



SQM
RESEARCH

Centuria Bass Credit Fund

This report has been prepared for financial advisers only



Superior

March 2023

INTRODUCTION

Key Principles

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

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

Currency of Reports

This Research Report is current as at the date on the report until it is replaced, updated or withdrawn. SQM Research reports are generally valid for a term of approximately 12 months but may be replaced, withdrawn or changed at any time as judged appropriate by SQM Research.

Star Rating*

Investment products are awarded a star rating out of a possible five stars and placed on the following website:
www.sqmresearch.com.au

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

Event-driven Rating	Definition
Hold	<i>Rating is suspended until SQM Research receives further information. A rating is typically put on hold for a period of two days to four weeks.</i>
Withdrawn	<i>Rating no longer applies. Significant issues have arisen since the last report date. Investors should consider avoiding or redeeming units in the fund.</i>

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

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This advice will not take into account you, or your clients, objectives, financial situation or needs and will not be provided in respect of any other financial products. Accordingly, it is up to you and your clients to consider whether specific financial products are suitable for your objectives, financial situations or needs.

Report Date: 23 March 2023

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SQM Rating ★★★★★

Superior. Suitable for inclusion on most APLs.

Fund Description	
Fund Name	Centuria Bass Credit Fund
APIR code	N/A
Asset Class	Commercial Real Estate Debt
Management and Service Providers	
Fund Manager	Centuria Bass Credit
Responsible Entity	Centuria Bass Financial Services Pty Ltd
Fund Information	
Fund Inception Date	30 October 2021
Fund Size	\$54.9 million
Return Objective	First Mortgages only, 6% to 10% per annum target, with capital stability
Internal Return Objective	As above
Risk Level (per PDS/IM)	Low to medium
Internal Risk Objective	No absolute dollar losses
Benchmark	No formal benchmark. Target 6% to 10% per annum net.
Number of stocks/positions	17 currently, will increase as Fund grows
Fund Leverage	N/A
Portfolio Turnover	Low to moderate. The average maturity is less than two years.
Investor Information	
Management Fee	0.50%
TCR (Total Cost Ratio)	0.56%
Buy Spread	0.00%
Sell Spread	0.00%
Performance Fee Rate	Nil
Minimum Application	\$100,000
Redemption Policy	Monthly
Distribution Frequency	Quarterly (A re-investment plan is available)
Investment Horizon	Medium to long term
Currency Hedging Policy	AUD denominated only

SUMMARY

Fund Summary

Description

The **Centuria Bass Credit Fund's** (CBCF) strategy is to provide Investors with solid risk-adjusted returns by investing directly or indirectly in a diversified portfolio of mid-market property credit transactions, including first mortgage debt on secured land, residential stock and construction loans, and tactical transactions of similar nature secured by property.

Investment Guidelines include limits on geographical exposure, single investment exposure and single borrower exposure. Upon maturity of Underlying Investments, the Fund is repaid capital (which is recycled), and interest is distributed to Investors on a quarterly basis (subject to availability, re-investment is available).

CBCF positions itself within the mid-market credit (specifically targeting loan sizes between \$5m-\$75m) and expects to continue to experience an increase in investment opportunities. By positioning itself as a high-quality lender targeting mid-market borrowers, CBC has been able to capitalise on an underserved segment of the market.

The Fund is structured as an open-ended unlisted, registered, managed investment scheme.

Fund Rating

The Fund has achieved the following rating:

Star Rating	Description	Definition	Investment Grading
4.00 stars	Superior	Suitable for inclusion on most APLs	High Investment Grade

SQM Research's Review & Key Observations

About the Manager

The Manager is Centuria Bass Credit Pty Ltd, which is 50% owned by Centuria Capital and 50% owned by the partners (Giles Borten, Nick Goh, Yehuda Gottlieb). Centuria Capital (ASX: CNI) is an ASX-listed specialist investment manager, and the partners founded Bass Capital in 2016, recently rebranded to Centuria Bass as part of a joint venture.

As of 31 December 2022, the ASX-listed Centuria Capital had \$21.2bn in assets under management, diversified across six real estate sectors and real estate-based credit. Centuria Capital is actively engaged with Centuria Bass and the Centuria Bass Credit Fund, aiding with capital, resources, and deal flow.



Centuria Bass has their own distribution network and also leverages the distribution team and network of Centuria Capital. This team consists of a national team of 13 members who focus on the financial planning/intermediary channels and a direct team that focuses on HNW and wholesale investors. As of 31 Dec 2022, Centuria Bass Credit has grown to \$1.1bn in FUM.

Investment Team

The Fund is managed by a highly experienced team with institutional-grade capabilities, knowledge & networks. Since the formation of the JV between Bass Credit and Centuria, the combined resources and potential deal flow have been considerable, with a wide range of senior staff involved in origination and distribution.

The team is led by Giles Borton and Nick Goh, who co-founded Bass Capital in 2016. Each has in excess of 25 and 23 years, respectively, experience in investment banking and funds management. Yehuda Gottlieb is the Fund Manager, supported by a team of 10 (full-time) experienced executives, associates and analysts working across origination and deal execution.

1. Investment Philosophy and Process

Investable Universe

The Fund invests directly or indirectly in a diversified portfolio of mid-market property credit transactions via first mortgage (senior) debt in secured land, residential, or construction loans, and tactical transactions of similar or related nature secured by property.

The portfolio is diversified via sector and may invest in construction, commercial, mixed-use, residential, land development, and office.

Strategy / Style

CBC positions itself within the mid-market property credit (specifically targeting loan sizes between \$5m-\$75m) and expects to continue to experience an increase in investment opportunities. By positioning itself as a high-quality property lender targeting mid-market borrowers, CBC has been able to capitalise on an underserved segment of the market as the larger banks withdraw from the sector.

A key focus is capital preservation. The Fund invests in 100% first mortgage deals with true senior debt characteristics with multiple exit strategies for capital return, meaning that in potential default scenarios, base cash flow or collateral will return principal and interest.

2. Performance & Risk

Return Objective

The return objective stated in the IM is: "The Fund aims to deliver a net return in the range of 6% to 10% per annum". There is no formal benchmark.

Fund Returns %: (net of fees)

Since its inception, the Fund has returned 7.24% per annum and 11.05% over its 18-month history.

31 December 2022	1 Month	3 Month	6 Month	1 Year	Inception (p.a)	Inception (total)
Centuria Bass Credit Fund	0.65%	1.99%	4.17%	7.81%	7.24%	11.05%

SQM Research notes that at this early stage, the Fund is performing within the targeted range of 6% to 10% (net)

SQM Research also notes a significant proportion of new loans being written are being done on a floating rate basis (with appropriate floor prices in cases) which the Manager expects will improve fund performance.

Length of Track Record

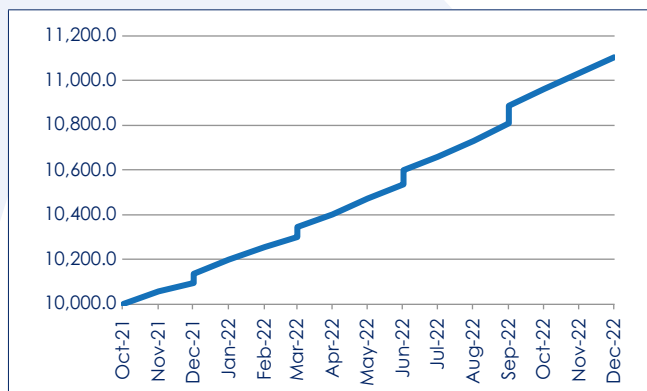
The Centuria Bass Credit Fund has a relatively short history of 1.5 years (18 months). Observations and analysis of returns will have little statistical meaning. SQM Research notes that returns, volatility, and other risk measures can be "noisy" and less reliable when quantified using a small sample size of observations.

Risk Objective

The Fund's PDS states that the risk level of the Fund is "low to moderate".

As a senior secured debt Fund, SQM Research considers the description of risk levels to be appropriate.

Growth of \$10,000 since inception



Strengths of the Fund

- Since the JV between Bass Capital and Centuria, the Fund has considerable resources at its disposal, such that the potential deal flow available is expected to be strong. There is also a significant distribution capability in-house.
- The Fund lends to a diversified mix of property exposures, viz; construction, commercial, mixed-use, land developments, rural and retail. Diversification over geography is wide.
- The Fund is transparent in terms of the borrower, asset type, LVR and other attributes of each facility in the portfolio.
- The Fund is entirely senior secured debt, with an average LVR of 64%. SQM notes there is limited exposure currently to high density residential-only construction.
- While the Fund itself is relatively new, the CBC team has an established track record in property-related credit, delivering an IRR in excess of 10% to investors over a significant period of time.
- The partners and directors of Bass Capital invest alongside Investors via the Fund and/or alongside the Fund

Weaknesses of the Fund

- As a diversified Fund, risks are mitigated to a fair degree. Nonetheless, adverse events related to borrower quality and loan serviceability may affect particular loans within the portfolio. (Please note the Investment Memorandum highlights the usual series of risks that may apply to a Fund of this type and asset class.)

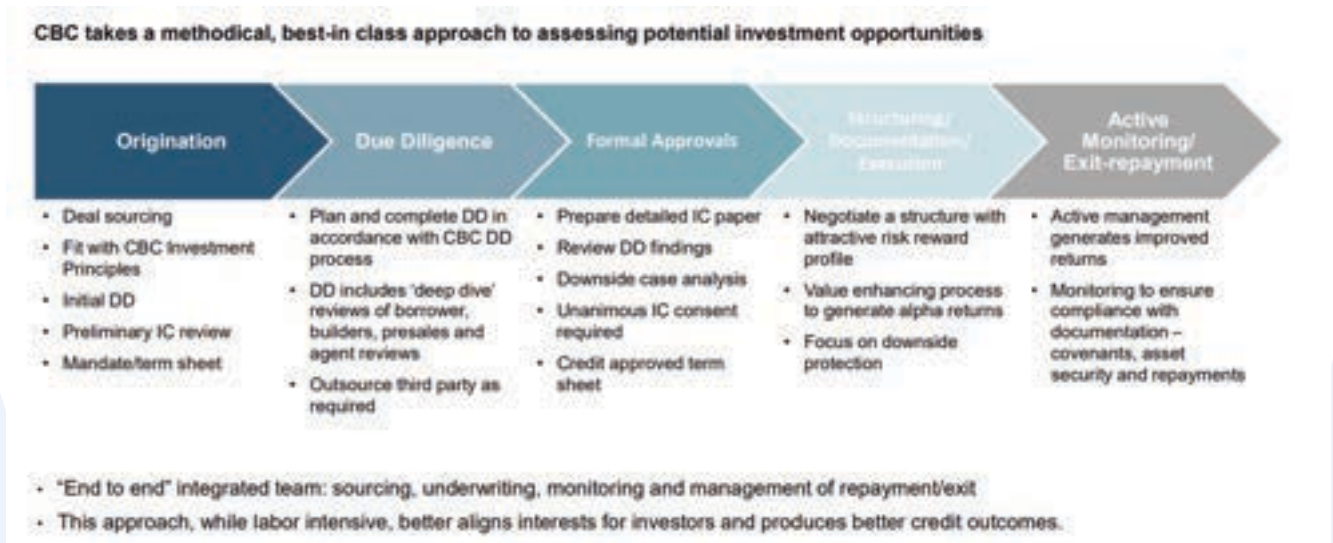
Other Considerations

- In March 2023, SQM Research reviewed the Bass Property Credit Fund (BPCF), a related Fund managed by the same team along similar processes, the difference being the Centuria Bass Credit Fund subject to this review does not provide second mortgage (mezzanine) loans. As such, the Fund under review is a slightly lower risk / return proposition than the BPCF.

Key Changes since the Last Review

- This report is an inaugural review.

Investment Process Diagram



Process Description

Investment Process

Research and Portfolio Construction Process

Investment Strategy

The Fund's strategy is to provide Investors with solid risk-adjusted returns by investing directly or indirectly in a diversified portfolio of mid-market property credit transactions, including:

- First mortgage debt – secured land, residential stock and/or construction loans; and
- Tactical transactions of similar or related nature secured by property.

The Fund may also invest in cash, money market investments, or in managed funds. Investment Guidelines include limits on geographical exposure, single investment exposure and single borrower exposure. Upon maturity of Underlying Investments, the Fund is repaid capital (which is recycled), and interest is distributed to Investors on a quarterly basis (subject to availability, re-investment is available).

CBC positions itself within the mid-market credit (specifically targeting loan sizes between \$5m-\$75m) and expects to continue to experience an increase in investment opportunities. By positioning itself as a high-quality lender targeting mid-market borrowers, CBC has been able to capitalise on an underserved segment of the market as the larger banks and institutions withdraw from the space.

Investment Features

Outsized investor returns – Historically have delivered an IRR of 10.6% (as of 30 September 2022) to investors since inception as Bass Capital (pre-merger with Centuria), providing an income stream with regular, reliable returns.

Capital preservation – invests in 100% first mortgage deals with true senior debt characteristics with multiple exit strategies for capital return, meaning that in potential default scenarios, base cash flow or collateral will return principal and interest.

Investment Process

Research and Portfolio Construction Process

...continued

Structural integrity – structuring deals to ensure maximum seniority in security enforcement through first-ranking security, multiple lender enforcement strategies and multiple refinancing strategies.

Deep due diligence – rigorous review, analysis and negotiation of loan documentation with lending only to good businesses and projects as opposed to 'approved sectors'.

Tactical and diversified – tactical sector analysis with investments diversified by geography, term, sector, and borrower.

Idea Generation

Typically, transactions will be sourced through the Centuria Bass Credit origination network in its selection of investments, based on investment guidelines which include limits on geographical exposure, single investment exposure and single borrower exposure, to manage the Fund's underlying credit transaction risk.

Loans are sourced from a wide origination network, including:

- Referrals (via business contacts, previous borrowers, personal network etc.)
- Financial brokers (CBC has a strong relationship with key brokers country-wide)
- Inbound leads (generated through marketing activities)
- Builders
- Developers
- Corporate Advisers

Targeted Sectors

The main property sectors in which commercial borrowers seek financing are residential (namely multiple dwellings), office, retail, industrial, healthcare, hotels and other specialised property assets. Within these sectors, there is no preference to fund any sector in particular as long as the credit is suitable for the current tactical settings of the business (CBC tactical views and analysis) and fits with portfolio guidelines.

Traditionally, the track record of the Bass Credit business has been focused on the residential sub-sector predominantly. However, since forming the JV with Centuria, CBC has been able to leverage Centuria's expertise, scale and network to develop a market-leading capability in assessing office, retail, industrial and healthcare opportunities which have now formed an increasing component of the overall portfolio.

Investment Process Summary

The investment process focuses on the preservation of capital and achieving superior risk-adjusted returns. The Deal Team adopts a rigorous approach to reviewing prospective transactions, performing a 'deep dive' analysis on credit through detailed interviews with key members of the guarantor group, third-party specialists, and other independent data sources.

The prospective transaction is then presented to the Investment Committee as part of the review process. The Investment Committee is responsible for critically evaluating the credit and adopting a conservative, downside-review approach to each opportunity and is comprised of experienced credit investors.

Investment Process

Research and Portfolio Construction Process

...continued

Unanimous approval is required from the Investment Committee before a potential transaction proceeds to the structuring and loan executing phase. Following financial close, the transaction is actively managed by the Deal Team throughout the loan life cycle to ensure ongoing compliance with covenants and other financial conditions.

The Manager adopts an 'end to end' approach to managing transactions, with members of the Deal Team responsible for each stage in the lifecycle of each loan. Each loan within the portfolio undergoes a fortnightly loan portfolio review led by CBC's Head of Loan Management and includes key stakeholders across the team, including the Deal Team, Portfolio Managers and Partners.

Research

CBC research tracks current themes across markets, trends, macroeconomics, industry and regions via both primary and secondary research, viz:

Primary – includes open-ended discussions and interviews with industry experts both internally (CBC and Centuria) and externally (borrowers, brokers, agents, quantity surveyors, valuation professionals, legal advisors, town planners, expert 3rd parties, competitors and investors). Any relevant information is communicated directly to the management team or wider team via email or at regular meetings (WIP meetings, loan review meetings, marketing meetings) or specific deal progress/management meetings.

Secondary- the team regularly has access to secondary data sources, both publicly available (ABS) and commercial sources (CoreLogic), which are researched for major trends and macroeconomic data as well as on a deal-by-deal basis both at inception and during the loan-management process. This encompasses both macroeconomic, industry and regional data as well as wider trends, which are analysed to support investment and management decisions. In addition, each loan is supported by third-party documentation (valuation reports, QS reports), which provide further information to be used as validation for CBC's own research methodology.

Typical metrics utilised for loan applications include (but are not limited to) the following:

- Loan to value ratio
- Loan to Cost ratio
- Transaction return (IRR)
- Interest Rate Coverage (where relevant)
- Presale coverage ratio (where relevant)
- Valuation Analysis (i.e. \$/m², \$/ha)
- Residual LVR
- Return on Cost (i.e. based on project feasibility)

Other guidelines used and assessed include the following -

- Sensitivity analysis (i.e. applying % cost increases and time delays to the project)
- Presale settlement downside analysis

Investment Process

Research
and Portfolio
Construction
Process*...continued***Portfolio Construction**

The Fund is comprised of a diversified portfolio of mid-market property credit transactions and other loans with property security. The Fund is conservative in nature, investing in 100% first mortgage (senior) loans, with the following portfolio guidelines;

- A maximum of 15% of NAV will be allocated to any one investment;
- 100% of the Fund's investments will be secured by first mortgage over property;
- A maximum of 20% of the NAV will be allocated to any one borrower; and
- A maximum of 65% of the NAV will be allocated to any one geography.

Further diversification will be targeted via the construction of a portfolio with a mix of projects to limit exposure to any one particular project and/or single borrower. In practice, the Investment Manager has constructed the Fund's portfolio incorporating a range of property credit transactions, always being mindful of the Investment Guidelines to ensure optimal diversification. For example, a sample fund portfolio may consist of a mix of construction (50%), residual stock (20%), bridging finance (20%) and tactical (10%) transactions.

Portfolio guidelines are assessed during each investment committee meeting prior to being approved by the Fund Manager accepting any transaction into the Fund. These Guidelines are recommendations only, and any variation that may arise is discussed by the IC and is able to be approved by the Trustee acting in the best interests of the unitholders.

Risk Management

CBC assesses and monitors credit risk within a framework that includes fundamental guidelines that dictate behaviour when dealing with borrowers and managing the CBC credit risk portfolio. Given that credit policies can never capture all aspects and complexities of the business, the following guidelines are fundamental principles for all staff in CBC when assessing and making lending decisions.

CBC Credit Guidelines:

- Assess the borrower's character for integrity
- Only lend when the facility is suitable for the borrower and they have the capacity and willingness to repay
- Ensure that CBC can sufficiently understand and manage the risk
- Plan for the possibility of default (and ensure multiple exit opportunities in this case)
- Behave ethically in all transactions
- Be proactive in identifying, managing, and communicating credit risk
- Be diligent in ensuring that credit exposures and activities comply with CBC requirements
- Optimise risk and reward
- Build and maintain a diversified portfolio

Investment Process

Research and Portfolio Construction Process

...continued

CBC has a set of defined guidelines to ensure a consistent assessment and approval of all lending activities. These include a detailed 'due diligence checklist', which requires completion and sign-off from the deal team prior to any credit assessment or approval. In order to approve a transaction, the deal team must prepare a standardised credit paper with defined sections in order to ensure consistency and completeness across various lending opportunities.

In addition, specific activities embedded in the loan approval and ongoing monitoring of loans include protocols to manage the following risks;

Asset Risk	Borrower Risk	Servicing Risk	Exit Risk
- Geographic location	- Reputation	- Gearing	- Ability to refinance
- Capex	- Industry experience	- Presales	- Market depth
- Site Remediation	- Previous projects	- Income from alternate sources	- Amortisation from other sources
- Planning	- Gearing	- Lease terms	- Collateral security
- Market supply & demand	- Other lenders commitments		- Competition
- Comparable sales	- Key staff		- Supply
- Local planning	- Networks and subcontractors		
- Legislation			

Default Management

CBC adopts a proactive and considered approach to managing loan defaults. The foundations of CBC's Default Management Strategy include:

- Capital Preservation – Full recovery of invested principal is essential and underpins every step of the default management process. CBC will take immediate action where necessary to safeguard the recovery of the principal, with a secondary focus on interest recovery.
- Risk Mitigation – A detailed risk and mitigation assessment is undertaken by the Deal Team to identify, comprehend and manage risk associated with defaulting loans. This process may include third-party expertise such as legal advisors, insolvency practitioners and/or valuation experts as required.
- Dynamic Intervention – An iterative, case-by-case approach is used to ensure the most appropriate response to the breach is being taken at the correct time.

The Fund Manager is involved in all steps of the default management process. CBC runs a loan portfolio review meeting every fortnight, which is led by the Deal Management team and includes the Deal Team, Fund Manager and co-CEOs (who are each voting members of the Investment Committee). Any deal that is approaching (or has entered into) a default scenario will gain additional attention with a strategy put forward to address any issues across the loan book.

Should a deal require restructuring to avoid enforcement, this will be brought back to the Investment Committee for assessment and approval.

Investment Process

Research
and Portfolio
Construction
Process*...continued***Portfolio Characteristics****Portfolio Biases/Preferences**

Senior Debt (First mortgage) only. Mix of property-related assets, including commercial, retail, agricultural, and land developments. The portfolio is diversified in terms of particular sectors and geography.

Portfolio Turnover

Turnover is expected to be moderate in the context of the preferred duration of loan facilities in the 1 to 3-year range. Currently, the portfolio holds an average maturity of less than two years.

Liquidity Management

A liquidity committee meets once a week to discuss the liquidity position. The committee comprises the partners and the heads of each department (i.e. Distribution, Loan Management and Operations & Finance).

Each Fund, CBCF and BPCF (a fund which can invest in both first and second mortgages which is subject to a separate report), is reviewed separately and together as a whole.

The committee reviews forecasts for the liquidity position for the next two months, analysing committed outflows and discretionary outflows against the expected inflows. The committee will then make decisions on whether discretionary outflow items should go ahead or be postponed. The committee will all discuss the opportunities of raising additional cash to meet liquidity needs.

The committee also reviews a long-term forecast on deal repayments. Periods with low levels of deal run-off will be noted as areas where additional capital may need to be raised to meet new deal settlement in the period. Periods with high levels of deal run-off will be managed to make sure the deal pipeline is in place to prevent excess cash sitting in funds and to scale back new applications to the Fund.

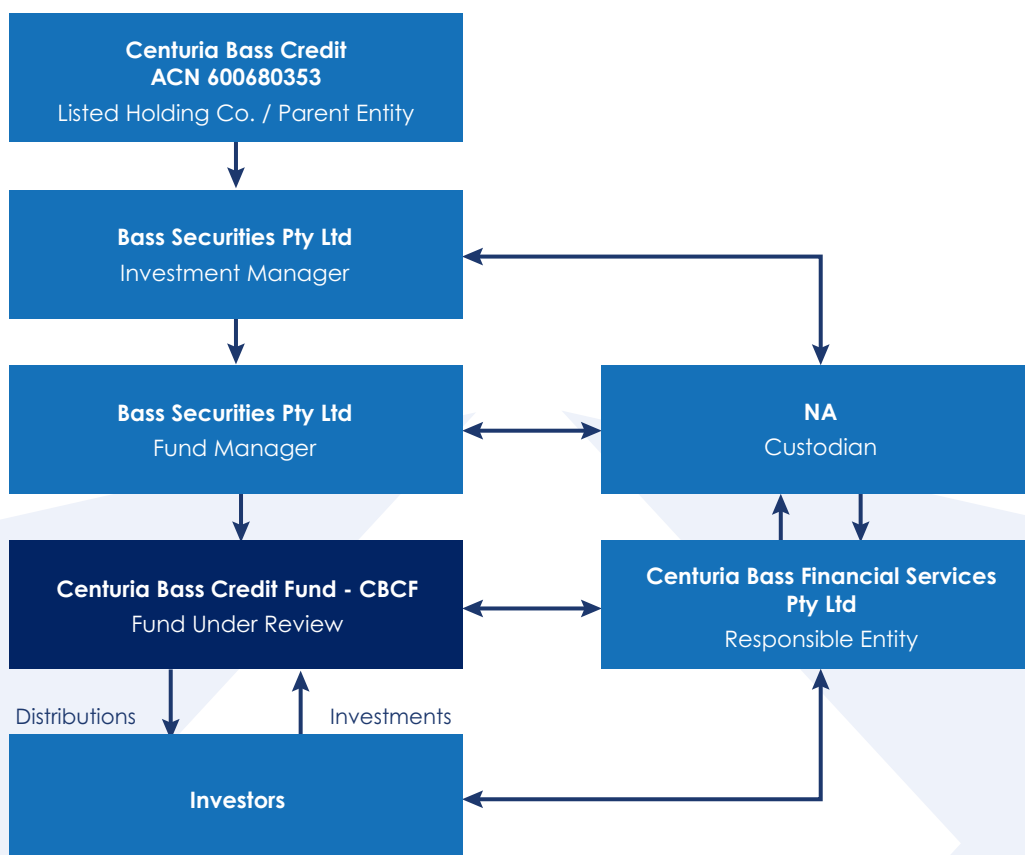
In managing liquidity, the following levers are available to be used (pending circumstances necessary):

- Cash
- Centuria Revolver Facility
- Loan and Portfolio Maturity
- CBC Portfolio (sell down assets)
- Other funds and Additional Fund Classes
- Exit Strategies / Refinances

Leverage

This Fund does not employ direct leverage (through borrowing by the Fund) **or** economic leverage (through the use of derivatives) other than a working capital facility which is provided by Centuria on an as-needs basis to meet short term liquidity needs.

Key Counterparties



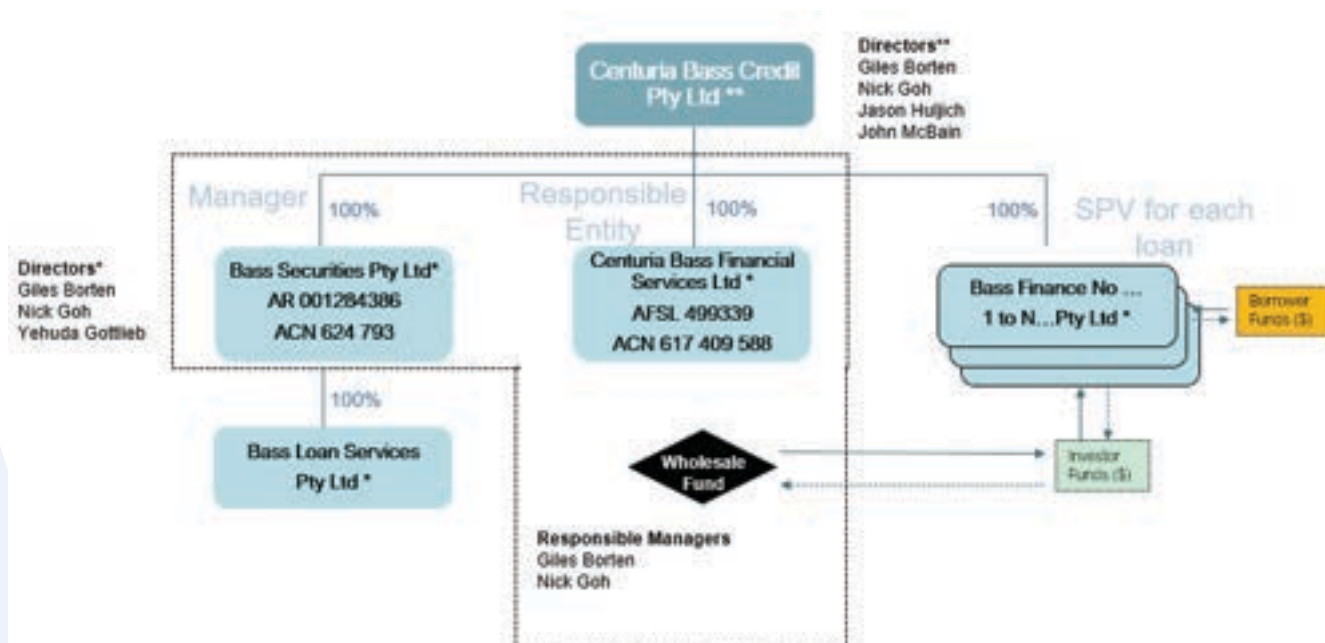
Parent Company

The parent entity is Centuria Bass Credit Pty Ltd which is 50% owned by Centuria Capital and 50% owned by the partners (Giles Borten, Nick Goh, Yehuda Gottlieb). Centuria Capital (ASX: CNI) is an ASX-listed specialist investment manager, and the partners are the founders of Bass Capital, recently rebranded to Centuria Bass.

As of 31 December 2022, the ASX-listed Centuria Capital had \$21.2bn in assets under management, diversified across six real estate sectors and real estate credit, an available balance sheet of \$248m, and with net profit before tax of \$68.5m for the half year. Centuria Capital is actively engaged with Centuria Bass and the Centuria Bass Credit Fund, aiding with capital, resources, and opportunities.

Centuria Bass has their own distribution network and also leverages the distribution team and network of Centuria Capital. This team consists of a national team of 13 who focus on the financial planning/intermediary channels and a direct team who focuses on UHNW/HNW wholesale investors.

As of 31 December 2022, Centuria Bass Credit has grown to over \$1.1bn in Funds Under Management (up from \$0.3bn in FY21).



Investment Manager

The investment manager is Bass Securities Pty Ltd ACN 624 793 102, which is 100% owned by Centuria Bass Credit. All employees are employed by the investment manager, which provides its services by way of a management agreement.

Governance

Responsible Entity and Custodian

The Responsible Entity is Centuria Bass Financial Services Ltd ACN 617409588, which is 100% owned by Centuria Bass Credit and holds the AFSL 499339. The RE is also the Custodian.

The Board of Directors of the Responsible Entity (Centuria Bass Financial Services Ltd) consists of **3** directors, **none** of whom are independent. SQM Research prefers the inclusion of independent members on the Board of Directors—it is a meaningful way to enhance governance and oversight. Board members have an average of **25.3** years of industry experience.

The Responsible Entity's **Compliance Committee** is composed of **2** members, **none** of whom are independent. The Chair is **not** independent. SQM Research views independence in a RE oversight body such as the Compliance Committee as a strong and favourable factor in Fund governance. Compliance Committee members have an average of **25.0** years of industry experience.

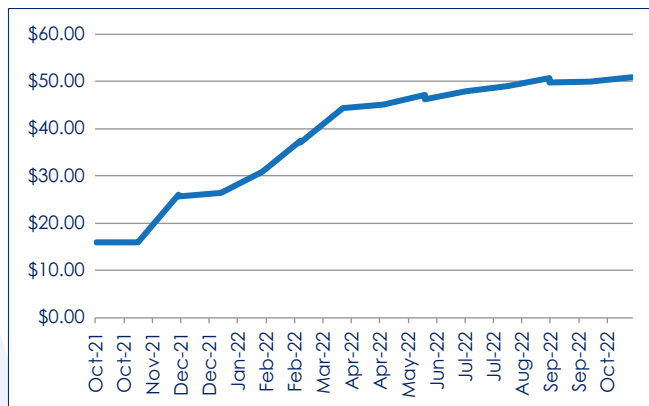
Management Risk

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

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

Funds under Management (FUM)

FUM for Fund under Review (\$mill)



Distributions

The Fund distributes accounting profits and aims to distribute close to 100% of accrued income as possible on a quarterly basis. Distributions are made from income in the Fund and paid for by cash in the Fund.

Distribution amounts are ultimately decided on by the Manager at their discretion. (i.e. the Manager may hold back some accrued income based on the underlying performance of the investments).

Investors may:

- Elect to have their distributions reinvested in accordance with the Trust Deed.
- Instruct the Trustee to direct credit their distribution to their pre-nominated bank or financial institution in Australia.

Distribution Date	Distribution CPU
1 February 22	0.0106
29 April 22	0.0135
23 July 22	0.0179
21 October 22	0.0181

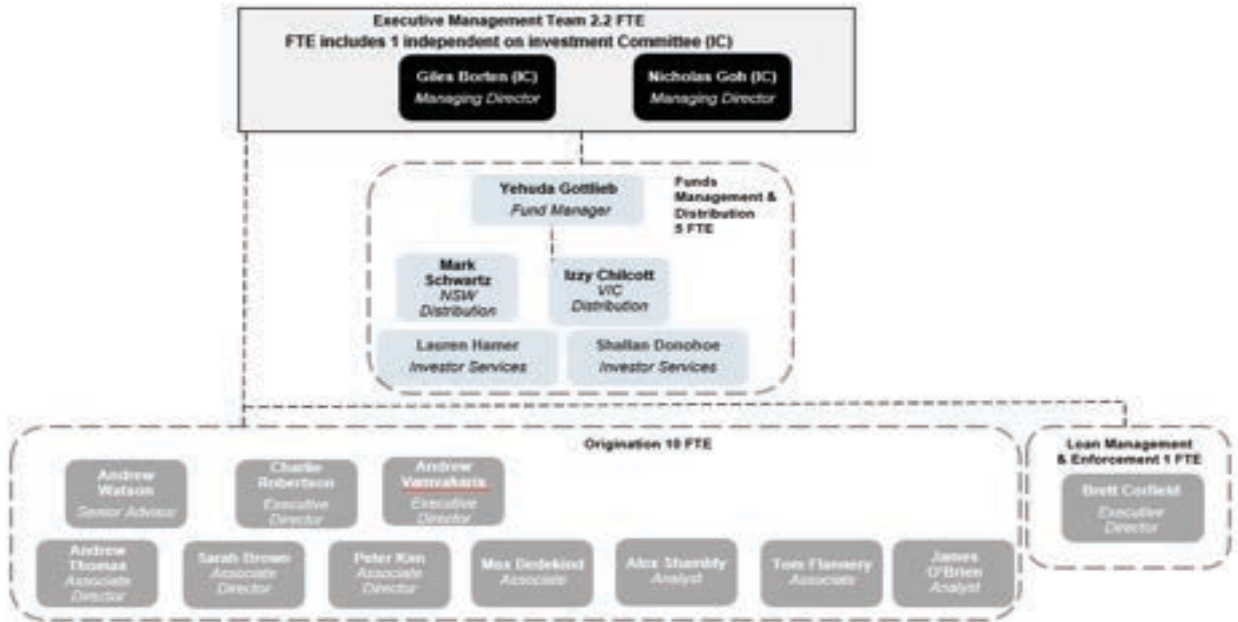
Investment Team and Key Staff (CIO & investment executives, portfolio managers, analysts, quant researchers)				
Name	Responsibility / Position	Location	Years at Firm	Years in Industry
Giles Borten	Joint MD, IC Member	Sydney	6.0	30.0
Nick Goh	Joint MD, IC Member	Sydney	6.0	30.0
Yehuda Gottlieb	Portfolio Manager	Melbourne	2.8	20.0
Brett Corfield	Executive Director, Loan Management	Sydney	1.5	25.0
Simon Holt	IC Member	Sydney	7.0	25.0
Marshall Denning	IC Member	Sydney	1.8	18.0
Charlie Robertson	Executive Director, Origination	Sydney	2.0	25.0
Simon Blakers	CFO	Sydney	1.0	25.0

Investment Team

The Fund is managed by a highly experienced team with institutional-grade capabilities, knowledge & networks. Since the formation of the JV between Bass Credit and Centuria, the combined resources and potential deal flow have been considerable, with a wide range of senior staff involved in origination and distribution.

The team is led by Giles Borten and Nick Goh, who co-founded Bass Capital in 2016. Each has in excess of 25 and 23 years, respectively, experience in investment banking and funds management. Yehuda Gottlieb is the Fund Manager, supported by a team of 10 (full-time) experienced executives, associates and analysts working across origination and deal execution.

The graphic below outlines the investment team structure.



Meeting Schedule

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

Centuria Bass Credit Fund	Investment / Risk Meetings - Schedule		SQM Research
Meeting	Agenda	Frequency	Participants
Investment Committee Meetings	Assess new transactions, seek approval for transactions to proceed and/or seek approval for entry into the Fund	Weekly (or on a needs basis)	2x CEOs, 2x Centuria IC Members, Fund Manager, and representatives from origination and distribution
Pricing & Terms Committee	Discuss new opportunities, market news and pricing and terms of deals in the pipeline	Weekly	co-CEOs, distribution, and origination teams
CBC Weekly Teams Meeting	Weekly meeting to discuss WIP and assign responsibilities to upcoming tasks	Weekly	Entire Team
Loan Management Committee	Deep dive into each deal to ensure lending terms are complied with, review and discuss risks, portfolio, and performance	Fortnightly	Head of Loan Management, co-CEOs, Fund Manager, Origination, Deal team
Liquidity Committee	Discusses liquidity position and committed inflows/outflows, long-term forecasts, and opportunities	Weekly	2x CEOs, 1 Fund Manager, Origination Exec Director, COO, FP&A AD, Head of Loan Management)
Enforcement Committee	· Discuss deals in default and undergoing enforcement with the purpose of addressing strategy, tactics and processes with the aim of enforcing and recovering funds.	Fortnightly (or ad hoc if required more regularly)	CEOs, Head of Loan Management, Head of Enforcement
Fund Pricing Committee	Discusses portfolio construction and performance of the Fund, signs of pricing of the Fund	Monthly	co-CEOs, Fund Manager and Finance teams

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

Staffing Changes

There have been no material staff departures since the inception of the Fund.

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

Remuneration and Incentives

Base salaries are based on market benchmarking, salary banding and performance reviews. KPIs are set annually, along with an annual performance review and promotional cycle. KPIs are reviewed and monitored monthly.

All staff are eligible for performance bonuses which are discretionary in nature according to the achievement of company, team and individual KPIs. Outcomes range from 0% to 100% of the target bonus pending those performance outcomes. Vesting periods range from 6 to 12 + months for discretionary bonuses pending seniority. Partner equity is the chief alignment and retention mechanism.

The business is 50% owned by the partners of the firm and 50% by Centuria Capital. Other investment team members are remunerated via salary and an annual performance bonus which is discretionary and dependent on the business and team members' performance, amongst other factors.

KPIs are set for each of the team members to ensure alignment with key stakeholders being served, such as borrower (origination) and investor (distribution) focussed KPIs. All employees have compliance, training, and development KPIs which are part of the annual performance review.

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

Fees and Costs	Fund	Peer Avg
Management Fee (% p.a.)	0.50%	0.81%
Expense Recovery / Other Costs (% p.a.)	–	0.05%
Performance Fee (%)	–	3.24%
Total Cost Ratio TCR (% p.a.)	0.56%	N/A
Buy Spread (%)*	0.00%	0.05%
Sell Spread (%)*	0.00%	0.05%

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

Management Fee

The management fee excludes GST and is net of any applicable Reduced Input Tax Credits (RITC). There is no buy /sell spread, but the Manager has the discretion to charge same in certain circumstances largely related to liquidity.

Other Fees

Transfer fee. At the Trustee's discretion, up to a maximum of 1% plus GST of the Net Asset Value of the Units being transferred.

Withdrawal fee. At the Trustee's discretion, up to a maximum of 1% plus GST of the Net Asset Value of the Units being withdrawn.

Performance Fee

The Fund does not charge a performance fee.

SQM Research notes only 3 from 9 Funds in the direct peer group charge a performance fee (ranging from 4% to 10%)

SQM Research observes that:

- ***The Fund management fee is 0.50% p.a., which is 31 basis points lower than the peer group average of 0.81% p.a.***

Quantitative Insight

Returns (net)

31 December 2022	1 Month	3 Month	6 Month	1 Year	Inception (p.a)	Inception (total)
Centuria Bass Credit Fund	0.65%	1.99%	4.17%	7.81%	7.24%	11.05%

The Fund under review has an inception date of 30 October 2021.

Historically, the CBC team has a proven track record with 94 investments made at an average LVR of 61.3% with no non-accrual loans. The historical IRR to investors of 10.6% since inception, with 92% of transactions with first mortgage exposure.

Excess Returns (Alpha) -Insufficient Data

Risk- Insufficient Data

Drawdowns -None to date since inception of the Fund

Upside/Downside Capture -N/A

Risk-Adjusted Returns -N/A

Correlation of Fund to Asset Classes -Insufficient Data

Correlation Key -Insufficient Data

Tail Risk -Insufficient Data

Tail Risk Observations –Insufficient Data

Snail Trail Insufficient Data

Annual Returns Insufficient Data

Return and Risk

Rolling Returns No chart – insufficient data

Rolling Excess Returns No chart – insufficient data

Rolling Correlation No chart – insufficient data

Cumulative Excess Returns No chart – insufficient data

Rolling volatility No chart – insufficient data

Rolling Sharpe Ratio No chart – insufficient data

Drawdowns No chart – insufficient data

The table below outlines limits on the Fund's asset allocation and other risk parameters:

The strategy has no particular bias toward any one sector. There are no specific limits, but the Portfolio Construction process ensures diversification across property types and geography.

Fund Constraints and Risk Limits	Permitted Range or Limit
Property Type	
Residential	No specific limit
Commercial	No specific limit
Industrial	No specific limit
Retail	No specific limit
Construction / Development	No specific limit
Rural	No specific limit
Vacant Land	No specific limit
Cash	No specific limit
Interest bearing securities	No specific limit

Key Portfolio Information	
Centuria Bass Credit Fund - CBCF	01-Dec-22
Key Metrics	Fund
Market Value (\$m)	\$51.6m
No. Positions/Loans	22
Avg Borrower Rate	9.41%
Weighted Average LVR	63.4%

Interest Type	Weight
Fixed	85.5%
Variable	14.5%

Sector Profile	Weight
Residential - Investment	0.00%
Residential - Owner Occupied	0.00%
Construction	16.67%
Commercial	35.89%
Industrial	0.00%
Vacant Land	36.92%
Rural	4.99%
Office	0.00%
Retail	5.54%
Cash	0.00%

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

Geography Profile	Weight
NSW	62.25%
QLD	20.18%
VIC	10.99%
WA	2.79%
SA	1.66%
NT	0.00%
TAS	2.13%
ACT	0.00%
Other	0.00%

LVR	Weight
0-20	0.00%
20-40	0.00%
40-60	21.82%
60-80	70.67%
80-100	0.00%

Loan Type	Weight
First Mortgage	100.00%
Second Mortgage	0.00%
Other	0.00%

Borrower Credit Strength	Weight
Strong	88.48%
Acceptable	11.52%
Performing	0.00%
Prime	0.00%
In Arrears	0.00%
Non-Performing	0.00%
Other	0.00%

Top 5 Loans by Weight (% of Fund)	
Name	Weight
Secure Zone Pty Ltd	11.20%
WST & Co Holdings No.1 Pty Ltd	9.36%
Habitat Mt Kynoch Pty Ltd	8.28%
Kingdom Developments 12 Pty Ltd	7.92%
GP Super Clinic Liverpool Pty Ltd	7.84%

Loan Purpose	Weight
Bridging facility	60.78%
Equity for development	25.34%
Equity for investment	0.00%
Equity for renovations	0.00%
Equity release	0.00%
Owner Occupied	0.00%
Refinance	13.88%

Key Investment Staff (as supplied)

Nick Goh: Managing Director

Role: Group Strategy, Credit, Risk, CBC Portfolio, Investment Committee

Original co-founder of Bass Capital in 2016 following a 23-year career in investment banking and funds management. Previously Managing Director with leading boutique investment bank Gresham Partners and Wingate Group, establishing and heading the divisions delivering mid-market investment, high-yield lending, and placement. Prior to that held leadership roles with Allco Finance and Transfield Holdings and positions with PwC and NAB.

- B Ec (Com) Adelaide University
- Master of Finance (Macquarie)
- Qualified as a member ACA

Giles Borten: Managing Director

Role: Group Strategy, Credit, Risk, CBC Portfolio, Investment Committee

Original co-founder of Bass Capital in 2016 after a career spanning 25 years in global investment banking and funds management. Held senior management positions at UBS Investment Bank as Head of Leveraged Finance for Europe and Asia Pacific and Head of Corporate Debt Capital Markets and Debt Advisory/Restructuring Europe. Previously worked at J.P. Morgan, Hong Kong and Sydney, ANZ Investment Bank and Ferrier Hodgson.

- Bachelor of Economics, University of Adelaide
- Qualified as a member ACA

Yehuda Gottlieb : Partner

Role: Group Strategy, Credit, Risk, CBC Portfolio, Fund Portfolio Construction, Investment Committee

Joined Bass Capital as Partner in August 2020, with more than 15 years of experience in the financial services industry, in various roles across strategy consulting, investment banking, structured finance and funds management. Prior to Centuria Bass Credit, served as General Manager, Investments for Spotlight Group, with sole responsibility for over \$500m of FUM. Previously worked at leading boutique investment banks, including Wingate Group.

- Bachelor of Commerce & Business Systems, Monash University
- MBA, Melbourne Business School

Charlie Robertson: Executive Director

Role: Head Credit Analyst, Market and Sector Risk

Charlie joined Bass Capital in May 2021 as Executive Director, responsible for deal origination. He has more than 20 years of experience in origination, property development, investment, and funds management. Prior to joining Bass, Charlie was Executive Director at Gresham Partners, responsible for originating and managing both senior stretch loans and syndicated property investments. Before Gresham, he held senior roles at Toga and Multiplex.

- Bachelor of Architecture, University of Western Sydney
- Bachelor of Law, Bond University

Simon Holt: Chief Financial Officer

Role: Investment Committee, Chief Financial Officer

Simon has been at the helm of Centuria's corporate finance, treasury, and listed securitisation since 2016.

He has been pivotal to the Group's expansion across Australia, New Zealand and The Philippines, responsible for several ASX listings across equity and debt markets as well as delisting entities following corporate acquisitions.

Together with Centuria's Joint CEOs, Simon facilitated the company's evolution, delivering year-on-year growth across distributions per security, operating profit after tax, cash and undrawn debt while expanding capital sources through joint venture partnerships, corporate notes and securing a diversified group of lenders.

Simon has more than 25 years of experience across local and global financial markets. Previously, he was WorleyParsons' Chief Financial Officer and held a range of senior financial positions at Westfield Group and Westfield Trust.

- Bachelor of Business degree (Accounting and Marketing majors) from the University of Technology, Sydney (UTS)
- Chartered Accountant
- Member of the Australian Institute of Company Directors
- licenced Class 1 Agent for Real Estate Sales, Leasing and Auctions

Marshall Denning: Group Treasurer

Role: Group Treasurer Centuria Capital Group, Investment Committee Centuria Bass,

Marshall Denning has an extensive career in banking and finance with more than 18 years of experience in property, equity, and debt capital markets. His institutional experience extends to roles with MLC and National Australia Bank. Marshall also served as Assistant Treasurer for the real estate group, Dexus, where he managed the debt supporting a \$ 16.5 billion property portfolio. Marshall became Centuria's Group Treasurer in 2021 and sits on the investment committees for both Centuria Capital Group and Centuria Bass Credit.

- Grad Diploma of Chartered Accounting, Accounting
- Bachelor of Accounting & Finance University of Technology, Sydney (UTS)

Drawdown

A drawdown tracks the path of the Fund's accumulated NAV (with dividends reinvested). It is measured over the period of a peak-to-trough decline and the subsequent recovery back to that previous peak level. The total return over that entire period is, of course, zero. The metric of interest, the drawdown itself, is quoted as the percentage change between the peak and the trough over that period. Funds typically have multiple drawdowns of varying size and length over their lifetime. The table above shows how many drawdowns have occurred and their average peak-to-trough size.

Alpha

SQM defines **Alpha** as the excess return compared to the Benchmark and is calculated as

$$\text{Alpha} = \text{Fund Return} - \text{Benchmark Return}$$

A General Note on Distributions for Managed Funds

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

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

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

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

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

Total Cost Ratio (TCR)

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

Superannuation funds: The TCR for Superannuation and Pension funds is an addition of the Investment Management Fees and Costs (including admin fees), Performance Fee Costs, Administration Fees and Costs, the impact of dollar-based fees and a deduction of Super OTC Derivative Costs.

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