most recently at Dexus Property Group (Assistant Treasurer, 4 years) and National Australia Bank (10 years). Marshall holds a Bachelor of Accounting degree from the University of Technology, Sydney and is a member of Chartered Accountants Australia & New Zealand.
André Bali Head of Development - Centuria Capital Group	André joined Centuria Capital Group in 2007 in a development management role. André has a wide range of expertise having worked in the private and public sectors on many landmark property developments in a variety of roles from strategic planning, property marketing and leasing, through to construction management, negotiating development agreements and managing outcomes on behalf of clients. Having also run his own business for several years, he is hands on and detailed in his approach. André holds a trade qualification in building, an Honours Degree in Applied Science (Building), and a Masters of Commerce (Land Economics). He has attained a graduate certificate from the AGSM, is a member of the API, and has held the position of Director of a property consultancy business and the not-for-profit organization Habitat for Humanity.

Source: Centuria Bass Credit

Investment Committee

Each property credit transaction requires unanimous approval by the Investment Committee for inclusion in the Fund. The Investment Committee will be made up of members of both Centuria Bass Credit and Centuria Capital Limited and includes Giles Borten as Chair, Nicholas Goh, Simon Holt and Marshall Denning. Each member has experience in property markets as well as sourcing, assessing, and managing credit and/or property investments in Australia and/or globally.

Related Party Transactions

The Investment Manager and the Trustee are related parties of Centuria Bass Credit. The contractual obligations between the Trustee and the Investment Manager are negotiated on an arms-length basis between the parties.

The Fund currently does not invest in any related Centuria or Centuria Bass Credit funds. However, the Fund may from time to time enter into transactions with related parties, including the provision of credit for other Centuria funds. In such cases the Trustee will have in place a conflicts of interests policy to assess the related party transaction and any potential conflicts of interests to ensure the transaction is undertake on an independent arm's length basis.

Past Performance

Since inception (in 2016), Bass Capital (now Centuria Bass Credit) has undertaken a total of $612M loan commitments across 52 transactions, with an average Internal Rate of Return (IRR) of 11.7% p.a. The loans have delivered a 100% preservation of capital to date, with 94% of loan volumes secured by first mortgage security with an average Loan to Valuation of 63%. Twenty of the 52 loans have been exited, generating a weighted average IRR of 13.2%.

The Manager has demonstrated a successful track record of sourcing, executing and managing credit transactions across the property sector. To date, Centuria Bass Credit has made 52 property credit transactions that have generated a weighted average IRR to investors of 11.7% (weighted average by facility size). Considering only the 20 exited transactions, Centuria Bass Credit's active management has generated a weighted average return of 13.2% IRR.

Centuria Bass Credit's portfolio composition since inception as Bass Capital indicates a strong preference to first mortgage senior secured transactions, with 94% of the total portfolio being first lien loans. The transactions have been originated across a diversified portfolio of property credit transactions which include construction, land and residual stock facilities. The loan to value ratio (LVR) distribution across Centuria Bass Credit's portfolio is primarily situated within the 60%-70% LVR bracket, which is consistent with generally acceptable lending standards for first mortgage security.

Figure 9: Historical Performance Metrics – Centuria Bass Capital

Source: Centuria Bass Credit

Appendix – Centuria Bass Credit Case Studies

The following are examples of historical transactions by Centuria Bass Credit that are indicative of those that fit the Fund's Investment Mandate.

Rockbank, VIC

	Rockbank, VIC
Loan	Senior & Mezzanine
Type	Construction
Location	VIC
Facility amount	$28.6M
IRR	10.5% and 16.0%
LVR	62% and 71%
Presales	80.0%

Richlands, QLD

	Richlands, QLD
Loan	Senior
Type	Acquisition
Location	QLD
Facility amount	$4.6M
IRR	9.0%
LVR	65%
Presales	N/A

Prospect 1, SA

	Prospect 1, SA
Loan	Senior
Type	Construction
Location	SA
Facility amount	$6.3M
IRR	12.0%
LVR	60%
Presales	45%

Bottleyard, WA

	Bottleyard, WA
Loan	Senior
Type	Residual Stock
Location	WA
Facility amount	$16.5M
IRR	14.1%
LVR	65%
Presales	N/A

Appendix – Ratings Process

Core Property has developed a framework for rating property and property related investment product offerings in Australia. The methodology gives consideration to a number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: product and underlying portfolio construction; strength and depth of management team, product structure, risk management, financial analysis, and likely outcomes.

It is important for financial planners and investors to view the recommendation and rating in the context of comparable products only and not across all products rated by Core Property.

The Ratings

Financial Advisers and investors should note that for all ratings categories, the product may not suit the risk/return profiles of all investors.

Rating	Definition
Highly Recommended	This is the highest rating provided by Core Property and is indicative of the product exceeding the requirements of our review process across a number of parameters.
Recommended	Indicates that the product has an above average grade profile across a number of Core Property's parameters and has the potential to deliver above average risk adjusted total returns.
Approved	Indicates that the product has met the aggregate requirements of Core Property's criteria. The product has an acceptable risk/return trade-off and is potentially able to generate risk-adjusted returns in line with stated investment objectives.
Speculative	Core Property believes this is a product that has a number of positive attributes; however, there are a number of risks that make investing in this product a speculative proposal. While Core Property does not rule out investing in this product, investors should be very aware of, and be comfortable with the specific risks. The product may provide unique diversification opportunities, although concerns over one or more features mean that it may not be suitable for most investors.
Not Approved	Indicates that the product has failed to meet the minimum aggregate requirements of Core Property's criteria. While the product may have some positive attributes, Trusts in this category are considered high risk.

This report has been commissioned, and, as such, Core Property has received a fee for its publication. Under no circumstances has Core Property been influenced, either directly or indirectly, in making statements and / or recommendations contained in this report.

Disclaimer & Disclosure

Core Property has received a fee from the Manager for researching the product(s) which has then been subject to a detailed review and assessment by Core Property and its analysts to produce this report. In compiling this report, Core Property's views remain fully independent of influence or conflicts of interest. Our team of analysts undertake an objective analysis of the offer and conclusions are presented to senior officers for review.

The company specified in the Report (the "Participant") has provided Core Property with information about its activities. Whilst the information contained in this publication has been prepared with all reasonable care from sources that Core Property believes are reliable, no responsibility or liability is accepted by Core Property for any errors, omissions or misstatements however caused.

Any opinions, forecasts or recommendations reflects the judgement and assumptions of Core Property as at the date of publication and may change without notice. Core Property and the Participant, their officers, agents and employees exclude all liability whatsoever, in negligence or otherwise, for any loss or damage relating to this document to the full extent permitted by law.

This publication is not and should not be construed as, personal financial product advice, an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. Any opinion contained in the Report is unsolicited general information (general financial product advice) only. Neither Core Property nor the participant is aware that any recipient intends to rely on this Report or of the manner in which a recipient intends to use it. In preparing our information, it is not possible to take into consideration the investment objectives, financial situation or particular needs of any individual recipient. Investors should obtain individual financial advice from their investment advisor to determine whether opinions or recommendations (if any) contained in this publication are appropriate to their investment objectives. Investors should obtain a copy of, and consider the PDS/ Information Memorandum, which can be obtained by contacting the issuer.

This publication is not for public circulation or reproduction whether in whole or in part and is not to be disclosed to any person other than the intended recipient, without obtaining the prior written consent of Core Property. This report is intended for the residents of Australia. It is not intended for any person(s) who is resident of any other country. Core Property and/or the Participant, their officers, employees or its related bodies corporate may, from time to time hold positions in any securities included in this Report and may buy or sell such securities or engage in other transactions involving such securities. Core Property and the Participant, their directors and associates declare that from time to time they may hold interests in and/or earn brokerage, fees or other benefits from the securities mentioned in this publication.

Core Property discloses that from time to time it or its officers, employees and related bodies corporate may have an interest in the securities, directly or indirectly, which are the subject of these statements and/or recommendations (if any) and may buy or sell securities in the companies mentioned in this publication; may effect transactions which may not be consistent with the statements and/or recommendations (if any) in this publication; may have directorships in the companies mentioned in this publication; and/or may perform paid services for the companies that are the subject of such statements and/or recommendations (if any). However, under no circumstances has Core Property been influenced, either directly or indirectly, in making any statements and/or recommendations (if any) contained in this Report.

The information contained in this publication must be read in conjunction with the Legal Notice that can be located at http://www.coreprop.com.au/Public/Disclaimer.

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

Core Property
Fund Research & Ratings
www.coreprop.com.au