

AUSTRALIAN

# RESEARCH

INDEPENDENT INVESTMENT RESEARCH

## MCP Master Income Trust (ASX: MXT)

Initiating Coverage

March 2018

## WHO IS IIR?

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

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

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

### INDEPENDENCE OF RESEARCH ANALYSTS

Research analysts are not directly supervised by personnel from other areas of the Firm whose interests or functions may conflict with those of the research analysts. The evaluation and appraisal of research analysts for purposes of career advancement, remuneration and promotion is structured so that non-research personnel do not exert inappropriate influence over analysts.

Supervision and reporting lines: Analysts who publish research reports are supervised by, and report to, Research Management. Research analysts do not report to, and are not supervised by, any sales personnel nor do they have dealings with Sales personnel

Evaluation and remuneration: The remuneration of research analysts is determined on the basis of a number of factors, including quality, accuracy and value of research, productivity, experience, individual reputation, and evaluations by investor clients.

### INDEPENDENCE – ACTIVITIES OF ANALYSTS

IIR restricts research analysts from performing roles that could prejudice, or appear to prejudice, the independence of their research.

Pitches: Research analysts are not permitted to participate in sales pitches for corporate mandates on behalf of a Broker and are not permitted to prepare or review materials for those pitches. Pitch materials by investor clients may not contain the promise of research coverage by IIR.

No promotion of issuers' transactions: Research analysts may not be involved in promotional or marketing activities of an issuer of a relevant investment that would reasonably be construed as representing the issuer. For this reason, analysts are not permitted to attend "road show" presentations by issuers that are corporate clients of the Firm relating to offerings of securities or any other investment banking transaction from that our clients may undertake from time to time. Analysts may, however, observe road shows remotely, without asking questions, by video link or telephone in order to help ensure that they have access to the same information as their investor clients.

Widely-attended conferences: Analysts are permitted to attend and speak at widely-attended conferences at which our firm has been invited to present our views. These widely-attended conferences may include investor presentations by corporate clients of the Firm.

Other permitted activities: Analysts may be consulted by Firm sales personnel on matters such as market and industry trends, conditions and developments and the structuring, pricing and expected market reception of securities offerings or other market operations. Analysts may also carry out preliminary due diligence and vetting of issuers that may be prospective research clients of ours.

### INDUCEMENTS AND INAPPROPRIATE INFLUENCES

IIR prohibits research analysts from soliciting or receiving any inducement in respect of their publication of research and restricts certain communications between research analysts and personnel from other business areas within the Firm including management, which might be perceived to result in inappropriate influence on analysts' views.

Remuneration and other benefits: IIR procedures prohibit analysts from accepting any remuneration or other benefit from an issuer or any other party in respect of the publication of research and from offering or accepting any inducement (including the selective disclosure by an issuer of material information not generally available) for the publication of favourable research. These restrictions do not preclude the acceptance of reasonable hospitality in accordance with the Firm's general policies on entertainment, gifts and corporate hospitality.

### DISCLAIMER

This publication has been prepared by Independent Investment Research (Aust) Pty Limited trading as Independent Investment Research ("IIR") (ABN 11 152 172 079), an corporate authorised representative of Australian Financial Services Licensee (AFSL no. 410381). IIR has been commissioned to prepare this independent research report (the "Report") and will receive fees for its preparation. Each company specified in the Report (the "Participants") has provided IIR with information about its current activities. While the information contained in this publication has been prepared with all reasonable care from sources that IIR believes are reliable, no responsibility or liability is accepted by IIR for any errors, omissions or misstatements however caused. In the event that updated or additional information is issued by the "Participants", subsequent to this publication, IIR is under no obligation to provide further research unless commissioned to do so. Any opinions, forecasts or recommendations reflects the judgment and assumptions of IIR as at the date of publication and may change without notice. IIR and each Participant in the Report, 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, 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 only. Neither IIR nor the Participants are 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, financial situation or particular needs before acting on such opinions or recommendations. This report is intended for the residents of Australia. It is not intended for any person(s) who is resident of any other country. This document does not constitute an offer of services in jurisdictions where IIR or its affiliates do not have the necessary licenses. IIR 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. IIR 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.

IIR, its officers, employees and its related bodies corporate have not and will not receive, whether directly or indirectly, any commission, fee, benefit or advantage, whether pecuniary or otherwise in connection with making any statements and/or recommendation (if any), contained in this Report. IIR 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 affect 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 IIR 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.independentresearch.com.au/Public/Disclaimer.aspx>.

### THIS IS A COMMISSIONED RESEARCH REPORT.

The research process includes the following protocols to ensure independence is maintained at all times:

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

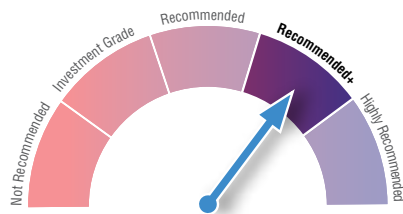
For more information regarding our services please refer to our website [www.independentresearch.com.au](http://www.independentresearch.com.au).

# MCP Master Income Trust

## (ASX Code: MXT)

**Note:** This report is based on information provided by the company as at March 2018

### Rating



### Key Investment Information

Name of Trust	MCP Master Income Trust
Investment Manager	Metrics Credit Partners Pty Ltd
Investment Type	Listed Investment Trust (LIT)
ASX Code	MXT
Listing Date	9 October 2017
Issue Price	\$2.00
Shrs Outstanding (M)	258m
Price / NAV (share)	\$2.02 / \$2.00
Market Cap. / NAV	\$521m / \$517m
Target Return	RBA Cash Rate + 3.25% p.a. net of fees
Distribution Policy	Monthly
Benchmark	RBA Cash Rate
MER	0.60%
Performance Fee	Underlying wholesale fund investments may charge a performance fee

### Fees Commentary

Overall, the structure and level of fees is fair to all investors and cost competitive, with investors effectively benefitting from wholesale institutional rates on the underlying investments. The MER of 60 bps is based on the current MXT portfolio allocations and FUM level. Fees are not charged at the MXT level, rather at the underlying wholesale fund level (investors do not incur a double layer of fees). The base MER may vary over time based on the portfolio allocation to the underlying wholesale funds. Similarly, for any given portfolio allocation, the MER may decline based on FUM growth, and vice versa. Two of the three current underlying wholesale funds, representing 40% of the MXT portfolio, charge (capped) performance fees. As part of the MER, the Manager also levies what is referred to as an "investor Equalisation Expense" (IEE). Refer to body of report for details.

### Portfolio Characteristics

Typical number of loans	75-100
Max exposure to a single borrower	5%
Target Loan Credit Quality	A to BB
Fixed or Floating Rate	Floating

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

## OVERVIEW

MCP Master Income Trust (MXT or 'the Trust') listed in October 2017 raising \$516m through the issuance of 258m units at an issuance price of \$2.00 per unit. The Trust is managed by Metrics Credit Partners (MCP or the 'Manager'), an Australian debt-specialist fund manager founded in 2011 and with significant direct lending expertise in the Australian corporate loan market. MXT provides exposure to a portfolio of loans to Australian companies diversified by borrower, industry and credit quality. It does so through investments in several wholesale funds managed by MCP, all of which provide exposure to the Australian corporate loan market but with differing risk-return investment profiles and target loan investments. From a credit quality perspective, the Manager targets the investment through to sub-investment grade segment (A through to BB rated), reflecting the Manager's view that this segment presents a particularly attractive opportunity set in terms of market pricing relative to default risk. Through these underlying investments, the Manager is targeting a return equal to the RBA Cash Rate plus 3.25% per annum net of fees (approximately 4.75% p.a. based on current rates) and intends to pay cash distributions monthly. IIR notes that historically the Manager's underlying wholesale funds have consistently and, generally, materially exceeded the respective funds' target returns. Furthermore, the monthly returns profile has been characterised by a high degree of stability. In February 2018, a 1 for 1:7 entitlement offer was announced to raise up to \$303.6m through the issue of 151.82m units at \$2.00 per unit.

## INVESTOR SUITABILITY

MXT provides retail investors an alternative to the majority of accessible fixed income funds, which are largely engaged in secondary market bond trading. In contrast, the Manager's investment strategy is very hands-on transactional, with the focus on originating transactions, conducting detailed bottom-up due-diligence, structuring the loan and managing the loan life-cycle thereafter. As such, the Manager's ability to successfully structure and manage transactions that meet the investment objectives and avoid credit defaults is critical. In this regard, we note the Manager's strong track-record of providing a stability of capital and predictability of income. It should be noted, however, that this track-record has been during largely benign economic conditions, although we take significant comfort from the investment team members' substantial experience over the full economic cycle in managing sizeable direct corporate loan portfolios, including during the GFC. But investors should be mindful that defaults generally tender to cluster during periods of economic distress - there is a degree of fat tail risk to the asset class returns profile and the lower on the credit rating spectrum the greater this risk. In terms of income, as a listed investment trust (LIT), the income that is generated on the loan asset will flow through to the investor and be paid on a monthly basis. MXT announced its first distribution in January (representing an annualised distribution of 4.75%) and expects to make monthly distributions to investors moving forward. Investors should note that distributions are exposed to default risk and the potential for capital loss on individual loans.

## RECOMMENDATION

IIR ascribes the MCP Master Income Trust a "RECOMMENDED PLUS" rating. MXT represents something of a unique investment proposition for Australian retail clients, providing exposure to a diversified portfolio of direct-lending corporate loans and by way of a liquid LIT structure. It does so through a portfolio created and actively managed by a team with a deep skillset and a track-record of delivering a risk-return outcome in excess of target levels and without a single negative month or credit loss (albeit during a period of benign credit markets). The investment team is stable, operates according to a flat culture and there is a strong alignment of interest with investors. A concern we have, if not addressed effectively, is ongoing FUM growth may necessitate changes in the size of, and the way the team operates lest excessive workload issues may arise. Additionally, if IIR starts to identify a systemic deterioration in credit quality this could possibly be cause for a rating review.

## SWOT ANALYSIS

### Strengths

- ◆ Specialist skill is required to successfully operate in the direct lending corporate loan market. The four-member IC is highly experienced in all aspects of the loan life-cycle, from originating, structuring, and managing the loan, with each member having at least 20 years relevant experience. The four-member IC also mitigates key person risk.
- ◆ The Manager has a performance track-record of providing stability of capital, with no negative months or credit losses, and predictability of income at a level generally materially above the target level of returns.
- ◆ Competitive and well-structured fees, with retail investors benefiting from wholesale rates. Furthermore, IIR holds that the Investor Equalisation Expense (IEE) structure provides a fairer outcome for all investors and a superior outcome to the frequently used 'loyalty options'. The latter have been used to mitigate the indirect costs initial investors incur but have proved problematic, creating a discount to NAV risk.
- ◆ A thorough and proven investment and portfolio monitoring process that is closely and integrally overseen by the four-member IC.
- ◆ Based on a solid pipeline of loans, the Manager has a strong capability to raise and deploy capital without diminishing the return profile for investors nor taking excessive risks. This will prove important in the context of further capital raisings, such as the entitlement offer announced in February 2018.

### Weaknesses

- ◆ Continued FUM growth may lead to workload concerns for the IC and necessitate changes to maintain investment process standards. While the thorough and detailed investment process is a key strength of the Manager, the bespoke financing structures and arrangements also make it a very labour intensive, hands-on process. With all four IC members equally and substantially involved in each transaction, continued FUM growth may create workload issues if effective changes.
- ◆ The underlying wholesale funds have a limited track record in relatively benign economic conditions and are yet to be tested in a difficult credit market environment. Having said this, we do note IC members were all directly involved in managing corporate loan books during the GFC period and, hence, have experience over a full economic cycle.

### Opportunities

- ◆ Access to a unique investment proposition for Australian retail clients, providing exposure to a diversified portfolio of direct-lending corporate loans, and one that would take a competitor several years to establish a comparable offering. Furthermore, that access is provided by way of a liquid investment structure in what is effectively a less liquid underlying asset class.
- ◆ The pooling of retail and wholesale funds enables the benefits of size and scale to accrue to the investor. Specifically, it enables a lower fee structure and a more diversified portfolio, with a medium term target of 75-100 underlying loan investments.
- ◆ A well-managed portfolio of Australian corporate loans has the ability to generate attractive risk-adjusted returns compared to alternative, and more commonly accessed fixed income investments. Often the terms, conditions, pricing, and controls are superior in a direct loan than bond format.

### Threats

- ◆ MXT is likely to continue to have a material proportion of sub-investment grade loans. By its very nature, sub-investment grade debt tends to have a higher probability of default and this risk tends to cluster around specific events and/or economic environments, notwithstanding that secured loans provide options in workout / restructuring.
- ◆ Unlike a publicly traded bond, where the value of the asset is determined by its traded price, MXT's portfolio will largely comprise loans where a traded price does not exist. Investors should note that NAV calculations will be based on the Manager's internal loan valuations combined with a rigorous and ongoing external review and oversight. While the valuation processes are thorough and prudent, there is nevertheless a risk the valuations may not accord with what the market may ultimately value these assets.
- ◆ Investment returns will be influenced by industry pricing in the broader loan market, which can vary depending on the prevailing economic environment and appetite for risk. This is both a threat and an opportunity.

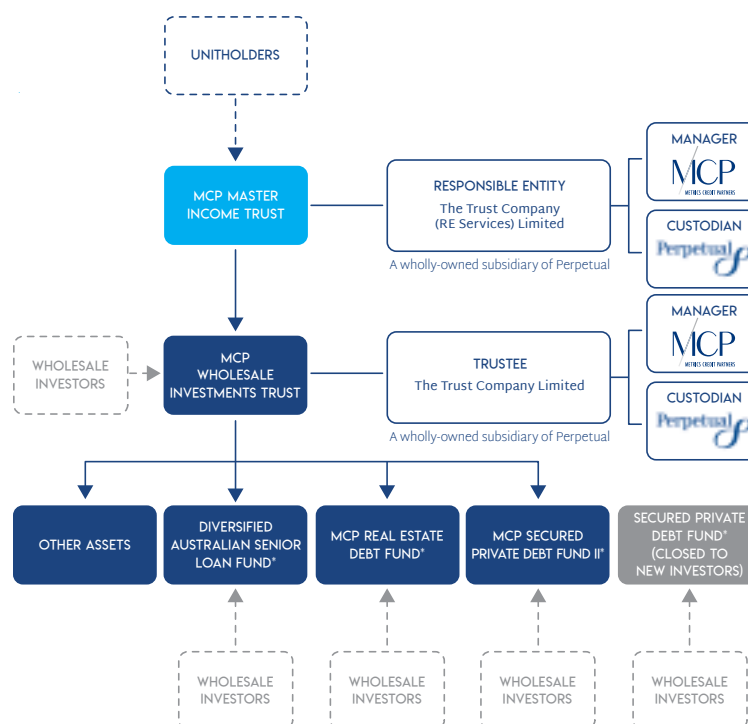
## PRODUCT OVERVIEW

MXT's investment strategy is to create and actively manage a diversified portfolio of Australian corporate loans generally reflecting activity in the corporate loan market and with the resultant diversity by borrower, industry and credit quality. In doing so, the objective is to outperform the RBA Cash Rate by 3.25% p.a. (net of fees) over an economic cycle and to do so by way of a stable monthly cash income with a low risk of capital loss.

To execute its investment strategy, MXT is invested in a number of underlying wholesale trusts managed by MCP and in accordance with predefined allocation ranges. These ranges, the underlying wholesale funds, and the investment structure are detailed below:

- ◆ 60%-70% of capital to be invested in the Metrics Credit Partners Diversified Australian Senior Loan Fund (DASLF);
- ◆ 20-30% of capital to be invested in the MCP Secured Private Debt Fund II (SPDF II);
- ◆ 10-20% of capital to be invested in the MCP Real Estate Debt Fund (REDF).

The actual allocation following the IPO in October 2017 was 60/20/20, consistent with the PDS guidance. The Manager has the flexibility to change the asset allocations, as approved by the Responsible Entity to best meet the investment objective, but there is no intention to do so over the foreseeable future.



<sup>P</sup> is the appointed Manager

The three underlying wholesale funds are explained in greater detail in the Portfolio Construction section, but in summary:

DASLF offers access to a corporate loan portfolio diversified by borrowers and issuers (57 investments at December 2017), industries, credit quality (A to B rated, weighted average target BBB-) and loan products. At least 90% of loans must be senior ranking. It is designed to have a high investment grade, lower risk, lower return profile. The Manager has consistently exceeded the target return of 90-day BBSW + 2.5-3.25% p.a. since inception (June 2013).

The recently established SPDF II (October 2017) will implement the same strategy as the now closed SPDF (inception November 2015). In doing so, it is intended it will provide exposure to Australian corporate debt (predominantly sub-investment grade) across mid-market borrowers (around 20) diversified by industry and sector. The Manager consistently exceeded the target net return of BBSW + 4.0% p.a. for SPDF.

The equally recently established REDF (October 2017) provides exposure to a mix of investment and sub-investment grade Australian commercial real estate debt. The portfolio will be diversified by project and borrowers, sectors (industrial, retail, residential, office), geography (state, metro, regional), stage (development, brown field, REIT), and position in

capital structure (senior and mezzanine). Target net returns are BBSW + 5.0% p.a. While REDF is a new vehicle, the Manager has significant experience in the commercial real estate sector (a number of such loans included in DASLF and SPDF).

While MXT may not be subject to investor outflow risks in relation to forced portfolio sell-downs to fund possible redemption requests, this is not the case with the underlying funds. While we note the very strong FUM growth since launching its first fund and the liquidity mechanisms in place (either quarterly liquid or based on loan run-off), we understand that the Manager may refuse any redemption request or close the wholesale fund to all redemptions, if necessary.

By way of a now implemented 60/20/20 investment split across the three wholesale funds, MXT has a total of 67 individual investments as at 31 December 2017). The rationale to invest in all three wholesale funds is create a greater degree of diversification than otherwise would be the case while the (subjective) split amongst the three is partly designed to generate a certain risk-return profile that accords with the MXT returns objective. While the three underlying funds have differing risk profiles, investors should note that neither of the three portfolios contain what may be construed as higher risk debt (such as nonperforming, distressed or structured credit assets in addition to having minimal exposure to subordinated instruments and no exposure to hybrid instruments) and through its standard processes all loans are very carefully assessed, monitored and managed.

As a Listed Investment Trust (LIT), 100% of net income must be paid as a distribution in the period (year) earned. For MXT, the first distribution was, as intended, paid to unit holders for the quarter ending 31 December 2017 on January 2018. It is intended income will then be paid monthly thereafter.

In relation to fees, MXT itself does not charge a fee to investors, rather fees are charged at the wholesale fund level (no double layer of fees). IIR notes that the DASLF offers investors a declining fee rate ranging between 30 basis points and 17.5 basis points, depending on the size of the investment made by the individual investor. Given that the MXT investor's capital is pooled and aggregated, MXT effectively gets the benefit of being one single large wholesale investor in the underlying wholesale funds. We note that while DASLF does not have a performance fee, both SPDF II and REDF do.

The public offer in October 2017 was structured to eliminate an immediate decline to NAV as a result of the expenses incurred upon the establishment of MXT. The Manager paid the costs of the issue through the proceeds of a non-recourse loan provided by MXT (the Manager Loan). Over the 10-year Investment Management Agreement (IMA), the Manager will repay the loan, including interest. The Manager will then recover those costs from investors over the 10-year period by the Investor Equalisation Expense (IEE).

The IEE is equal to 0.22% and is included within the 0.60% MER. The Manager is of the view that it is unfair for establishment unit holders to incur such costs at listing and that the IEE structure creates a fair outcome for all investors. We also note that many other LIC/LIT managers have often issued 'loyalty options' as an incentive for initial investors who effectively incur the establishment costs (via the NAV discount to issue price). The 'loyalty option' structure has proved problematic, creating a risk of a sustained discount to NTA up until the expiry date / all options have been exercised.

In the unlikely event that the IMA between MXT and the Manager is terminated, there are two possible outcomes in relation to the Manager Loan; the new manager may take over the existing loan or, alternatively, the loan is forgone and an NAV impairment incurred equal to the forgone loan amount, with a consequent impact on the distribution amount.

On 26 February 2018, MXT announced a non-renounceable 1 for 1.7 entitlement offer at an offer price of \$2.00 per new unit to raise up to approximately \$303.6 million. The offer includes an oversubscription facility which will allow eligible unitholders to subscribe for units in excess of their entitlements. Any units not taken up under the entitlement offer or oversubscription facility will be offered to new investors and existing unitholders under a shortfall offer (being an offer to eligible investors to subscribe for the shortfall not taken up under the entitlement offer). The maximum number of units to be issued pursuant to the offer is 151.817m units, creating a total number of units of 409.908m units.

The offer is designed to expand the investable scale of loans and, in doing so, further diversify the portfolio.

## MANAGEMENT GROUP PROFILE

MCP is an Australian debt-specialist fund manager with significant direct lending expertise in the Australian corporate loan market, managing over \$2.5bn across seven corporate loan investment vehicles. MCP is 65% owned by the four IC members, with equity equally split across each of the principals, and 35% by National Australia Bank Limited (NAB).

MCP was established in May 2011 by three of the four IC members, specifically Justin Hynes, Andrew Lockhart, and Graham McNamara. All three were employees of National Australia Bank (NAB) at the time working in corporate and institutional lending. Through first-hand experience of the impact of the financial crisis and withdrawal of banks from providing funding to a range of corporates, the principals formed the view that more stringent regulatory pressures would come to be applied to the banking sector and there would be a need for non-bank investor capital to enter the market to provide debt funding for corporate entities.

In December 2011, the principals established MCP's first investment strategy and commenced marketing to large institutional investors. Based on these efforts, the DASLF was seeded in June 2013 and \$75m in loan assets acquired.

In August 2015, Andrew Tremain joined MCP as an equal partner (also ex-NAB), complementing a team in which each member had a skillset developed over 25 to 30 years working within a range of banks, and whereby each member was responsible for direct origination of loan transactions with corporates.

In November of 2015, MCP closed the first capital raising for its second fund, which was the secured private debt fund strategy (SPDF). The investment strategy had a first and second close, with the second close (SPDF II) occurring in October 2017. The total capital raised in that vehicle was \$200 million provided by a range of wholesale institutional investors and MXT.

Today, MCP manages a total of seven trusts: DASLF, SPDF I & II, REDF, the publicly listed MXT, the MCP Wholesale Investment Trust, and a stand-alone single institutional investor trust. The business is run by the four IC members and while NAB is a minority 35% equity investor it is a passive investor with no day-to-day involvement at all in the Manager, albeit with MCP Board representation. In terms of distribution, MCP is represented by Pinnacle Investment Management Group (Pinnacle).

## INVESTMENT TEAM

The four senior partners form the Investment Committee which has sole responsibility for investment and divestment decisions. All four members have significant experience in corporate loan origination and running large scale loan portfolios within banks. Further, since establishing MCP in June 2013, the team has been an active market participant, completing in excess of 100 individual loan transactions representing in excess of A\$3.8 billion in total transaction volumes.

The skillset of the IC covers the full life cycle of the loan, starting with directly originating a transaction via an extensive network of relationships with banks, corporate advisors, and directly with borrowers. Then the ability to undertake detailed bottom-up credit analysis due-diligence, the negotiation of legal documentation facility arrangements, security details, and execution of those transactions, and finally significant experience in the running of large-scale portfolios and managing the attendant risk on a daily basis. We note that all four members have previously spent significant period of time working with other IC members, which clearly augurs well for ongoing team stability.

In addition to the IC, the investment team consists of two other key internal groups, specifically New Assets & Origination and Portfolio Monitoring & Analytics. Including the four IC members, there is a total of 16 members within the investment team.

In originating a new potential transaction, the New Assets & Origination team works closely with the IC around formalising the investment credit papers through to the execution of a transaction. Specific responsibilities include investment submissions, cash flow modelling, credit rating analysis, legal documentation, transaction execution, and ESG compliance. The IC formally reviews the relevant submissions as part of the investment decision making process.

While New Assets & Origination team work closely with the IC members, it is really the four IC members that are the drivers of the process. They are responsible for the daily interaction with the broader market (banks, advisors, corporate borrowers) in looking at a range of transactions and who gain a deep understanding of the company or project over the anything from one to 24 month period typically required to close a loan transaction.

Subsequent to a transaction close, the Portfolio Monitoring & Analytics team is responsible to work with the IC in relation to the ongoing credit monitoring, portfolio monitoring, mandate compliance, stress test analysis and investor reporting.

The IC works on the basis that all four members are equally involved in each potential transaction and that investment decisions are based on unanimous approval. Similarly, it is the IC as a collective that has responsibility for each borrower on an ongoing basis, rather than being appointed to a particular team member. While this collective structure has benefits in terms of broadening sources of input, views, and facilitating informed discussion, growing FUM scale may necessitate changes on account of growing workload.

Given the collegiate nature of the four key principals in addition to the inherent stability of this team, IIR considers key person risk to be low. However, if any of the principals departed, IIR believes a replacement IC member of equal skill would need to be appointed sooner rather than later given workloads which are likely only to continue to grow.

Key Investment Personnel				
Name, Position	Role / Responsibilities	Key Experience	Industry (~yrs)	MCP (yrs)
Justin Hynes	IC member, key principal	Portfolio management, corporate debt origination. Previously specialised in leverage and acquisition finance as well as corporate finance.	20	7
Andrew Lockhart	IC member, key principal	Portfolio management, corporate debt origination, specialised in leverage and acquisition finance as well as corporate and institutional lending.	30	7
Graham McNamara	IC member, key principal	Portfolio management, corporate loan origination, syndications, agency management and corporate banking. Specialised in loan syndications.	37	7
Andrew Tremain	IC member, key principal	Portfolio management, debt origination, syndications. Specialised in leveraged and acquisition finance as well as loan syndications.	30	2

**Andrew Lockhart.** Andrew has considerable loan origination, structuring and portfolio risk management experience and has been responsible for the management of large, diversified and complex loan portfolios including considerable corporate restructuring experience. He spent a total of 26 years working for NAB, predominantly in the bank's corporate institutional wholesale division where he was responsible for the origination of loan transactions with corporate borrowers across all industries and across all different loan products. He also spent a number of years working in the leverage and acquisition finance area.

**Andrew Tremain.** Andrew Tremain has considerable Australian, European and Asian banking experience covering corporate, structured, leverage and acquisition finance, portfolio management and relationship management. Prior to joining MCP just over two years ago, Andrew spent eight years at Japanese bank Mizuho, where he ran its leveraged acquisition finance business and subsequently its corporate acquisition business for the Asia-Pacific region. Before that he spent several years at NAB, working with the other three key IC members, while in the early 2000s he was with ABN AMRO undertaking leveraged buyouts for the UK and Europe based in London. Andrew has approximately 30 years in banking, covering a broad range of debt instruments and sectors.

**Graham McNamara.** Graham has approximately 37 years' experience in banking, funds management and financial markets and has established the loan syndications and agency businesses at major Australian banks. The 15 years prior to MCP were spent with NAB, where he was responsible for the loan syndication and agency management business, the latter involving the ongoing management of individual syndicated loans throughout the life of the loan. During his last few years at NAB he ran a business, working with Andrew Lockhart and Justin Hynes, where they managed proprietary, large scale credit portfolios, investing across corporate bonds, loans, RMBS, and ABS, both here in Australia, the US and the UK.

**Justin Hynes.** Justin has considerable loan origination, structuring and portfolio management experience, including workout and restructuring experience. The first 10 years of his career were spent in Singapore working with a US bank which included significant debt restructuring



work. In 2005 Justin returned to Australia and commenced in the leverage and acquisition finance section at NAB with the other three IC members. This period included the GFC, where Justin worked together particularly with Andrew Lockhart to manage a significant proportion of NAB's leveraged loan book through distressed economic conditions.

---

## BOARD

MCP's Board is comprised of three of the four IC members, an independent, non-executive Chairman, and a Director appointed by NAB.

Allan Griffiths was appointed as a non-Executive Director and independent Chairman of MCP, effective from 30 September 2017. Mr Griffiths has more than 30 years' experience in the financial services industry, and is currently a Non-Executive Director with IOOF Holdings Pty Ltd, CARE Australia and Chairman of Westpac Life Insurance Services, St George Life, Westpac General Insurance Ltd and Westpac Lenders Mortgage Insurance Services. Notably, Mr Griffiths has also held a number of executive positions, including as Chief Executive Officer Aviva Australia and later Managing Director South Asia Aviva Asia Pte Ltd, based in Singapore.

---

## INVESTMENT PROCESS

### Investment Philosophy

The Manager is of the view that the Australian corporate loan market and, in particular the range between investment grade and sub-investment grade, presents an attractive opportunity set in terms of market pricing relative to default risk.

Furthermore, the Manager believes the corporate loan market has the potential to deliver superior risk-adjusted returns compared to the common alternative means of accessing the fixed income asset class, specifically managed fund bond portfolios and/or investing in an individual corporate bond.

In contrast to a managed fund bond portfolio, which engages in extensive secondary market transactions of 'prepackaged' products, MXT's portfolio comprises private loan transactions. Through the transaction process, the Manager gains a detailed understanding of a business, the capacity to service and repay, and the value and quality of collateral, for example. The Manager holds that it is in a better position to understand the attendant risks, price appropriately, and stay ahead of the market relative to a manager that often has no relationship with the debt issuer.

Compared to an individual bond investment, the ability to pool and aggregate investor capital in the asset class enables loan portfolio diversification, reducing individual borrower and industry risk and, hence, lowers overall volatility and investment risk.

In terms of credit duration, the Manager operates under the simple philosophy that it has a preference for shorter dated exposure, specifically loans between three and five years. The Manager's firm view is that shorter duration reduces the market and credit risk investors are exposed to. The Manager holds that it enhances the liquidity of the underlying pool of assets, but also provides the ability to reset terms, conditions, and pricing, with the borrower on an ongoing basis, which drives a better return outcome for investors and lowers investment risk.

### Investment Process

The investment process starts with directly originating and sourcing transactions. This is the responsibility of the four IC members who are active on a daily basis interacting with the broader market (banks, corporate borrowers, advisors). The Manager's strong origination network is a key strength and holds the Manager in good stead in creating and maintaining a solid pipeline of new deal opportunities.

Prospective corporate loan deals then move to the detailed due diligence stage ultimately designed to consider and assess all the risks associated with a business' cashflows (the risk of a deterioration in credit quality) and the likely impact on the Manager's capital.

The analysis incorporates an industry analysis (risks, financial trends, etc), where the borrower sits competitively within the industry (SWOT analysis), in addition to company specific aspects such as management, strategy, financial projections, capital structure. It is a process that requires gaining a granular understanding of the products and services that the

company offers and delivers to its customer base and how it is generating cashflows from those activities.

The analysis gets written up in a formalised and detailed credit assessment report, typically comprising between 30 to 60 pages. While it is the New Asset & Origination team that is responsible for the write-up, the four IC members are invariably integrally involved in the due diligence process, meeting the relevant parties (management, directors, potentially employees, other banks, legal advisors) and reviewing the original due diligence source materials.

The process culminates with a credit rating for both the issuer and the proposed transaction and which is then reviewed by the IC and decision arrived at to proceed, or otherwise. The knowledge and understanding gained through the due diligence phase is then used to negotiate appropriate terms, conditions, covenants and controls with the borrower. Risk is then priced and, assuming both parties agree, the loan is then legally documented, the security transferred and the money lent.

Once the loan has been executed, the Portfolio Monitoring & Analytics team works with the IC on a daily basis to monitor the reporting and compliance of all borrowers. A process exists whereby any time new financial information is provided, a formal review process of the credit is conducted.

The IC meets on a daily basis to review the output from the Portfolio Monitoring & Analytics team. A more formalised assessment of the portfolio as a whole is held each Monday while on Wednesday and Friday new transactions are reviewed once the due diligence has been completed.

### Portfolio Construction

As noted, the \$A500m in IPO proceeds were invested 60/20/20 in DASLF, SPDF II and REDF, respectively, consistent with the ranges contained in the PDS. The Manager retains the flexibility to modify the allocations to the underlying funds should market conditions change but there are no expectations to do so over the foreseeable future.

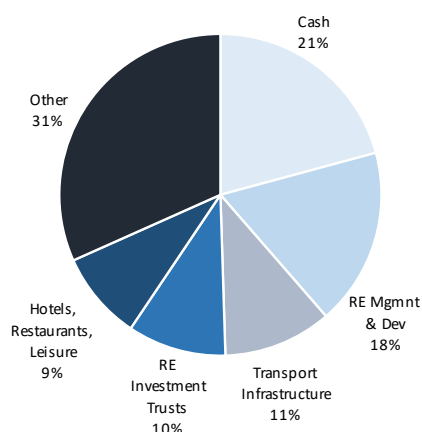
In effect, the majority of the funds (\$A300m), have been allocated to the lower risk, more investment grade vehicle DASLF which has a track-record from June 2013 of delivering stable returns at the very high end of the target returns range and never recording a negative month. Of the remaining \$200m, \$100m each was allocated to seed the Secure Private Debt Fund II and the Real Estate Debt Fund. Both funds are expected to be fully invested by Q1 2018, which reflects the Manager's strong pipeline of deals (combined with the ability to plan ahead given a high degree of certainty of the timing and magnitude of the MXT capital raise).

Through the three underlying wholesale funds, investors are expected to be exposed to between 75 to 100 individual loan assets over the medium term (69 as at 31 December), with the growth resulting from expected ongoing wholesale institutional investor inflows into the underlying funds. The underlying rationale to allocating to the three strategies was not only to structure a targeted risk-return profile but, importantly, to create a more diversified portfolio with lower counterparty limits so as to better manage the most significant investor risk in the asset class - credit risk.

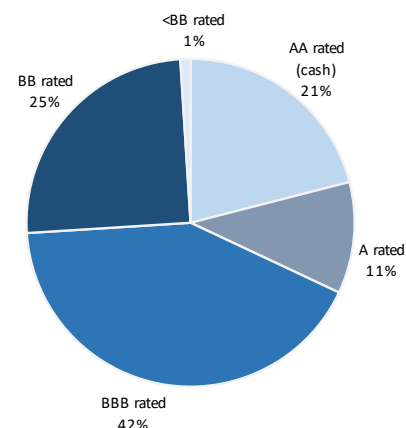
At the underlying fund level, portfolio construction is subject to both formal constraints and subjective assessments of prudent exposure levels. Maximum counterparty, sector and credit quality limits apply. The former is also impacted by credit rating, with a lower maximum counterparty exposure applying to lower investment grade borrowers, and vice versa. To facilitate liquidity, the Manager seeks to diversify by holding period and term to maturity.

At an industry / sector level, while formal limits apply and the Manager would naturally avoid concentrations, the diversified nature of Australian corporate businesses tends to not naturally lead to significant concentrations, with the loan market highly diversified across all industries and sectors of the economy. For those industries in which the Manager has structural concerns as a result of its due diligence, the Manager is either more naturally conservative in its allocation or, as in the case of media and retail currently, will simply have no exposure.

## MXT Portfolio Industry Allocation (31 Dec 2017)



## MXT Portfolio Credit Quality (31 Dec 2017)



## Other Portfolio Settings (31 Dec 2017)

No. Individual Investments	69	Interest Duration (days)	24
Investment Grade (%)	74%	Credit Duration (yrs)	2.1

## UNDERLYING FUNDS

The three underlying wholesale funds are summarised below with respective performance detailed in the Performance section.

It is worth noting, that while the length of track-record and risk-return profile of the funds vary, the same team, processes, approach, philosophies apply across the board. The separate mandates were established more as a way of addressing the very specific requirements (or prohibitions) certain institutional investors have in addition to institutional investors having different buckets of capital that can be allocated to certain return and risk profiles. As the Manager notes, they are lenders that lend across the credit risk spectrum from very high investment grade, through sub-investment grade borrowers, and they lend up and down the capital structure.

## DASLF

DASLF was launched in June 2013. It offers access to corporate loan market diversified by: borrowers and issuers (around 57 investments), industries, credit quality (A to B rated) and loan products. Greater than 90% of the portfolio must be senior debt and greater than 80% Australian assets. Investments include loans provided to: listed companies; large and medium sized private companies; project finance borrowers including Public Private Partnerships; property finance including development funding and Real Estate Investment Trusts; and acquisition finance facilities. Internally, the targeted range of return is between 250 to 325 basis points over the RBA Cash Rate. Since inception the fund has delivered around 315 basis points net. The fund has an issuer rating of BBB+ / A-2 from Standard & Poor's.

Return Hurdle	90-day BBSW + plus additional return from applicable credit margin and all lending fees generated on assets while maintaining adherence to the portfolio parameters	Portfolio	Investments reflecting Australia's corporate loan market, diversified by: borrowers and issuers (~57 investments); industries; credit quality (A to B rated); and loan products (corporate, infrastructure, property, LBO).
Typical No. Investments	57	Fees:	
Max Exposure to Senior Secured Loan	90%	MER:	17.5 to 30 bps, subject to the investors' invested amount
Max Single Exposure	7.5%	Performance Fee:	None
Expected Credit Duration (yrs)	~ 3 years		

## SPDF II

The recently launched SPDF II will implement the same strategy as SPDF, which was launched in November 2015. It will provide direct exposure to Australian corporate debt across mid-market borrowers, diversified across borrowers and industries. Target return is 90-day BBSW + 4.0% p.a (post fees).

Return Hurdle	90-day BBSW + 4.0% p.a	Portfolio	Portfolio of Australian mid-market corporate loans, Primarily sub-investment grade loans, Diversified across borrowers and industries.
Typical No. Investments	20+	Fees:	
Credit quality	Sub-investment	MER:	
Max Single Exposure	Governed by max 5% exposure at MXT level	Performance Fee:	15% of net returns above target returns hurdle capped at 0.75% p.a.
Expected Credit Duration (yrs)	~ 3 years		

## REDF

The recently launched REDF will provide direct exposure to a portfolio of Australian commercial real estate debt, providing investors with attractive risk-adjusted returns. Portfolio diversified by project and borrowers, sectors (industrial, retail, residential, office), geography (state, metro, regional), stage (development, brown field, REIT), and position in capital structure.

Return Hurdle	90-day BBSW + 5.0% p.a	Portfolio	Portfolio of Australian real estate debt assets, diversified by projects and borrowers, sectors (industrial, retail, residential, office), geography (state, metro, regional), stage and position in capital structure.
Typical No. Investments	20+	Fees:	
Credit quality	Sub-investment	MER:	
Max Single Exposure	Governed by max 5% exposure at MXT level	Performance Fee:	15% of net returns above target returns hurdle capped at 0.75% p.a.
Expected Credit Duration (yrs)	~ 3 years		

## PERFORMANCE

MXT has all but a three-month track-record and therefore past performance provides in itself no firm indication of the Manager's ability or otherwise to achieve the stated investment objectives. That said, we note that in early January the Manager paid out MXT's first cash distribution to investors equivalent to the minimum target return (an annualised 4.75% net of all costs and fees) despite the portfolio being less than fully invested over the quarter.

In contrast, two of the three underlying wholesale funds / strategies have more significant track-records which serve to provide a guide to the Manager's ability to at least achieve stated investment objectives.

DASLF now has a 4.5 year track-record. The investment objective was to deliver a return of between 250 to 325 basis point over the RBA Cash Rate. Since inception, the fund has delivered right at the high end of this range, recording a return of 320 basis points above the RBA Cash Rate (5.36% p.a.), and without a negative month or credit default. Furthermore, over time the returns spread to the RBA Cash Rate has been relatively consistent, with variations largely being a function of what is happening with credit spreads in other markets.

SPDF, which is now closed to new investment but is based on the same strategy as the underlying SPDF II, has delivered 7.96% p.a since inception in November 2015, representing a 6.32% p.a. spread to the RBA Cash Rate, and materially above the +4.0% p.a. investment objective. Again, there has been a consistency in the returns profile, with the Manager generating high 6% spreads over the last 6-month and one-year periods. SPDF II now has a 3-month track-record, generating an annualised return of 9.2% p.a. above the RBA Cash Rate.

REDF now has a 3-month track-record, generating an annualised return of 6.74% p.a. above the RBA Cash Rate. This compares with the +5.0% p.a. investment objective.

The biggest impairment, or risk, to an investor's return profile is the risk of credit loss. The management of credit risk is therefore fundamentally important to the ability to deliver the minimum return targets to investors. We note that across the underlying funds over the respective track-records, credit risk has been successfully managed without a single loss. The returns therefore reflect the collective income received on each loan held within the portfolios.

### MCP Diversified Australian Senior Loan Fund

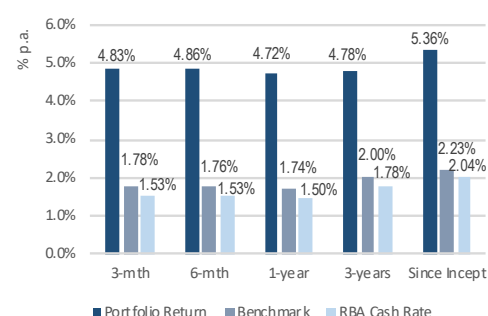
#### Net Monthly Returns

Bps	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY
2018	38	36	38	39	30	39							220
2017	37	34	32	37	32	30	36	32	36	36	36	35	441
2016	38	39	36	38	37	38	38	28	36	39	35	35	443
2015	44	45	44	46	44	45	45	39	41	39	34	36	514
2014	48	46	63	74	52	50	49	43	48	43	42	55	630
2013												44	NM

#### Gross Returns

	3-mth	6-mth	1-year	3-years	Since Incept
Portfolio Return	4.83%	4.86%	4.72%	4.78%	5.36%
Benchmark	1.78%	1.76%	1.74%	2.00%	2.23%
RBA Cash Rate	1.53%	1.53%	1.50%	1.78%	2.04%

#### Gross Returns



### MCP Secured Private Debt Fund

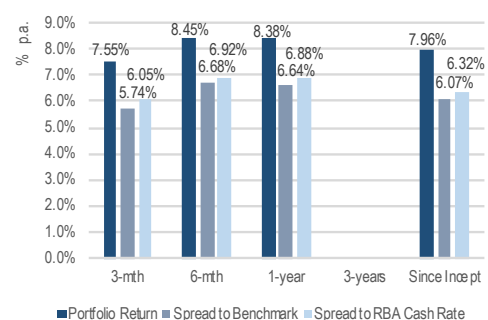
#### Net Monthly Returns

Bps	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY
2018	66	79	69	60	56	57							387
2017	67	66	70	73	64	65	69	61	66	66	65	64	796
2016					3	35	55	60	62	60	62	55	NM

#### Gross Returns

	3-mth	6-mth	1-year	3-years	Since Incept
Portfolio Return	7.55%	8.45%	8.38%		7.96%
Spread to Benchmark	5.74%	6.68%	6.64%		6.07%
Spread to RBA Cash Rate	6.05%	6.92%	6.88%		6.32%

#### Gross Returns

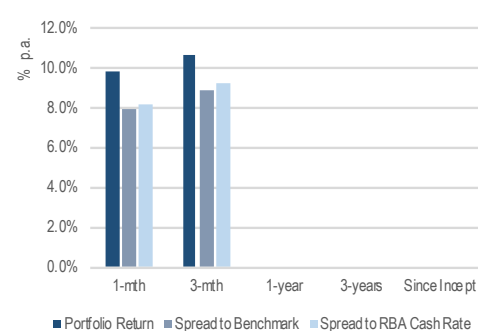


## MCP Secured Private Debt Fund II

### Gross Returns

	1-mth	3-mth	1-year	3-years	Since Incept
Portfolio Return	9.80%	10.70%			
Spread to Benchmark	7.90%	8.90%			
Spread to RBA Cash Rate	8.20%	9.20%			

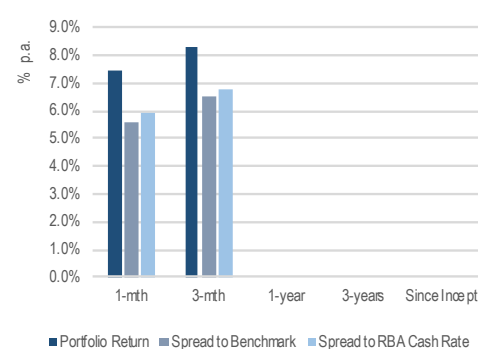
### Gross Returns



## MCP Real Estate Debt Fund

### Gross Returns

	1-mth	3-mth	1-year	3-years	Since Incept
Portfolio Return	7.46%	8.28%			
Spread to Benchmark	5.59%	6.49%			
Spread to RBA Cash Rate	5.90%	6.74%			



Unlike a publicly traded bond, where the value of the asset is determined by its traded price, MXT's portfolio will largely comprise loans where a traded price does not exist. There is a risk the valuations may not accord with what the market may ultimately value these assets, notwithstanding the strong valuation policies applied by the Manager. Investors should note that NAV calculations will be based on the Manager's internal loan valuations, determined in accordance with applicable accounting standards, and subject to rigorous and ongoing review and scrutiny by independent third-party accounting firms. Specifically, the Responsible Entity has appointed an international accounting firm to provide an ongoing independent credit and market price review. The funds are also subject to formal audit (which includes a rigorous review of all asset prices) undertaken by KPMG.

### Share Price to NTA

LITs / LICs may trade at a discount or premium to NAV, representing an additional performance risk relative to a managed fund, for example. Historically, the risk of a discount to NTA has typically been greater with newer LICs / LITs issued by lesser known (often unproven) managers.

Encouragingly, to date the share price has consistently remained above the the \$2.00 NAV, hovering between \$2.07 and \$2.12. Furthermore, the Manager is committed to keeping its investor base actively engaged by way of daily unit pricing and monthly portfolio reports in addition to currently working with marketing, PR and Pinnacle Investment Management to best engage the investing public about MXT and MCP as a broader business. The Manager is significantly invested in building a large scale ASX-listed investment vehicle to enhance liquidity, minimise the bid-ask spread and to raise additional capital, should the Manager chose to do so in the future.

We do note a general risk that should the Manager experience any loan defaults this could adversely impact investor sentiment and exert negative pressure on the share price (relative to NTA). This would be a greater risk if / when the credit cycle turns down.

More broadly, MXT represents a new asset class of soughts for Australian retail investors who have a lesser understanding relative to more 'plain vanilla' equities and bonds. It is yet to be seen how investor sentiment may change in response to the credit market environment.

## Distributions

As a trust, the income that is generated on the loan assets will flow straight through to the investor, without any ability of the managers to retain any earnings. This income will be paid to investors as a distribution each month. The distribution amount will be a function of interest and fee income received on each of the loans in the portfolio but will also be impacted by any potential loan valuation writedowns.

## COMPARATIVE ANALYSIS

We have reviewed the lending rates achieved with corporate bond yields, as published by the RBA, as well as fee level for a number of Australian (corporate) bond strategies (refer to tables overleaf). We do note however, that these are not directly comparable as it is not possible for IIR to assess the real underlying risk of the borrowers. Furthermore, we also note that bonds are liquid instruments while corporate loans are characterised by a lesser degree of liquidity and should therefore have an added spread to reflect this.

Based on the analysis, we note that the spreads being achieved by MXT for its investment grade loans are above the corporate bond rates and appear to compensate for lack of liquidity. Also, the sub-investment grade loans are well above the investment grade rates recognising the weaker credit quality.

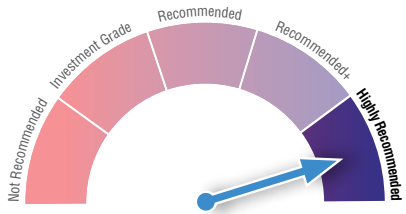
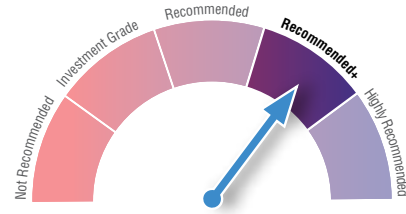
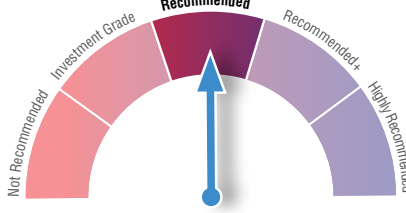
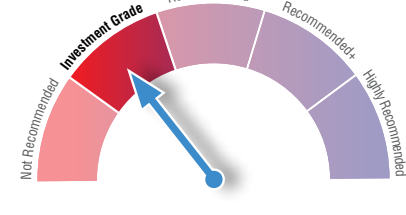
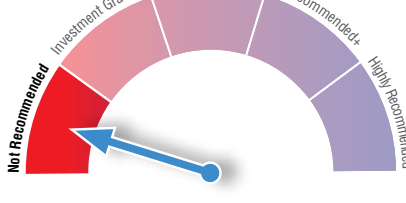
Based on a peer analysis, the MXT MER of 60bps (which includes the IEE) looks very reasonable, particularly given that MXT is involved in the origination of the loans and the credit assessment process which is a lot more involved than simply buying bonds.

Corporate Bond Yields January 2018			Bond Fund Fee Structures	
Rating	Tenor	Yield	Fund	Management Fee
A	3yrs	2.86	UBS Australian Bond Fund	0.45%
BBB	3yrs	3.22	AMP Capital Corporate Bond Fund*	0.75%
A	5yrs	3.24	Aberdeen Australian Fixed Income Fund	0.51%
BBB	5yrs	3.63	Franklin Australia Absolute Return Bond Fund	0.65%
Source: Reserve Bank of Australia Tables			Pimco Australian Bond Fund	0.50%
*0.60% on platform				

## APPENDIX A – RATINGS PROCESS

### Independent Investment Research Pty Ltd “IIR” rating system

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

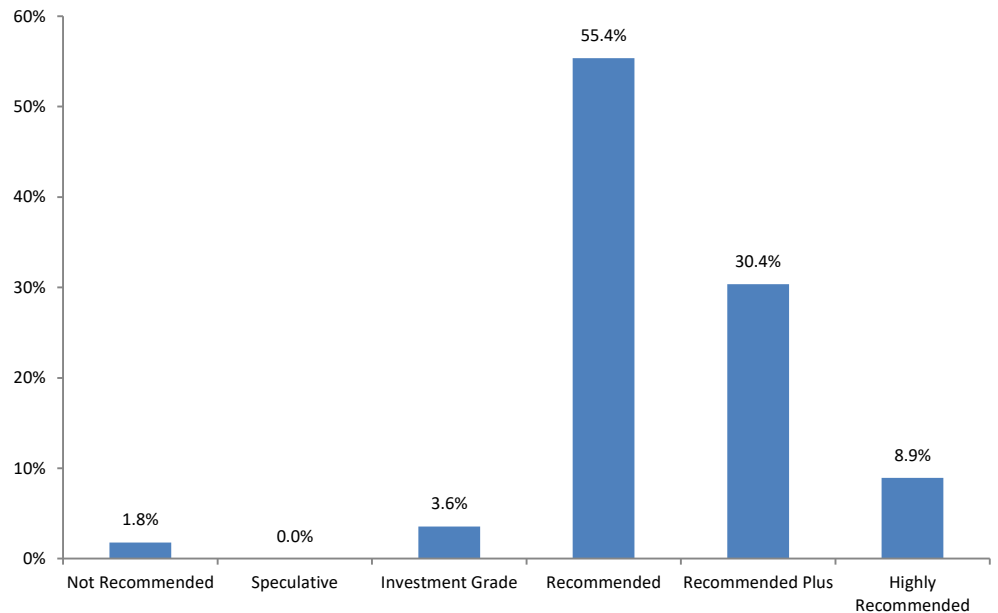
LMI Ratings	SCORE
<p><b>Highly Recommended</b></p> 	<p><b>83 and above</b></p> <p>This is the highest rating provided by IIR, indicating this is a best of breed product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved exceptionally high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



## APPENDIX B – MANAGED INVESTMENTS COVERAGE

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

### SPREAD OF MANAGED INVESTMENT RATINGS



# DISCLAIMER

## (a) Disclaimer

The information, reports, financial models, forecasts, strategies, audio broadcasts and other media (referred to as "Content" throughout this Legal Notice), provided on this web site has been prepared and issued by Altavista Research Pty Ltd trading as Independent Investment Research "IIR," Independent Investment Research Holdings Pty Ltd (ACN 155 226 074), as authorised to publish research under an Australian Financial Securities Licence (AFSL No 420170) which allows Independent Investment Research to offer financial service advice to retail and wholesale clients. Users of this web site should not act on any Content without first seeking professional advice. Whilst the Content contained on this web site has been prepared with all reasonable care from sources which we believe are reliable, no responsibility or liability is accepted by Independent Investment Research, for any errors or omissions or misstatements however caused. Any opinions, forecasts or recommendations reflect our judgement and assumptions at the date of publication or broadcast and may change without notice. Content on this web site is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. We are not aware that any user intends to rely on the Content provided or of the manner in which a user intends to use it. In preparing our Content it is not possible to take into consideration the investment objectives, financial situation or particular needs of any individual user.

Access by any user to this website does not create a client relationship between Independent Investment Research and the user. Users seeking to invest must obtain individual financial advice to determine whether recommendations are appropriate to their investment objectives, personal financial situation or particular needs, before acting on any recommendations. Any Content 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 user, without the prior written consent of Independent Investment Research.

## (b) Disclosure of Interest

### General

Independent Investment Research, its officers, employees, consultants and its related bodies corporate have not and will not receive, whether directly or indirectly: any commission; fee; benefit; or advantage, whether pecuniary or otherwise, in connection with making any recommendation contained on this web site. Independent Investment Research, discloses that from time to time, it or its officers, employees and its related bodies corporate: may have an interest in the securities, directly or indirectly, which are the subject of these recommendations; may buy or sell securities in the companies mentioned in the Content; may effect transactions which may not be consistent with the recommendations in the Content; may have directorships in the companies mentioned in the Content; and/or perform paid services for the companies that are the subject of such recommendations.

However, under no circumstances, has Independent Investment Research been influenced, either directly or indirectly, in making any recommendations contained on this web site.

### Corporate Research

Independent Investment Research has or may have, received a fee either directly by a company itself or by a third party, to provide coverage and/or corporate research (the "Fee"). Where a Fee has been received, Independent Investment Research does not publish:

Buy / Hold / Sell recommendations for the security or managed investment schemes.

## (c) Copyright Protection

All Content at this web site is protected by copyright. Apart from any use permitted under the Copyright Act (Cth) 1968, you must not copy, frame, modify, transmit or distribute the material at this web site, without seeking the prior written consent of the copyright owner. Content on this web site is owned by the business Independent Investment Research. Users are prohibited from copying, distributing, transmitting, displaying, publishing, selling, licensing, creating derivative works or using any content on the web site for commercial or public purposes

Copyright 2010 Independent Investment Research. All rights reserved.

## (d) Trade Marks

The trade marks and logos displayed on this web site belong to Independent Investment Research or other parties. Such trade marks include registered trade marks and trade marks pending registration. Users are prohibited from using any of these trade marks, without seeking the prior written consent of IIR or such third party, which may own the trade mark content on this web site.

## (e) Limitation of Liability

To the fullest extent permitted by the law, Independent Investment Research and any of its officers, employees, agents, consultants or related bodies corporate disclaim any liability, whether based in contract, tort, strict liability or otherwise, for any direct, indirect, incidental, consequential or special damages arising out of or in any way connected with the use of any Content made available on this web site by any person or entity.

## (f) No Warranties

Independent Investment Research does not make any claims, promises, guarantees, representations or warranties regarding the accuracy, completeness or fitness for purpose of the Content made available on this web site. All information on this web site is provided to you on an as is basis, without warranty of any kind either express or implied. To the extent that research can be provided by third parties, Independent Investment Research makes no warranty or representation as to the accuracy or completeness of such information displayed on this site, and accepts no liability for errors or omissions arising from such third party information. To the fullest extent permitted by law, under no circumstances will Independent Investment Research be liable for any loss or damage caused by users reliance upon information obtained through this web site. It is the responsibility of the user to evaluate the accuracy, completeness or usefulness of any information, opinion, general advice or other content made available through this web site. Furthermore, Independent Investment Research does not warrant or represent that this web site is error free or free from viruses or defects. A user must do all that is necessary (including using virus checking software) to satisfy itself that accessing this website will not adversely affect its system.

For further information, please contact IIR at: [client.services@independentresearch.com.au](mailto:client.services@independentresearch.com.au)



**Independent Investment Research (Aust.) Pty Limited**

**SYDNEY OFFICE**

Level 1, 350 George Street  
Sydney NSW 2000  
Phone: +61 2 8001 6693  
Main Fax: +61 2 8072 2170  
ABN 11 152 172 079

**MELBOURNE OFFICE**

Level 7, 20–22 Albert Road  
South Melbourne VIC 3205  
Phone: +61 3 8678 1766  
Main Fax: +61 3 8678 1826

**HONG KONG OFFICE**

1303 COFCO Tower  
262 Gloucester Road  
Causeway Bay, Hong Kong

**DENVER OFFICE**

200 Quebec Street  
300-111, Denver Colorado USA  
Phone: +1 161 412 444 724

**MAILING ADDRESS**

PO Box H297 Australia Square  
NSW 1215