

# METRICS MASTER INCOME TRUST (MXT)

## INVESTMENT RATING REPORT

July 2021



INVESTMENT RATING: **SUPERIOR**  
PRODUCT COMPLEXITY: **RELATIVELY SIMPLE**

### Fund Details

**Investment Manager:** Metrics Credit Partners Pty Ltd

**Investment Structure:** Listed Australian Unit Trust

**Wholesale/Retail:** ASX listed – Wholesale & Retail

**Category:** Australian Credit

**Investment Style:** Diversified Australian private corporate credit

**Inception:** 9 October 2017

**Management fees and costs:** 0.63% p.a. (FY 21 Manager 0.226, Admin 0.107, IEE 0.297 = 0.63)

**Performance Fee:** May be payable by sub funds (SPDF II and REDF) or waived if target return not achieved until such time as investors recover any underperformance. [FY 21 performance fees were 0.152].

**Responsible Manager/Entity:** The Trust Company (RE Services) Ltd

**Investment Objective:** The objective of the Trust is to generate monthly cash income (minimum target rate is RBA Cash plus 3.25% p.a. net of fees), low risk of capital loss, and portfolio diversification by actively managing a well-diversified portfolio of Australian corporate loans.

### Review Summary

The Metrics Master Income Trust (MXT or the Trust) is an ASX listed investment trust investing in the Australian corporate loan market. The characteristics of the investment are very low capital volatility, regular monthly income flow, and a significant return margin compared with cash and short-term cash securities.

The experienced management team at Metrics Credit Partners (Metrics) has grown its capability steadily, increasing team size, fund size, and diversification of the funds underlying MXT. The market capitalisation of MXT has grown from \$537 million (Oct 2017) to circa \$1.5 billion (June 2021) and the Trust has outperformed its target income distributions.

This is an attractive investment on a risk-return basis offering well-managed, well-diversified investment in a sub-asset class that would otherwise be difficult to access for non-bank investors.

As the underlying investments of MXT are untraded, the liquidity of the Trust may be affected by the performance of the underlying loans. In addition, ASX listed MXT may, at any time, trade above or below the net asset value of the underlying securities.

### Investment Rating & Foresight Complexity Indicator

A **SUPERIOR** rating indicates the highest level of confidence that the Trust can deliver a risk-adjusted return in line with its investment objectives. The Investment Manager support for this strategy is very experienced and well resourced, with a solid track record.

Designation as a **RELATIVELY SIMPLE PRODUCT** indicates that the Investment Manager will seek to outperform their chosen market sector, in this case the Australian corporate loan market. The investment, equity funded corporate loans, currently has no core leverage.

The strategies used to outperform, while requiring a depth of market experience and due diligence, are completely compatible with normal market practice. This includes the potential conversion of debt to equity in a restructuring, where the strategy is designed to limit capital loss/preserve investor capital.

### Performance

	Net Return (%)	RBA Cash Rate (%)	Dist'n (%)	Spread to RBA (%)
1mth	0.32	0.01	0.32	0.32
3mth	0.99	0.02	1.03	1.00
6mth	2.09	0.05	2.23	2.18
1yr	4.68	0.15	4.64	4.48
3yrs (p.a.)	5.25	0.77	5.27	4.50
Inception (p.a.)	5.20	0.91	5.20	4.28

Source: Metrics

## Fund Details

<b>Dominant Strategy</b>	Income generation through diversified investment in Australian corporate credit
<b>Investment Structure</b>	Registered Australian Unit Trust
<b>Investment Manager</b>	Metrics Credit Partners Pty Ltd. ACN 150 646 996, AFSL 416146
<b>Trustee/RE</b>	The Trust Company (RE Services) Ltd. CAN 003 278 831, AFSL 235150
<b>Custodian</b>	Perpetual Corporate Trust Ltd. CAN 000 341 533, AFSL 416 146
<b>Administrator &amp; Unit Registrar</b>	MCH Fund Administration Services Pty Ltd. ACN 636 286 970 The administrator is a wholly owned subsidiary of Metrics Credit Holdings Pty Ltd.
<b>KEY FEATURES</b>	
<b>Inception</b>	MXT was listed on the ASX on 9 October 2017
<b>Geographic Mandate</b>	Australia
<b>Minimum Application</b>	\$1,000
<b>Market Cap</b>	A\$ 1.5 billion as at end June 2021
<b>Net Asset Value (NAV)</b>	A\$ 1.47 billion as at end June 2021
<b>NAV Pricing</b>	Daily
<b>Asset Class</b>	Fixed Interest
<b>Asset Sector</b>	Australian corporate loans and debt
<b>Management Fee</b>	Nil, the Manager receives fees from the Wholesale Funds of 0.21% p.a.
<b>Performance Fee</b>	May be payable by sub-wholesale funds (SPDF II & REDF) or waived if target return of the Trust is not achieved until such time as investors recover any underperformance. The estimated performance fees as at the time of this report are 0.152%%.
<b>Offer Establishment Costs</b>	Currently 0.29% p.a. (see Fee section under 'Investor equalisation Expense')
<b>Responsible Entity Fee</b>	0.025%
<b>Distributions</b>	Monthly
<b>PRIMARY CONTACT</b>	
<b>Email Address</b>	invest@metrics.com.au
<b>Telephone Number</b>	1300 010 311
<b>Address</b>	2 Ridge Street, North Sydney NSW 2060
<b>Website</b>	www.metrics.com.au

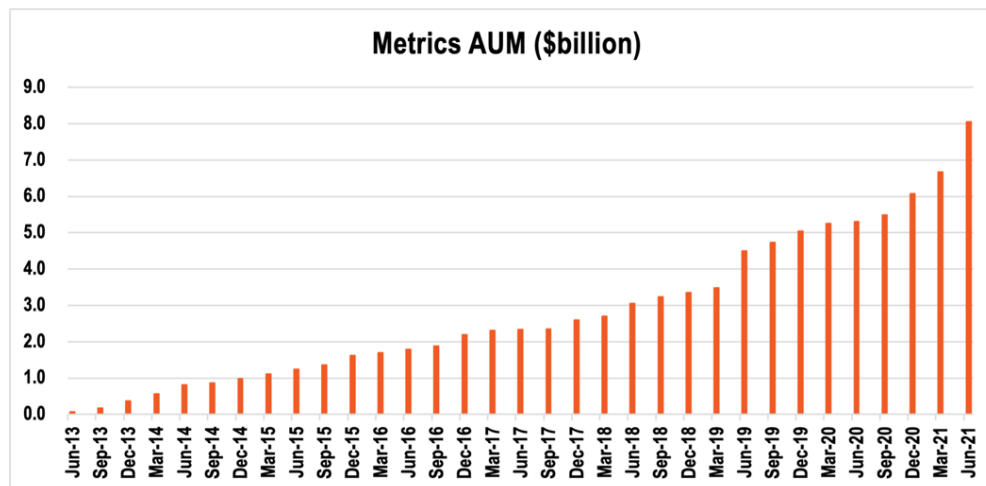


## OBJECTIVES

The objectives of the Trust are to generate monthly cash income (minimum target rate is RBA Cash Rate plus 3.25% p.a. net of fees), maintain a low risk of capital loss, and achieve portfolio diversification by actively managing portfolios and participating in Australia's bank-dominated corporate bi-lateral and syndicated loan markets. The Manager seeks to implement active strategies to achieve these objectives.

## FUNDS UNDER MANAGEMENT

The FUM for MXT as at June 30 2021, is AUD1.5 billion. The fund manager, Metrics, has Assets under Management in excess of AUD 8 billion as at June 2021, all of which is equity funded.



## FEES

### Management Fees

MXT itself does not charge ongoing management fees. However, as it invests in the MCP Wholesale Investments Trust, which in turn invests in other wholesale funds. Management fees are incurred for the underlying wholesale funds. The fees payable on this investment are effectively wholesale management fees, with a sliding scale for which MXT investors have benefitted from the growth in net asset value. The main sub-trusts are:

	Management Fee	Performance Fee	Allocation
MCP Diversified Australian Senior Loan Fund (sliding scale based on size of unit holding)	<ul style="list-style-type: none"> <li>&lt; A\$100m 0.30%</li> <li>A\$100–200m 0.25%</li> <li>A\$200–500m 0.20%</li> <li>&gt; A\$500m 0.175%</li> </ul>	nil	60%
MCP Real Estate Debt Fund	0.20%	15% above target BBSW +500bps p.a. capped at total IMF of 0.75%	20%
MCP Secured Private Debt Fund II	0.20%	15% above target BBSW +400bps p.a. capped at total IMF of 0.75%	20%

### Costs to Unitholders

The costs are comprised of:

- Management Fee (from sub-trusts);
- Responsible Entity Fee;
- Expenses and Manager Investment Equalisation Expense (IEE);
- Indirect costs; and
- Performance Fees.

	Current
Management Fees	0.23% p.a.
Expenses and Manager Investor Equalisation Expense (IEE) <sup>(1)</sup>	0.29% p.a.
Indirect Costs	0.11% p.a.
<b>Management Costs</b>	<b>0.63% p.a.</b>
Estimated Performance Fees (contingent)	0.15% p.a.
<b>Total Forecast Management Costs <sup>(2)</sup></b>	<b>0.78% p.a.</b>

The current fees above were for FY 21

(1) The Investor Equalisation Expense (IEE) – Expenses relating to the establishment of the Trust were met through a loan, in order to avoid penalising establishment unitholders. The costs associated with this loan are spread across the term of the Investment Management Agreement (10 years). When the loan is repaid, the expense recover via the IEE terminates.

(2) Total Forecast Management Costs are an estimate only and will vary on factors such as performance fees and NAV.

## INVESTMENT UNIVERSE

The Trust invests in a portfolio of direct credit; that is traded and untraded corporate loans, which broadly reflect activity in Australia's corporate loan market, diversified by borrower, industry, and credit quality. Borrowers will be Australian domiciled (>80%), while the loans may be secured, unsecured, senior or sub-ordinated, investment grade or sub-investment grade.

Although the investments will typically be direct loans to Australian companies, the investment mandate of the sub-trusts gives the Trust the ability to use other financial instruments in certain situations. These are listed in the table below. In a workout, the Trust may hold options, equity, and warrants, which carry a greater risk of loss than debt securities should the borrower become insolvent.

## Other Allowable Investments

The mandates of the wholesale funds in which MXT invests also allow the Trust to acquire the following physical and derivative instruments:

Instrument	How the instrument might be used/acquired
Cash and commercial paper	<ul style="list-style-type: none"> <li>part of portfolio cash management</li> </ul>
Revolving line of credit	<ul style="list-style-type: none"> <li>while the loans to counterparties are not leveraged, Metrics has access to a line of credit to assist with cash flow management</li> </ul>
Bonds, convertible notes, and hybrids	<ul style="list-style-type: none"> <li>to assist with portfolio diversification</li> </ul>
Options, equity, and warrants	<ul style="list-style-type: none"> <li>risk management</li> <li>where required in a workout scenario</li> </ul>
Credit default swaps	<ul style="list-style-type: none"> <li>sold where the underlying asset is held by an investment grade counterparty, or</li> <li>bought as part of risk management strategies</li> </ul>
Credit linked notes	<ul style="list-style-type: none"> <li>to assist with portfolio diversification</li> </ul>
Foreign exchange and interest rate swaps or options	<ul style="list-style-type: none"> <li>risk management</li> </ul>

While the derivatives above are allowed in the sub-trust mandates, Metrics has not entered into any derivative transaction since inception and is not expected to enter into such transactions based on current portfolio settings.

## COMPARISON OF AUSTRALIAN BONDS VS AUSTRALIAN FLOATING RATE DIRECT CREDIT

The Metrics Master Income Trust is differentiated from other Australian fixed interest funds, both listed and unlisted, through its investment in direct corporate lending rather than traded bonds and cash securities. The corporate bond market is not well developed in Australia, due to the size of the market, cost of issuance for corporates, and uncertainty in the amount that can be raised through a bond issue.

While the corporate loan market has historically been dominated by the four major Australian banks, regulatory restrictions over the last few years have provided greater opportunities for non-bank lenders. The size of the untraded corporate loan market in Australia is estimated to be approximately \$1 trillion.

MXT, being 100% equity funded, is well placed to compete against banks for direct corporate lending deal flow and are more agile in the selection of the borrowers it will lend to. Deal flow has increased significantly in the period since the launch of the Metrics first fund in 2013, with Metrics receiving a greater number of deal opportunities directly from borrowers than from banks. In addition, in recent times Metrics is receiving ++an increasing number of invitations from banks to participate in syndicated loans.

Corporate Bonds	Direct Corporate Credit
<ul style="list-style-type: none"> <li>▪ Liquidity <sup>(1)</sup></li> <li>▪ Price Transparency <sup>(2)</sup></li> <li>▪ Potential capital gains</li> </ul>	<ul style="list-style-type: none"> <li>▪ Diversification – better spread of industry sectors and borrowers.</li> <li>▪ Lower price volatility – direct credit is normally priced relatively close to par.</li> <li>▪ Capital recovery in the event of default can be significantly enhanced through:                             <ul style="list-style-type: none"> <li>▪ specific debt covenants;</li> <li>▪ seniority;</li> <li>▪ collateral; and</li> <li>▪ experience of the lender in workout and recovery situations.</li> </ul> </li> <li>▪ Potentially higher margins over floating rate due to illiquidity, complexity of loan offer, and reduced accessibility of debt providers.</li> </ul>

(1) **Liquidity** – The structure of MXT, a listed trust, gives investors significantly enhanced liquidity for the investment in direct corporate credit.

(2) **Price transparency** – MXT publishes Net Asset Value (NAV) on a daily basis. The process for calculation of NAV is detailed in the “Investment Process” section of this report.

## Investment Objective

To provide **monthly cash income** with low risk of capital loss and portfolio diversification by actively managing diversified loan portfolios and participating in Australia’s bank-dominated corporate loan market. The Manager seeks to implement active strategies designed to balance delivery of the target return, while seeking to preserve investor capital. The targeted monthly return is RBA Cash plus 3.25% p.a., net of fees.

## Investment Strategy

The Trust’s investment strategy is to create a diversified exposure to Australian corporate loans, generally reflecting activity in the corporate loan market and with the resultant diversity by borrower, industry, and credit quality. Through active portfolio risk management, Metrics will seek to preserve investor capital.

The strategic objectives in structuring the wholesale fund-of-fund, MCP Wholesale Investments Trust, and listed vehicle, MXT, include:

- Increased scale of portfolio(s) to provide meaningful market/investor liquidity.
- Use of scale to offer retail investors a wholesale fee structure.
- Reduction of borrower risk. Currently more than 185 loans, with no more than 5% of trust assets going to a single borrower. The Trust does not intend to invest in the banking sector.
- Lower capital and income volatility.
- Enhanced liquidity, enabling portfolio adjustment.
- Leveraging off the increase in access to deal flow and industry reputation by increasing market size in this sector.

## Investment Process

The process undergone by the investment team can be classified into the following areas:

- Portfolio construction
- Asset origination
- Due diligence
- Investment decisions
- Ongoing portfolio risk management

The Investment Committee, comprising the four Managing Partners, meets daily to oversee all aspects of the process. It is responsible for investment decisions, portfolio and industry monitoring, and ensuring compliance with mandates.

<b>Portfolio construction</b>	Portfolio construction considers the relevant target portfolio settings, and Metrics' view on the broader economy, relative industry value, and preferred risk setting. Potential new loans are assessed for the impact on the portfolio. Considerations include the type of investment, the target fund returns, the desired mix of tenor to maturity, aggregated exposure by industry group, credit quality, and portfolio liquidity.
<b>Asset origination</b>	Metrics maintains a transaction/investment pipeline, monitoring opportunities as well as the fund's maturity profiles. The time from identification of a potential transaction to successful conclusion can be anything from three weeks to 18 months. Once identified, a marketing strategy is devised for a target investment, well ahead of the borrower coming to market. As the potential for acquiring a loan asset becomes nearer, more detailed analysis is conducted. The secondary market is also constantly monitored for asset purchase opportunities. The three main sources of pipeline assets are via direct origination, the syndicated loan market, and the secondary loan market.
<b>Due diligence</b>	<p>Metrics estimates that approximately 2 in 10 of the loan opportunities that it identifies proceed to full due diligence. Investment papers are prepared for consideration of new investments. These papers are rigorous and detailed. The key focus is the identification of risks and an analysis of how such risks are to be mitigated.</p> <p>Often external expert reviews and due diligence from acceptable independent consultants are also required by Metrics, at the borrower's cost. These cover risk areas such as tax and accounting, financial, technical, commercial, and legal issues relevant to the transaction.</p> <p>ESG considerations – see note below.</p>
<b>Investment decisions</b>	<p>Using the detailed due diligence/credit analysis investment papers, consideration is given to:</p> <ul style="list-style-type: none"> <li>▪ portfolio limits – credit, maturity, senior debt minimums etc.</li> <li>▪ portfolio liquidity</li> <li>▪ industry limits including restricted industries</li> <li>▪ foreign currency limits</li> <li>▪ individual and aggregated exposure limits</li> </ul>
<b>Ongoing portfolio risk management</b>	<p>Loan assets and industries are continuously monitored to ensure the ongoing robustness of portfolio assets. The Metrics team's extensive history in loan portfolio risk management allows them work with borrowers to seek the best investor outcomes to mitigate the likelihood of default and to recover capital in the event of default.</p>

## NOTE ON ESG POLICY

Metrics has hard negative screens for companies that are connected with coal, tar sands, pornography, tobacco, violation of labour laws, tax avoidance schemes, political organisations, or weapons manufacture and distribution. Metrics screens for other ESG considerations, including environmental, social, and governance on all loans.

Metrics ESG building blocks:



Environmental	Social	Governance
<ul style="list-style-type: none"> <li>Greenhouse gas emissions</li> <li>Waste and pollution</li> <li>Water use</li> <li>Land use</li> </ul>	<ul style="list-style-type: none"> <li>Workforce and diversity</li> <li>Safety management</li> <li>Customer engagement</li> <li>Communities</li> </ul>	<ul style="list-style-type: none"> <li>Structure and oversight</li> <li>Codes and values</li> <li>Transparency and reporting</li> <li>Financial and operational risks</li> </ul>

Each potential transaction is given a low/medium/high assessment. Metrics will not invest where a business may impact reputational risk or does not fall within Metrics' risk appetite. ESG policies are continually being developed. Metrics recently recruited a specialist ESG resource and has established a sustainable finance team. Metrics became a signatory to the UN PRI in 2019. ESG reporting is to be enhanced during 2021.

## LEVERAGE

The use of both short-term and long-term debt (up to 30% for the DASLF and 50% for SPDF II and REDF and WIT) of Gross Asset Value) is allowed for the wholesale funds underlying the Metrics Master Income Trust (MXT). Debt may be used to undertake investment activities, to meet working requirements and/or to match fund any non-AUD loan drawings.

At the time of this review, three of the underlying funds had available debt facilities. Drawdowns on those facilities was less than 5% of Gross Asset Value for the MCP Wholesale Investments Trust and the MCP Diversified Australian Senior Loan Fund. The drawdown was less than 10% of Gross Asset Value for the MCP Real Estate Debt Fund. Net leverage across the 3 funds was \$0.

## ASSET PRICING

Metrics, Perpetual, and the external valuation consultant, a top four, tier one international accounting firm, closely monitor the Australian credit market in calculating the Net Asset Value (NAV) of the Trust on a daily/monthly basis. The primary valuation risk lies in either negative credit migration, i.e., an increased likelihood of default through either change in the borrower's ability to service the loan or in industry/sector macro-economic factors, and sector credit margin changes.

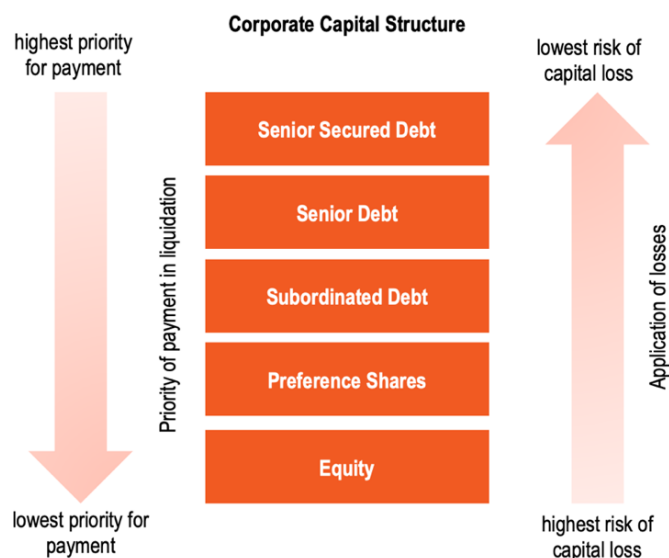
Potential reductions in loan valuation can be reduced substantially on loans that are structured effectively using loan covenants, tenor, and seniority. Note that in Australia there is a high level of lender protection due to the regulatory and legal framework.

Taking the valuation factors of the portfolio of loans that MXT has exposure to – buy-to-hold, good use of covenants, seniority, and security – together with the regulatory framework and the risk targeted due diligence by Metrics, the indication is that there will be a high level of capital stability, with the Trust assets being priced at close to par.

## PROTECTION OF CORPORATE CAPITAL STRUCTURE

It is important to compare the risk of capital loss from a corporate debt portfolio with the potential loss from investing in an equity portfolio. In Australia, corporate loans are normally ranked as senior secured, senior unsecured, or subordinate/mezzanine debt. In the event of a corporate default scenario, all debt must be paid before there is any return to equity holders.

This is a simple example of the relative risk of each asset class:





## PORTFOLIO CONSTRUCTION

The Metrics Master Income Trust, via the MCP Wholesale Investments Trust, invests in three underlying wholesale trusts in varying proportions at the discretion of the Manager. The three funds, key characteristics, and expected investment in each are:

Fund	Key Objectives	Allocation Range
MCP Diversified Australian Senior Loan Fund	<ul style="list-style-type: none"> <li>target average credit BBB-/BB+</li> <li>&gt;90% senior ranking loans</li> <li>&gt;80% Australia domiciled</li> <li>Indicative return 90day BBSW plus margin of 2.75% - 3.25% p.a. through the cycle</li> </ul>	60-70%
MCP Real Estate Debt Fund	<ul style="list-style-type: none"> <li>&gt;50% senior ranking loans</li> <li>Minimum target return 90day BBSW plus 5% p.a.</li> <li>Diversified by sector and geography</li> </ul>	10-20%
MCP Secured Private Debt Fund II	<ul style="list-style-type: none"> <li>100% Australian domicile</li> <li>Minimum target return 90day BBSW plus 4% p.a.</li> <li>predominantly sub-investment grade assets</li> </ul>	20-30%

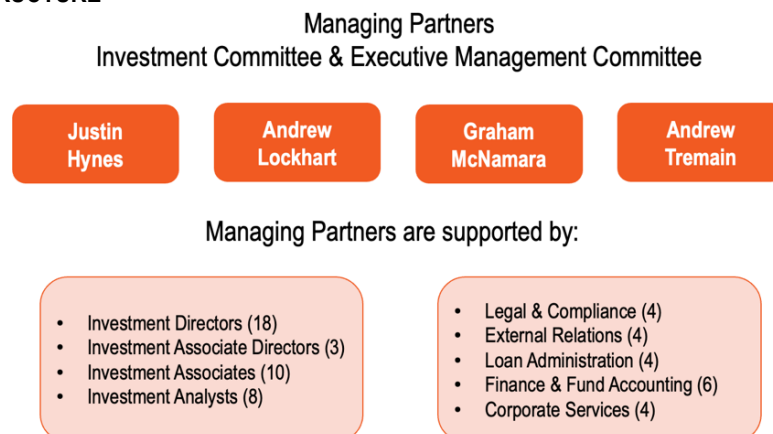
The three underlying portfolios each offer a diverse investment mix, with the differentiated credit, tenor and sector exposures giving the Investment Committee good flexibility in portfolio construction.

## Investment Team

The depth of experience of the investment team, particularly the Managing Partners, is a key differentiator for this investment. Direct corporate credit is a private and confidential market and the skills needed to succeed differ from the skills needed for the management of a publicly traded bond portfolio. Depth of experience is essential to good risk management and directly affects the ability to achieve a well-diversified portfolio with a low risk of capital loss.

The team continues to be expanded, with recent hires bringing total Metrics employees to 66. Hires have included Investment Directors (Syd & Melb), Investment Associates ((Syd), and Investment Analysts (Syd & Melb).

## INVESTMENT TEAM STRUCTURE



## Key Responsibilities of Investment Team:

### Investment Committee

- Portfolio construction
- Investment decisions
- Credit rating analysis
- Investor monitoring
- Borrower engagement
- Cash flow management
- ESG compliance
- Capital budgets

### Asset Origination

- Credit risk due diligence
- Investment Submission
- Cash flow monitoring
- Credit Rating analysis
- Legal documentation
- Transaction execution
- ESG compliance

### Portfolio Risk Management

- Mandate compliance
- Ongoing credit monitoring
- Ongoing portfolio management
- Ongoing credit analysis
- Stress test analysis
- Investor reporting
- ESG compliance

As at the date of this report, Metrics has increased its employee numbers to circa [75]. Metrics is continuing to recruit as Funds Under Management (FUM) increases. Metrics also recently recruited an Internal Auditor to establish this function across the business.

Metrics typically uses a deal team structure for potential transactions. This might comprise two Investment Directors, a Managing Partner, an Investment Associate, an Investment Analyst, and members of the Legal team.

<b>Andrew Lockhart</b>	<ul style="list-style-type: none"> <li>Key responsibility is Metrics Finance and Stakeholder Relations activities.</li> <li>Andrew has approximately 35 years' banking, funds management, and financial markets experience.</li> <li>Andrew's specialist areas have included origination and portfolio risk management of large, diversified, and complex loan portfolios, leverage and acquisition finance, corporate and institutional lending, and corporate restructuring.</li> </ul>
<b>Justin Hynes</b>	<ul style="list-style-type: none"> <li>Key responsibility is Metrics' operational activities.</li> <li>Justin has approximately 25 years' financial market experience.</li> <li>Justin's specialist areas have included leverage and acquisition finance, corporate finance, loan origination, structuring and portfolio management, and corporate workout and restructuring.</li> </ul>
<b>Graham McNamara</b>	<ul style="list-style-type: none"> <li>Key responsibility is Metrics' Risk Management and Compliance function.</li> <li>Graham has approximately 40 years' experience in banking, funds management, and financial markets.</li> <li>Graham's specialist areas include portfolio risk management, debt origination and distribution, agency management corporate workout and recovery, and corporate banking. He has established the loan syndications and agency business at major Australian banks.</li> <li>Graham served as a director of the Asia Pacific Loan Market Association and was the founding chairman of the Association's Australian branch.</li> </ul>
<b>Andrew Tremain</b>	<ul style="list-style-type: none"> <li>Andrew has approximately 35 years' Australian, European, and Asian banking experience.</li> <li>Andrew's specialist areas include corporate, structured, leverage and acquisition finance, loan syndications, portfolio management, corporate workout and recovery, and relationship management.</li> </ul>

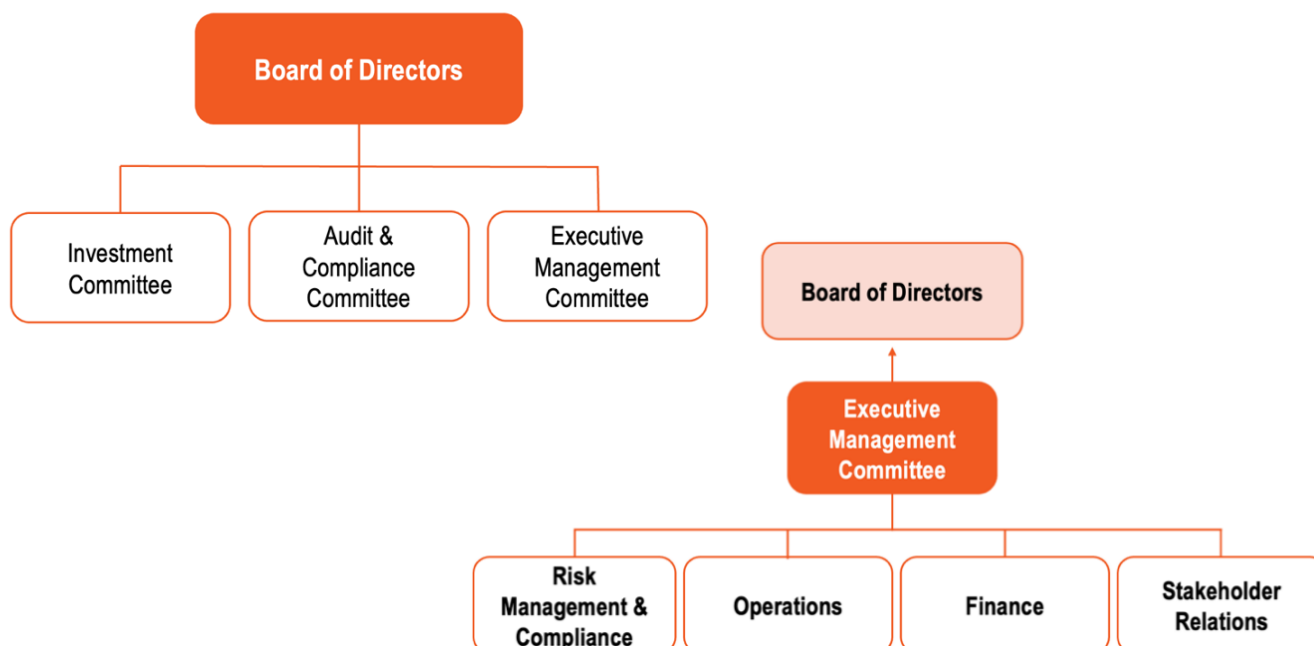
## Business Management

The Board comprises the Managing Partners as four directors, two from Pinnacle, and an independent Non-Executive Chairman.

The Board meets approximately six times a year. The Investment Committee is entirely independent in its decision making.

Metrics has distinct structures in place to separate the investment activities from operational aspects of the business, and all activities of Metrics are subject to Board oversight.

The Executive Committee meets weekly, the Managing Partners delegated specific business line responsibilities. The Executive is supported by external resources, organised along functional business lines.



## Risk Management

**Metrics:** Metrics has detailed policies and procedures addressing operational risk articulated in its Operational and Investment Policy Manual. These policies and procedures are reviewed and updated on an annual basis and monitored and managed via the Executive Management Committee and the Audit and Compliance Committee.

**Metrics Funds:** Operational risks are identified, modified, and mitigated via RE/trustees fund compliance plans as well as through various policies and procedures MCH Fund Administration Services, Automic, and the Fund RE/Trustees have in place.

## Performance

As at June 30 2021, the Trust reported a 1yr net return of 4.68%, with distributions of 4.64%. Net performance since inception is 5.20% p.a. The performance since inception has exceeded the target return of RBA Cash +3.25% by +1.04%. Total returns for this fund have experienced some volatility over the last 18 months, in particular during the COVID-related sell off in the first half of 2020. The creation of a retail version of this fund (Metrics Direct Income Fund) in mid-2020 is expected to reduce this volatility going forward.

### FUND PERFORMANCE AS AT 30 JUNE 2021

	1mth	3mth	6mth	1 yr	3yr (pa)	Inception (pa)
<b>Net Return (%)</b>	0.32	0.99	2.09	4.68	5.25	5.20
<b>RBA Cash Rate (%)</b>	0.01	0.02	0.05	0.15	0.77	0.91
<b>Distribution (%)</b>	0.32	1.03	2.23	4.64	5.27	5.20
<b>Spread to RBA (%)</b>	0.32	1.00	2.18	4.48	4.50	4.28

Source: Metrics (assumes participation in re-investment plan)

### MONTHLY RETURNS (% net)

(%)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
<b>2021</b>	0.33	0.33	0.43	0.31	0.36	0.32							
<b>2020</b>	0.45	0.41	0.43	0.43	0.39	0.40	0.50	0.44	0.38	0.38	0.40	0.40	5.03
<b>2019</b>	0.48	0.47	0.54	0.54	0.52	0.33	0.43	0.43	0.38	0.42	0.42	0.43	5.41
<b>2018</b>	0.38	0.32	0.43	0.38	0.38	0.45	0.50	0.49	0.45	0.49	0.47	0.52	5.40
<b>2017</b>										0.46	0.35	0.41	1.23

Source: Metrics

### DISTRIBUTIONS

Cents/unit	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
<b>2021</b>	0.72	0.65	1.00	0.64	0.78	0.65							
<b>2020</b>	1.05	0.85	0.86	0.89	0.79	0.87	0.86	0.87	0.72	0.74	0.79	0.70	9.98
<b>2019</b>	1.08	0.96	1.13	1.00	0.87	0.99	0.77	0.78	0.79	0.88	0.82	0.79	10.86
<b>2018</b>	0.81	0.73	0.81	0.78	0.81	0.93	0.91	0.96	0.79	0.90	1.20	0.89	10.52
<b>2017</b>												2.19	2.19

Source: Metrics

## TOTAL RETURNS (Calculation of monthly change in unit price plus distributions)

(%)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
	(1.12)	1.32	0.99	(0.17)	0.38	0.82							2.22
<b>2020</b>	(1.42)	(0.57)	(15.07)	12.28	(0.40)	(3.30)	7.08	2.77	0.87	0.37	0.90	2.86	6.38
<b>2019</b>	0.06	1.44	(2.28)	(0.96)	0.93	0.99	1.86	0.39	0.39	(0.53)	(0.08)	1.38	3.59
<b>2018</b>	0.89	(2.98)	0.40	2.37	(0.08)	1.44	0.46	0.48	0.39	0.93	1.08	0.92	6.30
<b>2017</b>										5.00	(1.43)	1.58	5.15

Source: Metrics

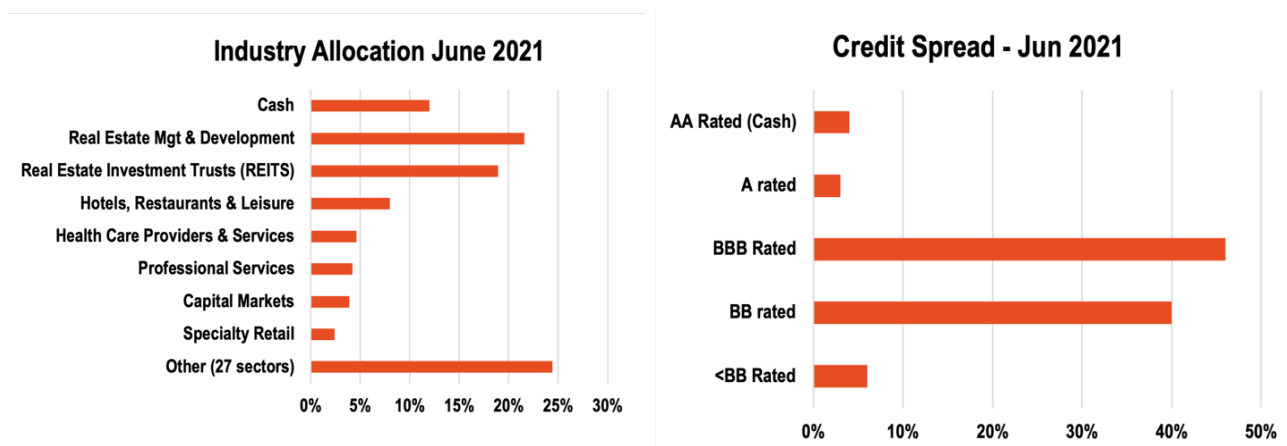
## FUND SETTINGS (as at end June 2021)

Number of individual investments	185	Interest duration (days)	43
Investment Grade (%)	59%	Credit duration (years)	2.1

Source: Metrics

## PORTFOLIO CHARACTERISTICS

MXT continues to deliver a diversified mix of loans, both with respect to sector and borrowers. The chart to the left shows a wide diversification of sectors, with relatively high exposures to Real Estate.



Source: Metrics

## Transparency & Reporting

Metrics provides both standardised and bespoke reporting to its clients, depending on their individual reporting requirements. Metrics is committed to being transparent.

Standardised reporting comprises:

- Monthly performance reporting.
- Quarterly performance reporting with commentary.
- Transaction confirmations and monthly holding statements (for wholesale investors in underlying funds).
- Audited annual accounts and regulatory reporting (including income tax and distribution statements).

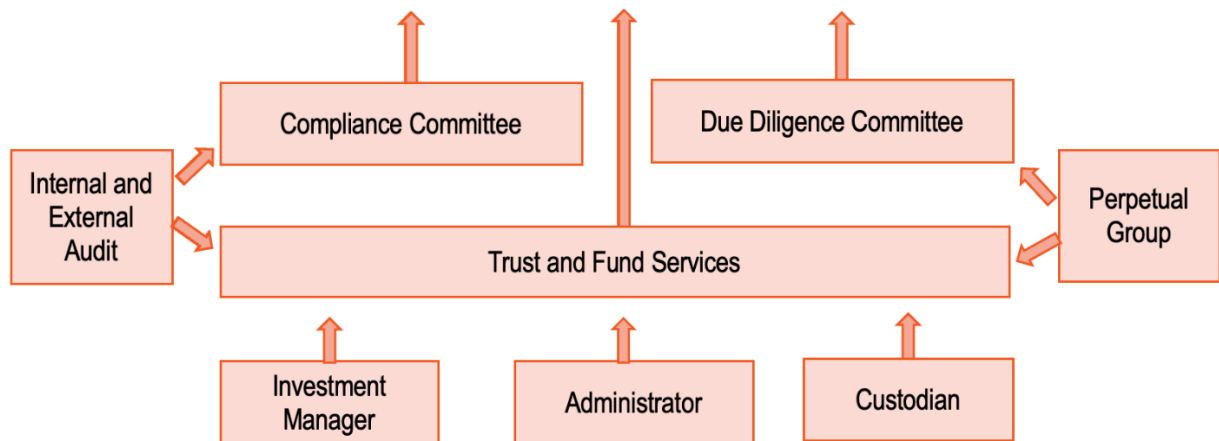
## Compliance

The Metrics Master Income Trust is subject to the governance and compliance structure designed, implemented, and monitored by the RE/Trustee. Compliance plans are in place to ensure that:

- duties and obligations as RE/trustees are met;
- key control activities exist to ensure compliance; and
- monitoring activities exist which identify whether controls are operating effectively.

The Trust is subject to both internal and external audit. Metrics is externally audited by KPMG, including an audit of Metrics' adherence to its obligations under its AFS Licence. Metrics has a Compliance Committee that reports to the RE/Trustee Board. This Committee comprises one internal member and two external members.

## Responsible Entity Board



The RE/Trustees Audit & Compliance Committee meets quarterly.

## Third Party & Service Advisors

<b>Fund administrator</b>	MCH Fund Administration Services Pty Ltd
<b>Legal advisor</b>	Minter Ellison
<b>Custodian</b>	Perpetual Corporate Trust Ltd
<b>Auditor</b>	KPMG
<b>Insurance provider</b>	London Australia Underwriting P/L (on behalf of Lloyds of London)
<b>Independent valuation</b>	Big 4 accounting firm
<b>Distribution services</b>	Pinnacle Investment Management
<b>Accounting &amp; Tax</b>	Pitcher Partners
<b>IT network provider</b>	Telstra, cloud-based
<b>Portfolio software</b>	Proprietary systems, nCino, Axxess, Xero.
<b>Operational Risk Review</b>	Mercer Sentinel
<b>Registry</b>	Automic Group

# METRICS MASTER INCOME TRUST (MXT)



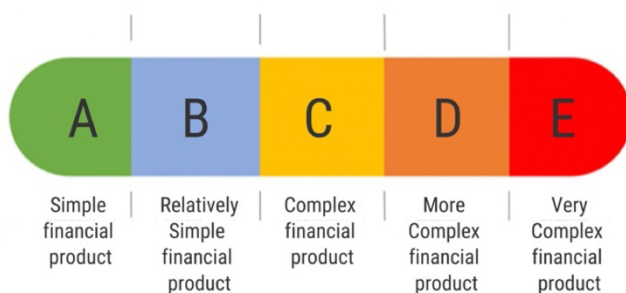
## Investment Rating Scale

The Foresight Analytics' investment rating is an opinion on how well we believe a fund will perform against a range of risks.

Rating	Definition
<b>Superior</b>	Indicates the highest level of confidence that the fund can deliver a risk adjusted return in line with the investment objectives of the fund.
<b>Very Strong</b>	Indicates a very strong conviction that the fund can deliver a risk adjusted return line with the investment objective of the fund.
<b>Strong</b>	Indicates a strong conviction that the fund can deliver a risk adjusted return in line with the investment objective of the fund.
<b>Competent</b>	Indicates that the fund may deliver a return in line with the funds relevant benchmark.
<b>Weak</b>	Indicates a view that the fund is unlikely to deliver a return in line with the investment objective of the fund and or meet the return of its benchmark.

## Foresight Complexity Indicator

Foresight Complexity Indicator (PCI) highlights the complexity of an investment by its terms and conditions' structure and transparency that may affect the investor's return.



## Investment Rating & Foresight Complexity Methodology

Foresight Analytics and Ratings' methodology for its investment rating and research can be downloaded from its website.

## Contact Details

### Foresight Analytics

Level 2, Suite 208, 33 Lexington Drive, Bella Vista, 2153

**Telephone:** 02 8883 1369

**Website:** [www.foresight-analytics.com](http://www.foresight-analytics.com)

**Analyst:** Maggie Callinan, Director

**Email:** [maggie@foresight-analytics.com](mailto:maggie@foresight-analytics.com)

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## Financial Services Guide

A copy of the Foresight Analytics' Financial Services Guide can be provided by calling 02 8883 1369 or visiting our website.