

# Metrics Direct Income Fund

## INVESTMENT RATING REPORT

July 2021



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

Fund Details
<b>Investment Manager:</b> Metrics Credit Partners Pty Ltd
<b>Investment Structure:</b> Registered Australian Unit Trust
<b>Category:</b> Australian Credit
<b>Investment Style:</b> Diversified Australian private corporate credit
<b>Inception:</b> 1 July 2020
<b>Management Fees and Costs:</b> [Estimated at 0.60% p.a. for FY 22.]
<b>Performance Fee:</b> May be payable to sub funds (SPDF II & REDF) or waived if target return not achieved until such time as the investors recover any underperformance. FY 21 Performance Fees were 0.14%.
<b>Category:</b> Australian Credit
<b>Distribution:</b> Monthly
<b>Responsible Manager/Entity:</b> Evolution Trustees Ltd
<b>Investment Objective:</b> The Trust's Investment Objective is to provide monthly cash income, low risk of capital loss, and portfolio diversification through its exposure via the Metrics Master Income Trust and the MCP Wholesale Investments Trust (Sub-Trust) to the Wholesale Funds, gaining exposure to managed diversified loan portfolios and participating in Australia's bank-dominated corporate loan market. The Target return for this Trust is RBA Cash plus 3.25%, net of fees.

### Review Summary

The Metrics Direct Income Fund (the Trust) is a registered Australian unit trust investing in the Australian corporate loan market through investment in Metrics' wholesale funds. The Trust may also hold units in the listed trust, Metrics Master Income Trust (ASX: MXT). The characteristics of the investment are exceptionally 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 has grown its capability steadily, increasing team size, fund size, and diversification of the funds underlying the Trust.

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

As the investments of Metrics Direct Income Fund are largely untraded, this investment may at times be illiquid. Investors should consider this a medium-to-long-term investment.

### 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 (30 June 2021)

	Net Return (%)	RBA Cash Rate (%)	Dist'n (%)	Spread to RBA (%)
<b>1mth</b>	0.42	0.01	0.39	0.38
<b>3mth</b>	1.43	0.02	1.31	1.29
<b>6mth</b>	2.74	0.05	2.51	2.46
<b>1yr</b>	6.46	0.15	4.24	4.09
<b>Inception</b>	6.48	0.15	4.25	4.10

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

## 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>	Evolution Trustees Limited; ACN 611 839 519
<b>Custodian</b>	Sandhurst Trustees Limited; ACN 004 030 737
<b>Administrator</b>	MCH Fund Administration Services Pty Ltd; ACN 636 286 970
<b>Unit Registry</b>	Automic Pty Ltd (Automic Group) ACN 152 260 814
<b>KEY FEATURES</b>	
<b>Inception</b>	1 July 2020
<b>Geographic Mandate</b>	Australia
<b>Minimum Application</b>	\$1,000
<b>Redemptions</b>	Where the Trust is liquid, monthly redemptions at end of month subject to 15 business days' prior written notice.
<b>NAV Pricing</b>	Daily
<b>Asset Class</b>	Fixed Interest
<b>Distributions</b>	Monthly
<b>Asset Sector</b>	Australian corporate loans and debt
<b>Management Fees &amp; Costs</b>	For FY 21, 1.24% of the Trust's NAV – includes RE fee, investment management fee, recoverable expenses, and indirect costs. These fees were higher than usual due to the start-up nature of the fund. Due to strong inflows during FY 21, [Management costs for FY 22 are forecast to be approximately 0.60%.]
<b>Performance Fee</b>	May be payable by sub-wholesale funds, waived if the target return of the Trust not achieved until such time as investors recover any underperformance. The performance fees for FY 21 were 0.14%.
<b>Funds Under Management (FUM)</b>	As at June 2021, the FUM for this Trust is AUD 228,730,327
<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
<b>Website</b>	www.metrics.com.au/mdif

Investment Profile

HISTORY/BACKGROUND

The Investment Manager of the Metrics Direct Income Fund is Sydney-based Metrics Credit Partners (Metrics). The company was formed in 2011 as a specialist corporate lending manager. At the time of this review, July 2021, and with over A\$8 billion in Funds Under Management (June 2021) across Australian corporate loans and private credit, Metrics is the largest non-bank lender in Australia in this sector.

Metrics is 100% owned by Metrics Credit Holdings Pty Ltd, 65% of which is controlled by the four managing partners: Justin Hynes, Andrew Lockhart, Graham McNamara, and Andrew Tremain. The remaining 35% equity interest in Metrics, originally owned by NAB, was bought back by Metrics, then acquired by Pinnacle Investment Management in August 2018.

Prior to forming Metrics, the partners collectively had extensive experience within banking environments in loan origination, corporate finance, credit analysis, credit portfolio management, leveraged and acquisition finance, syndicated loan transactions, distressed assets, and distribution.

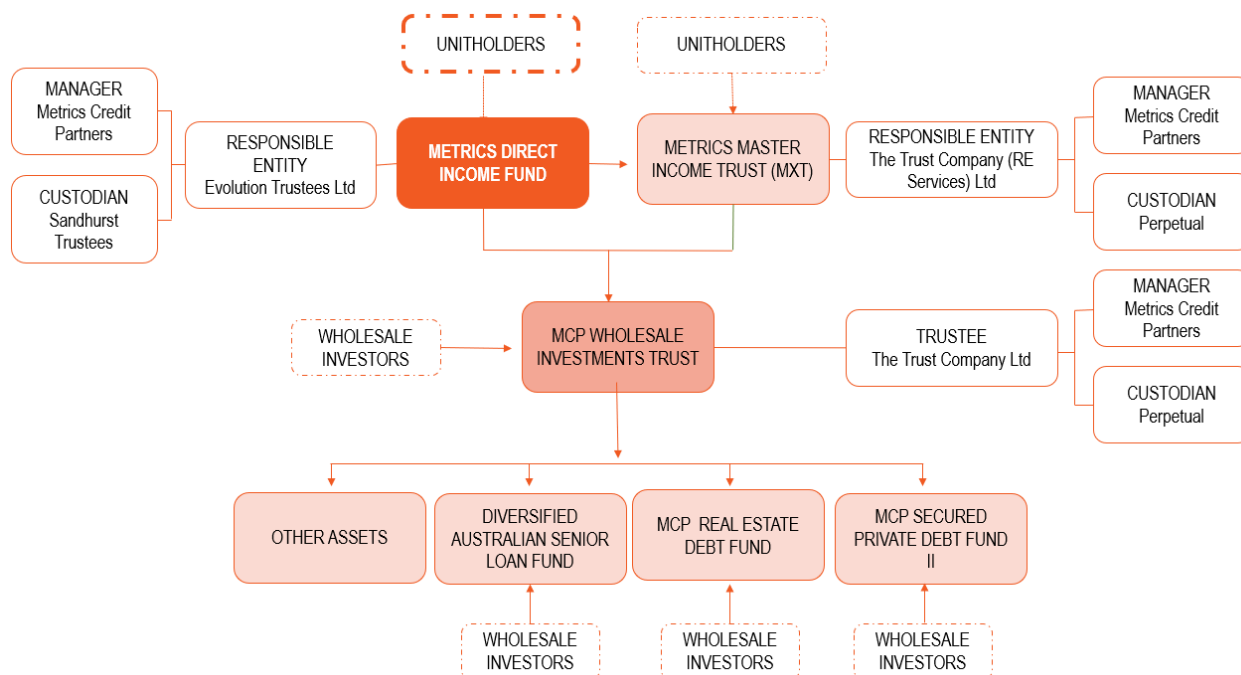
Since inception, Metrics has launched several funds across the credit spectrum to suit different risk/return investor requirements. Additionally, Metrics has provided different structures for accessing the funds, with a mix of wholesale, retail, and listed investment trusts. In March 2021, Metrics launched a NZ PIE fund for NZ wholesale investors.

Investors in the wholesale funds typically comprise superannuation funds (35%), fund of funds (33%), and a mix of insurance companies, high net worth individuals, family offices, charities, and two ASX-listed investment trusts: the Metrics Income Opportunities Trust (ASX: MOT) and the Metrics Master Income Trust (ASX: MXT).

In March 2021, Metrics acquired a A\$1.1 billion portfolio of Australian corporate loans from Investec. This portfolio is expected to increase portfolio diversification and enhance underlying fund liquidity.

FUND MANAGEMENT STRUCTURE

The Metrics Direct Income Fund is a registered, managed investment scheme that invests into the MCP Wholesale Investments Trust, which in turn invests in several underlying MCP managed wholesale corporate loan funds.



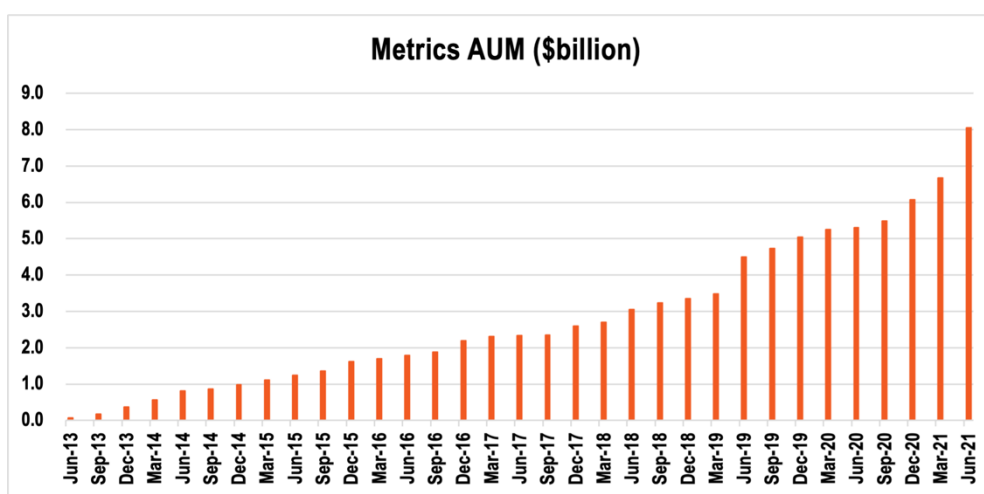
The MCP Wholesale Investment Trust invests approximately 60-70% into the Metrics Credit Partners Diversified Australian Senior Loan Fund, 20-30% into the MCP Secured Private Debt Fund II, and 10-20% into the MCP Real Estate Debt Fund (the Wholesale Funds). In addition, the Manager may, from time-to-time, invest in the listed vehicle, the Metrics Master Income Trust (MXT). Details of the respective funds can be found in the ‘Portfolio Construction’ section of this report.

**OBJECTIVE**

The Trust’s Investment Objective is to provide monthly cash income, low risk of capital loss, and portfolio diversification through its exposure to the MCP Wholesale Investments Trust (Sub-Trust) and the Wholesale Funds, by gaining exposure to diversified loan portfolios and participating in Australia’s bank-dominated loan market. The Trust may not be successful in reaching its objective. While the Manager believes the Trust will be liquid, there may be periods where an investment in the Trust cannot be redeemed. The Target Return for this fund is RBA Cash plus 3.25%, net of fees.

**FUNDS UNDER MANAGEMENT**

The MCP Direct Income Fund has Assets Under Management (AUM) of AUD 228,715. The Fund Manager, Metrics, has AUM in excess of AUD 8 billion as at June 2021, all of which is equity funded.



**FEES**

The fees paid by investors in this Trust reflect the fees in the underlying wholesale funds, and for FY 21 were comprised of:

<b>Management Fees &amp; Costs</b>	<ul style="list-style-type: none"> <li>▪ Management Fees (comprising fees payable to the Manager and those payable to the Responsible Entity) – 0.225% per annum of the Trust’s NAV, subject to a minimum fee of \$25,080 per annum, calculated and accrued daily and paid monthly in arrears to the Manager from the Trust’s assets.</li> <li>▪ Recoverable expenses of the Trust – 0.06% per annum of the Trust’s NAV paid out of the Trust’s assets once the cost is incurred.</li> <li>▪ Indirect costs in the Wholesale Funds –0.32% per annum of the Trust’s NAV paid by the Wholesale Funds once the cost is incurred, excluding performance fees.</li> </ul>	1.24%
<b>Performance Fees</b>	Performance related fees in the Wholesale Funds – estimated at 0.09% per annum of the Trust’s NAV paid by the Wholesale Funds once the cost is incurred.	0.14%

**NOTE: HIGHER RE AND ADMINISTRATION FEES DUE TO THE FUND BEING IN START UP PHASE. FORECAST TO BE [APPROXIMATELY 0.60% FOR FY 22]**

**INVESTMENT UNIVERSE**

The Trust invests in a portfolio of direct credit; that is 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 give 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 funds in which the Metrics Direct Income Fund 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, DALSF has access to a multi-currency line of credit to assist with cash flow and currency 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 Direct Income Fund 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.

The Metrics Direct Income Fund, being 100% equity funded, and the Wholesale Funds are 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 more recent times Metrics is receiving an increasing number of invitations from banks to participate in syndicated loans reflecting Metrics relevance as a participant in the corporate loan market.

For investors, the two sub-asset classes have the following respective advantages:

Corporate Bonds	Direct Corporate Credit
<ul style="list-style-type: none"> <li>Liquidity</li> <li>Price Transparency</li> <li>Potential capital gains</li> </ul>	<ul style="list-style-type: none"> <li>Diversification – better spread of industry sectors.</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>

### 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 Target return is RBA Cash plus 3.25%, 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 include:

- Reduction of borrower risk through lending to public and private companies and projects. As at June 2021, there are over 185 individual investments in the underlying Wholesale Funds. No more than 5% of the Trust’s assets are to be invested in any single borrower.
- Lending is across industry sectors. It is not intended that the Trust will invest in the banking sector.
- Diversification by credit quality and investment type.
- Lowering the 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.

<p><b>Portfolio construction</b></p>	<p>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.</p>
<p><b>Asset origination</b></p>	<p>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.</p>

<p><b>Due diligence</b></p>	<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 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>Restricted industries: Metrics will not invest where a business may impact reputational risk, including companies that are connected with pornography, tobacco, violation of labour laws, tax avoidance schemes, or weapons manufacture and distribution.</p>
<p><b>Investment decisions</b></p>	<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>
<p><b>Ongoing portfolio risk management</b></p>	<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 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 Metric’s 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 DASLF and 50% for SPDF II & REDF 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. Net Leverage across the 3 funds was \$0.

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.



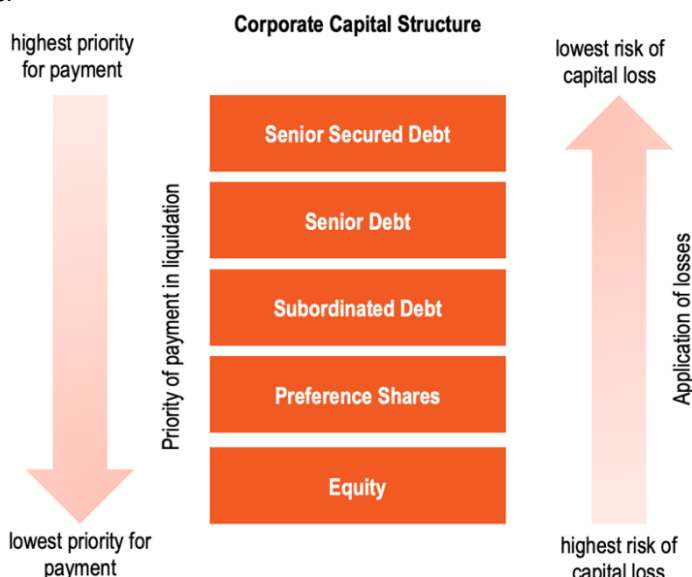
**ASSET PRICING**

Metrics, Evolution, and the external valuation consultant, an international accounting firm, closely monitor the Australian credit market in calculating the Net Asset Value (NAV) of the Wholesale Funds 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 the Metrics Direct Income Fund is exposed to – buy-to-hold, good use of covenants, seniority, security, 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 Direct Income Fund invests, via the MCP Wholesale Investments Trust, in three underlying wholesale trusts in the following allocation ranges at the discretion of the Manager. The three funds, key characteristics, and allocation range 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 Trust may from time to time invest in the Metrics Master Income Trust (ASX: MXT).

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.

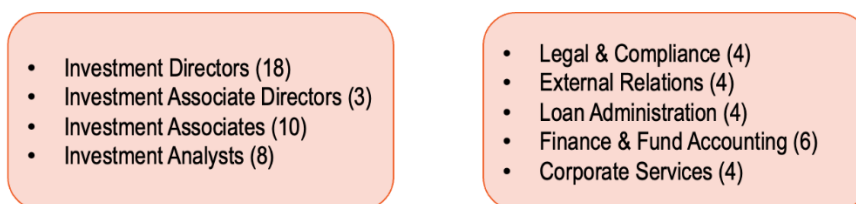
The team continues to be expanded, with recent hires bringing total Metrics employees to c. 80. Hires have included Investment Directors (Syd & Melb), Investment Associates (Syd), and Investment Analysts (Syd & Melb).

**INVESTMENT TEAM STRUCTURE**

**Managing Partners**  
**Investment Committee & Executive Management Committee**



Managing Partners are supported by:



**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 56. Metrics is continuing to recruit as Funds Under Management (FUM) increases.

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.

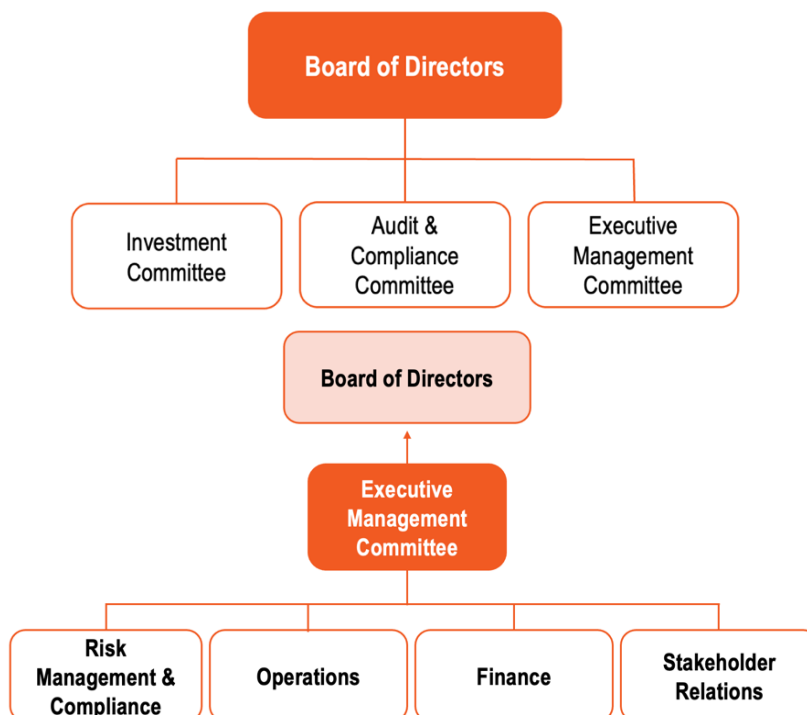
<p><b>Andrew Lockhart</b></p>	<ul style="list-style-type: none"> <li>Key responsibility is Metrics Finance and Stakeholder Relations activities.</li> <li>Andrew has in excess of 35 years' banking, funds management, and financial markets experience.</li> <li>Andrew's specialist areas have included origination and portfolio risk management of large, diversified, and complex loan portfolios, leverage and acquisition finance, corporate and institutional lending, and corporate restructuring.</li> </ul>
<p><b>Justin Hynes</b></p>	<ul style="list-style-type: none"> <li>Key responsibility is Metrics' operational activities.</li> <li>Justin has in excess of 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>
<p><b>Graham McNamara</b></p>	<ul style="list-style-type: none"> <li>Key responsibility is Metrics' Risk Management and Compliance function.</li> <li>Graham has in excess of 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>
<p><b>Andrew Tremain</b></p>	<ul style="list-style-type: none"> <li>Andrew has in excess of 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 a quarterly 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**

This is a relatively new Trust (with an inception date of 1 July 2020) and therefore has a short performance history.

**METRICS DIRECT INCOME FUND PERFORMANCE AS AT 30 JUNE 2021**

	1mth	3mth	6mth	1 yr	Inception
<b>Net Return (%)</b>	0.42	1.43	2.74	6.46	6.48
<b>RBA Cash Rate (%)</b>	0.01	0.02	0.05	0.15	0.15
<b>Distribution (%)</b>	0.39	1.31	2.51	4.24	4.25
<b>Spread to RBA (%)</b>	0.38	1.29	2.46	4.09	4.10

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

**NET MONTHLY RETURNS**

(%)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
<b>2021</b>	0.13	0.43	0.72	0.24	0.77	0.42							2.71
<b>2020</b>							1.99	1.19	0.28	0.35	0.32	0.77	4.99

Source: Metrics

**DISTRIBUTIONS**

(%)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
<b>2021</b>	0.37	0.32	0.52	0.32	0.63	0.40							2.57
<b>2020</b>							0.33	0.25	0.23	0.31	0.38	0.35	1.84

Source: Metrics

To give a longer-term view of past performance, the underlying wholesale fund, the MCP Wholesale Investments Trust, is shown below. This wholesale vehicle is a Fund of Fund with a performance history from October 2017. Note that the fee structure is slightly different for this Trust. This proxy performance is useful in giving insight into the stability of returns.

**MCP WHOLESALE INVESTMENTS TRUST: - MONTHLY RETURNS (% NET)**

(%)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	0.35	0.37	0.46	0.35	0.39	0.36						
<b>2020</b>	0.48	0.44	0.48	0.47	0.42	0.45	0.54	0.47	0.41	0.41	0.43	0.44
<b>2019</b>	0.54	0.50	0.59	0.59	0.58	0.50	0.46	0.46	0.42	0.46	0.46	0.47
<b>2018</b>	0.42	0.35	0.48	0.59	0.55	0.49	0.54	0.53	0.50	0.54	0.51	0.57
<b>2017</b>										0.45	0.40	0.42

Source: Metrics

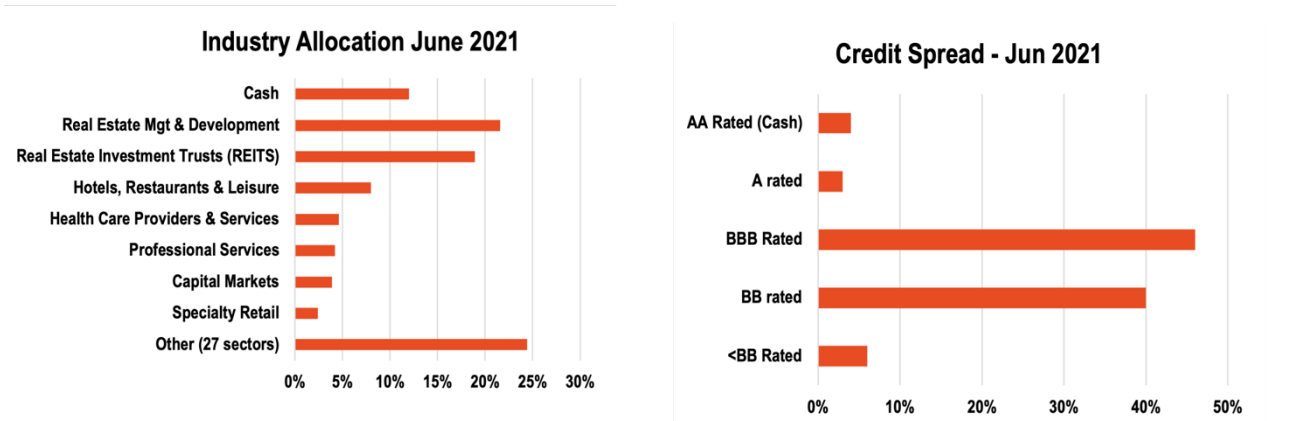
**FUND SETTINGS (AS AT END JUNE 2021)**

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

**Compliance**

The Metrics Direct Income Fund is subject to the governance and compliance structure designed, implemented, and monitored by the RE.

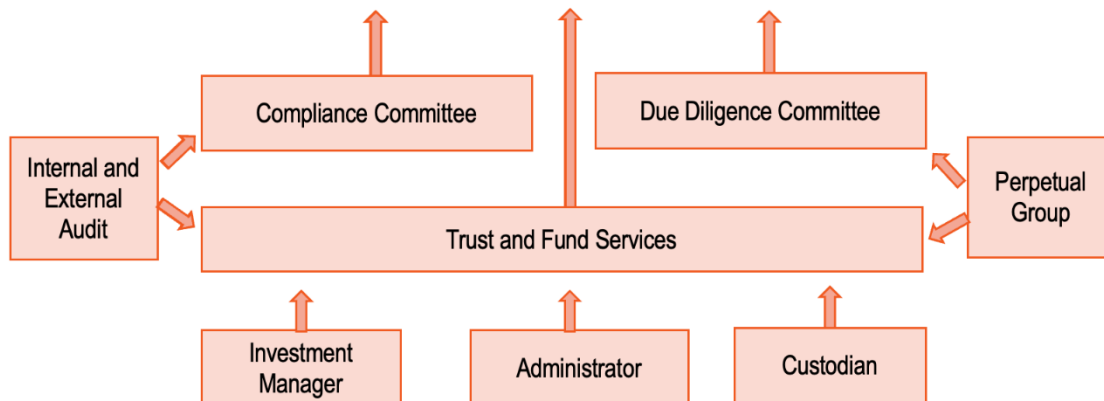
A compliance plan is in place to ensure that:

- 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 Funds are externally audited by KPMG, including an audit of Metrics' adherence to its obligations under its AFS licence. [Metrics has a Compliance Committee which reports to the RE/Trustee Board. This Committee comprises one internal member and two external members.

The RE Audit & Compliance Committee meets quarterly.

**Responsible Entity Board**



**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).

**Third Party & Service Advisors**

<b>Fund administrator</b>	MCH Fund Administration Services Pty Ltd
<b>Legal advisor</b>	Minter Ellison
<b>Custodian</b>	Sandhurst Trustees
<b>Responsible Entity</b>	Evolution Trustees 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>Firm Accounting</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

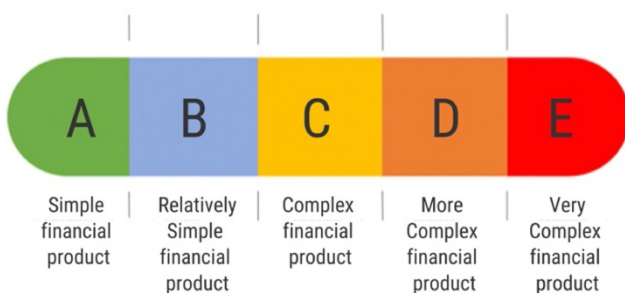
**Investment Rating Scale**

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**

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**Disclaimer**

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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.