## ASX Announcement

**Qualitas Limited (ASX: QAL)**

**19 October 2023**

# Qualitas 2023 Investor Day Presentation

Qualitas Limited (ASX: QAL) (**Qualitas** or **Company**) is today holding its Investor Day in Sydney, Australia and via webcast.

Enclosed are the presentation materials.

The webcast will be available to join online from 1:30pm AEDT, please register using the following link: https://eur.cvent.me/m8mw1. It is recommended that you log in for the webcast 10 to 15 minutes prior to the start time.

Authorised for release by the Board of the Company.

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**About Qualitas**

Qualitas Limited ACN 655 057 588 (**Qualitas**) is an ASX-listed Australian alternative real estate investment manager with approximately A$8.0 billion[1] of committed funds under management.

Qualitas matches global capital with access to attractive risk adjusted investments in real estate private credit and real estate private equity through a range of investment solutions for institutional, wholesale and retail clients. Qualitas offers flexible capital solutions for its partners, creating long-term value for shareholders, and the communities in which it operates.

For 15 years Qualitas has been investing through market cycles to finance assets with a combined value of over A$21 billion[2] across all real estate sectors. Qualitas focuses on real estate private credit, opportunistic real estate private equity, income producing commercial real estate and build-to-rent residential. The broad platform, complementary debt and equity investing skillset, deep industry knowledge, long-term partnerships, and diverse and inclusive team of more than 80 professionals provides a unique offering in the market to accelerate business growth and drive performance for shareholders.

**Disclaimer**

This announcement contains general information only and does not take into account your investment objectives, financial situation or needs. Qualitas is not licensed to provide financial product advice in relation to Qualitas shares or any other financial products. This announcement does not constitute financial, tax or legal advice, nor is it an offer, invitation or recommendation to apply for or acquire a share in Qualitas or any other financial product. Before making an investment decision, readers should consider whether Qualitas is appropriate given your objectives, financial situation and needs. If you require advice that takes into account your personal circumstances, you should consult a licensed or authorised financial adviser. Past performance is not a reliable indicator of future performance.

[1] FUM metrics as at 31 August 2023 and adjusted for additional A$530 million activated commitment in QPICF.
[2] As at 30 June 2023.

# Qualitas (ASX:QAL)

# Investor Day Presentation

19 October 2023

QUALITAS

# Acknowledgement of Country

Qualitas acknowledges the Traditional Custodians of country throughout Australia and their ongoing connection to land, sea, and community. We pay our respect to their Elders past and present.

**JOURNEY OF GROWTH**
**BY ALYSHA MENZEL**

# Agenda

QUALITAS

**1:00 PM**
Registration and Lunch

**1:30 PM**
Welcome Remarks

Kathleen Yeung – Global Head of Corporate Development

**1:35 PM**
Qualitas – Built for Growth

Andrew Schwartz – Group Managing Director and Co-Founder

**1:50 PM**
Agile Through-the-Cycle Platform

Mark Fischer – Global Head of Real Estate and Co-Founder

**2:05 PM**
Ask the Co-Founders Q&A

Andrew Schwartz – Group Managing Director and Co-Founder

Mark Fischer – Global Head of Real Estate and Co-Founder

**2:25 PM**
Integrating ESG into Alternatives

Fiona Reynolds – Chair of Qualitas ESG Advisory Group

Dr Ian Woods – Independent Member of Qualitas ESG Advisory Group

Brian Delaney – Member of Qualitas ESG Advisory Group and Qualitas Board Director

*Moderated by* Jason Rackley – Head of ESG at Qualitas

**2:55 PM**
A Dominant Player in Build-to-Rent

Mark Fischer – Global Head of Real Estate and Co-Founder

Ashleigh Macdonald – Operations Manager, GQ BTR Victoria

**3:40 PM**
Break

**3:55 PM**
The Evolution and Opportunity in Private Credit

Mark Power – Head of Income Credit

**4:20 PM**
Case Study: Private Credit Loan

Samantha Khalid – Head of Execution, Credit Investments

**4:35 PM**
Case Study: Construction Loan

Gil Norwood – Head of Total Return Credit

**4:50 PM**
Closing Remarks

Kathleen Yeung – Global Head of Corporate Development

**5:00 PM**
Drinks Reception

# Qualitas – Built for Growth

**Andrew Schwartz – Group Managing Director and Co-Founder**

# Qualitas – An alternative real estate investment manager with proven track record of performance and product innovation

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## $8.0bn

Funds under management[1]

QRI is the only

## MREIT in ASX300 & ASX300 A-REIT indices

Provides investors access to CRE private credit via the ASX

## 79%

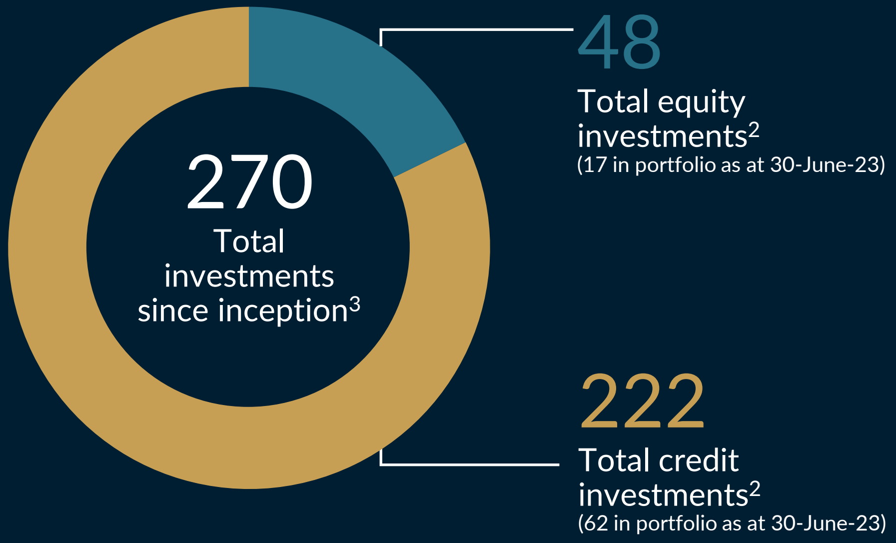
Current private credit allocation[1]

Long history and deep expertise in real estate private credit

## 82%

Institutional capital composition[1]

Extensive global institutional and wholesale investor base




*Notes: 1. FUM metrics as at 31 August 2023 and adjusted for additional A$530 million activated commitment in Qualitas Private Income Credit Fund. 2. Total number of credit and equity investments from inception to 30 June 2023.*

# Targeting to more than double our FUM by FY28

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**2009**

$75m

8x →

**2014**

$575m

14x →

**October - 2023[1]**

$8bn

>2x →

**FY28[2]**

~$18bn

**2009**
- Opportunistic equity
- Mezzanine

**2014**
- Senior debt
- Opportunistic equity
- Mezzanine

**October - 2023**
- Senior debt
- Equity core
- Build-to-rent (BTR)
- Opportunistic equity
- Mezzanine

**FY28**
- Senior debt
- Equity core
- BTR
- Opportunistic equity
- Mezzanine
- New products

*Notes: 1. FUM metrics as at 31 August 2023 and adjusted for additional A$530 million activated commitment in Qualitas Private Income Credit Fund. 2. For the avoidance of doubt, this is not and should not be read as a forecast and is not intended to predict or provide any guidance on future events, rather to present an illustrative example and hypothetical FUM figure by FY28. Readers should not assume that the illustrative FUM amount will be achieved, and no assurance is given about that or any other FUM amount at any future date.*

# Distinctive business model enabling dominance in the thematics we choose to invest in

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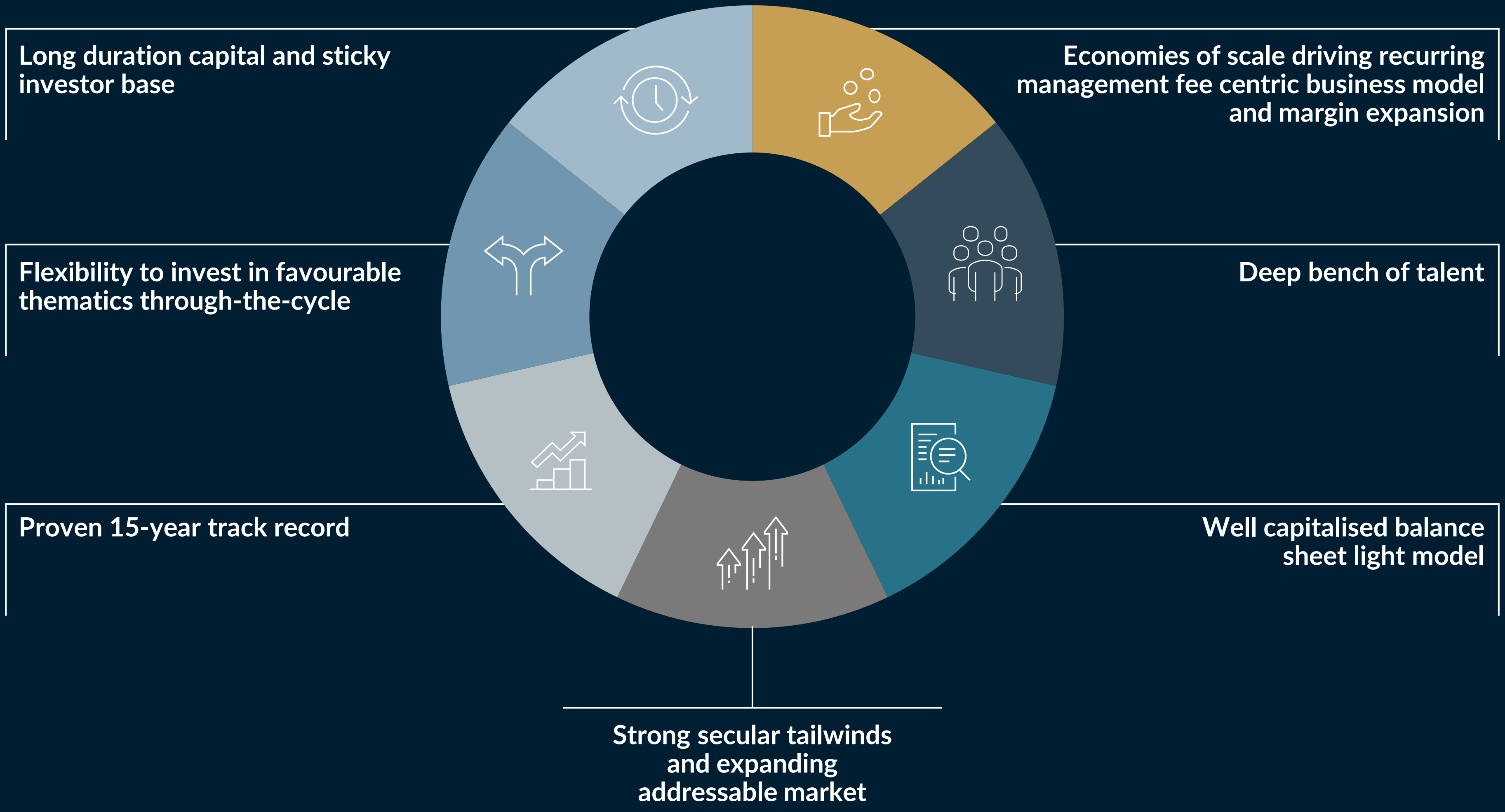

# Multi-decade trend towards alternatives will continue and likely accelerate

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**Capital and macroeconomic tailwinds that underpin Qualitas' success over the last 15 years are amplifying**

### Permanent decline in availability of capital from traditional financiers

- Change in CRE financing landscape driven by implementation of Basel III

### Private capital filling the void

- Attracted to equity-like returns with CRE debt unlevered returns approaching 10% p.a.
- Less susceptible to volatility driven dislocations

### Global investors are significantly underinvested in alternatives

- At US$2.1 trillion, private credit represents 2% of global funds management AUM despite growing at 19% CAGR in last five years[2]
- Institutions are under allocated in private credit, current ~5.7% vs. target ~7.8%, representing 37% increase required[3]

### Australian CRE is an attractive investment strategy

- Financial system stability
- High vacancy rate with deep residential supply shortage
- Unprecedented unemployment rate and migration

## We are well placed against this backdrop

| | | | |
|---|---|---|---|
| High barriers to entry in large scale CRE financing | Large addressable market c.$435bn[1] ADI CRE exposure | Track record of investment performance with pipeline of capital partners | Proven expertise in debt and equity investing through the cycle |

*Notes: 1. APRA released quarterly authorised deposit-taking institution statistics for June 2023. 2. Morningstar, Preqin, Goldman Sachs Global Investment Research. 3. Preqin.*

# Long tenured leadership team with ongoing investment in our people

QUALITAS

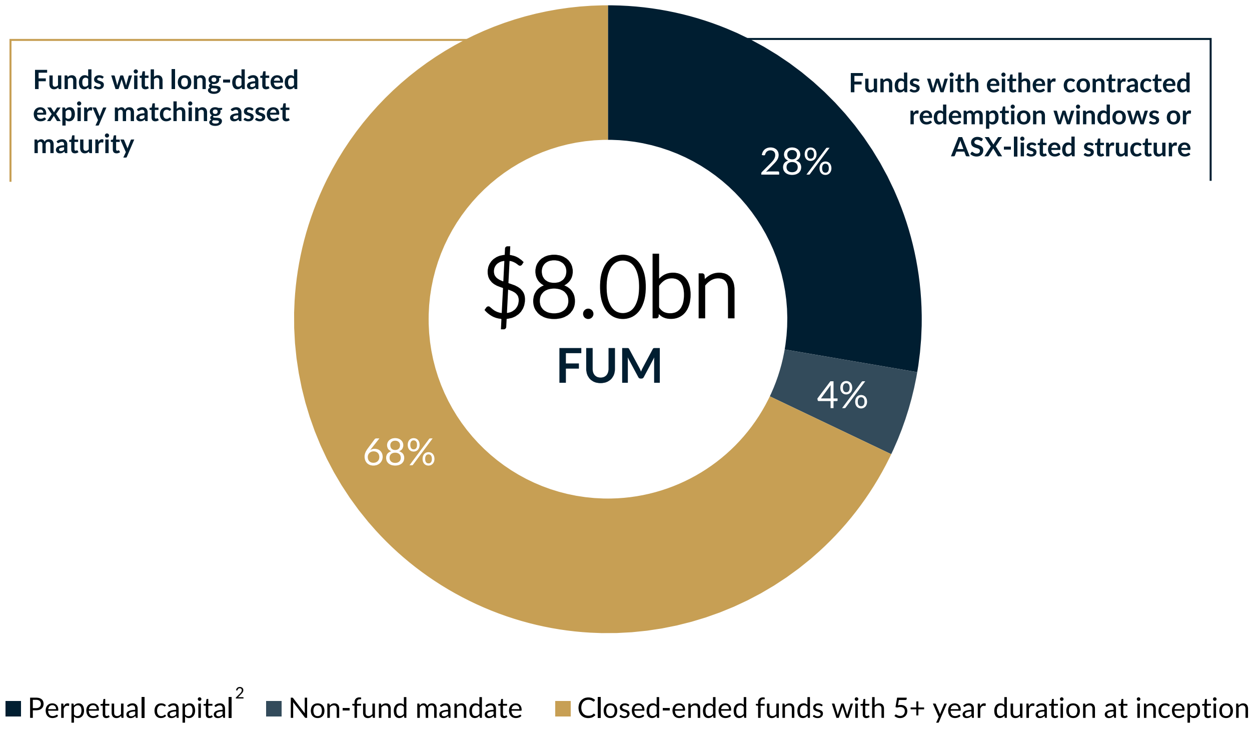
| Andrew Schwartz<br>Group Managing Director and Co-Founder | | | | | | |
|---|---|---|---|---|---|---|
| **Mark Fischer**<br>Global Head of Real Estate and Co-Founder | **Dean Winterton**<br>Global Head of Capital | **Philip Dowman**<br>Chief Financial Officer | **Kathleen Yeung**<br>Global Head of Corporate Development | **Tim Johansen**<br>Global Head of Investment and Funds Risk | **Michelle Christou**<br>Head of People and Culture | **28 yrs** Avg. industry experience<br>**8 yrs** Avg. at Qualitas |
| **Investment**<br>**7**<br>senior heads of division across origination; execution and analysis; development and asset services | **Capital**<br>**6**<br>senior heads of division across capital channels, client services and marketing | **Corporate and Risk**<br>**5**<br>senior heads of division across investment risk, legal, finance and IT | | | | **26 yrs** Avg. industry experience<br>**6 yrs** Avg. at Qualitas |
| **13 new hires[1]**<br>Streamlined team structure | **4 new hires[1]**<br>Senior hires targeting different investor channels and client services | **12 new hires[1]**<br>Set up ESG, investor relations and office of Chief Investment Officer functions | | | | **Investment since IPO** |

Notes: 1. Total year to date net new hires since June 2021 excluding hires made to replace departures.

# Long duration capital with in-built platform protections to minimise redemption risk

Substantial long-term capital in closed-ended fund structures enhances earnings stability through periods of volatility

## FUM BY TYPE AS AT OCTOBER 2023[1]




**>91%**

Of FUM without rolling redemption window

*Notes: 1. FUM metrics as at 31 August 2023 and adjusted for additional A$530 million activated commitment in Qualitas Private Income Credit Fund. 2. Perpetual capital includes open-ended funds with no fixed expiry dates including QRI, QDREF, QSDF, Senior Debt SMA , BTR equity. QSDF has non-institutional capital with rolling 2-year redemption.*

# Scalable platform accelerating growth in recurring core funds management earnings since IPO

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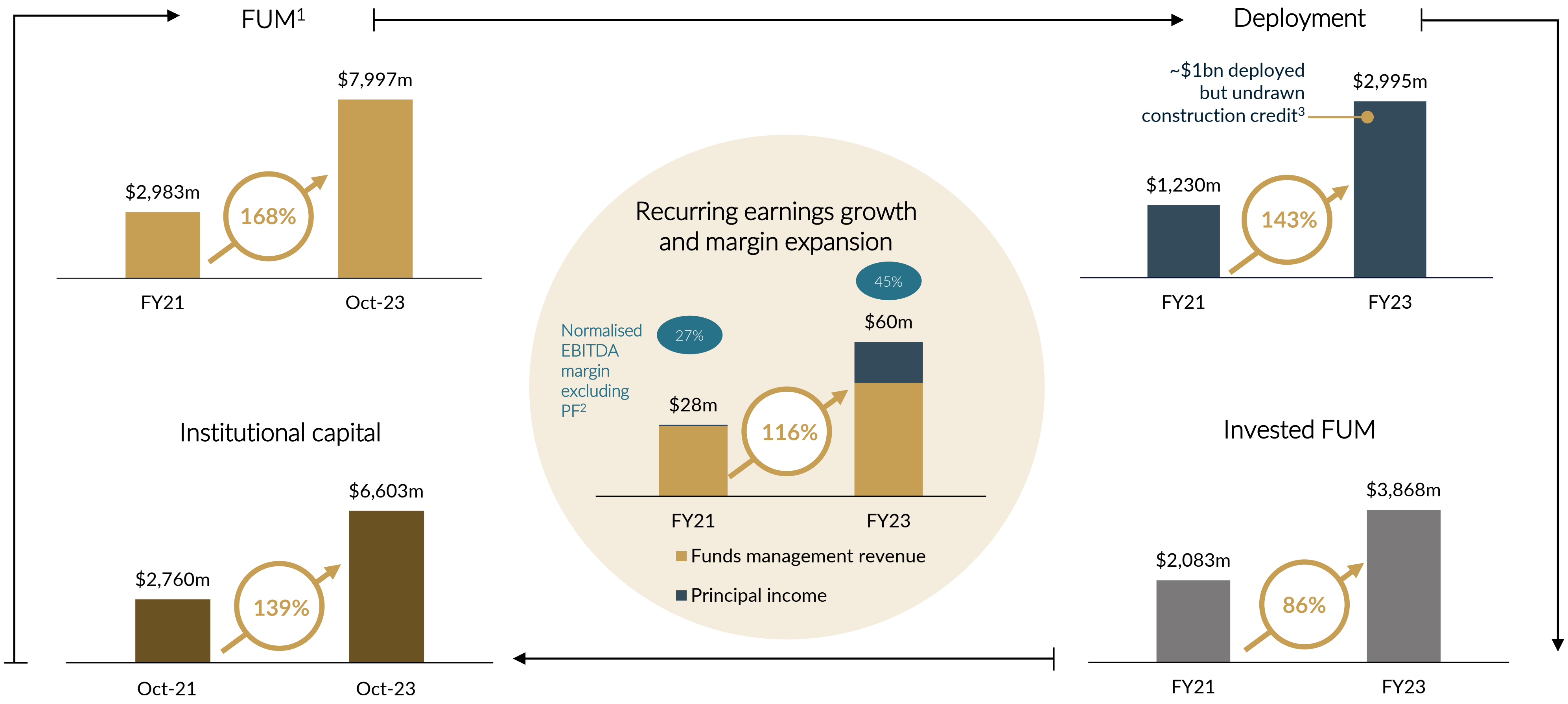
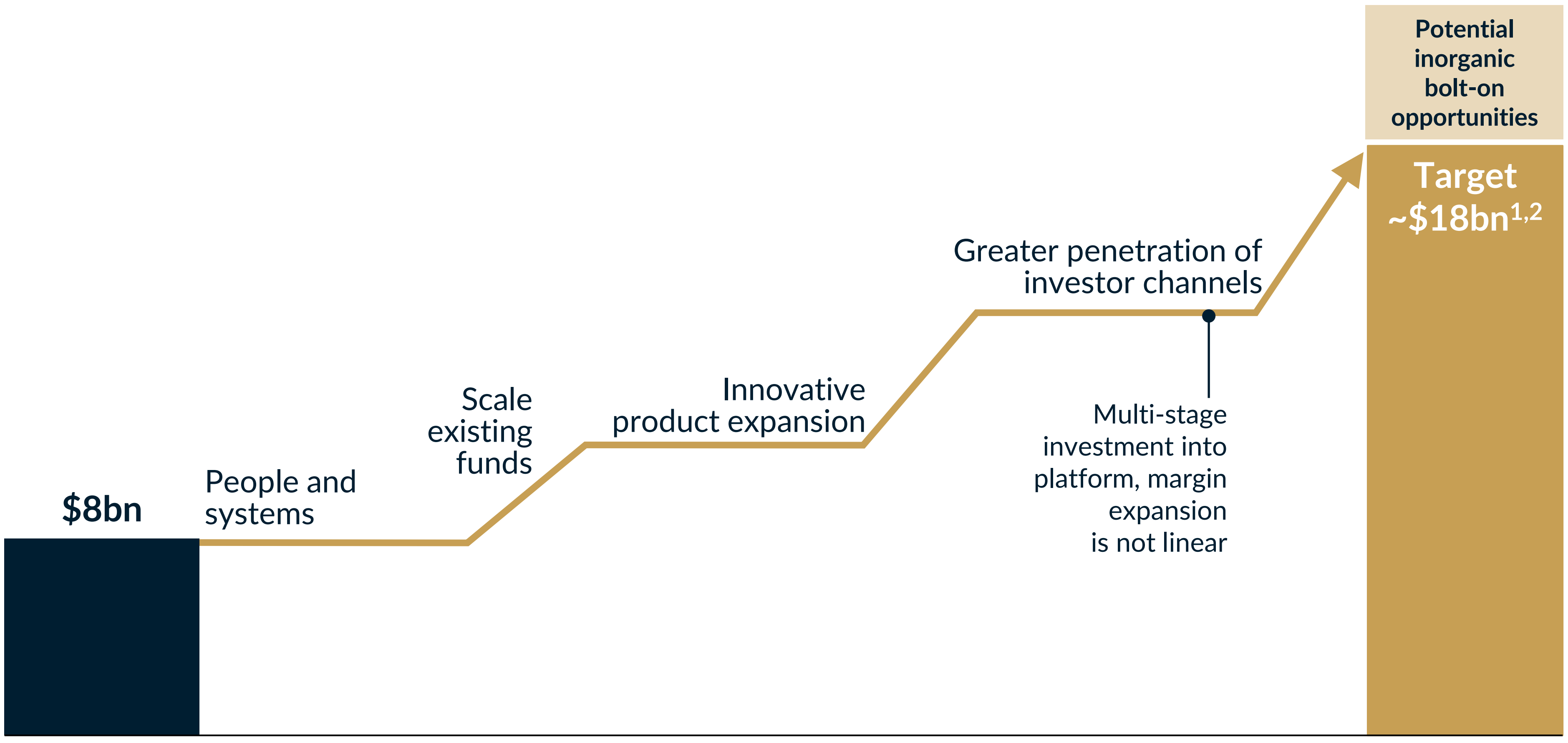



*Notes: 1. . FUM metrics as at 31 August 2023 and adjusted for additional A$530 million activated commitment in Qualitas Private Income Credit Fund. 2. FY21 normalised earnings adjusted for abnormal items including QRI capital raise costs and unrealised mark to market (MTM) gains / losses from Qualitas' co-investment in QRI. FY23 normalised earnings adjusted for unrealised MTM gains / losses from Qualitas' co-investment in QRI. 3. As at 30 June 2023.*

# Pathway to achieve our FY28 FUM target




**Illustrative Qualitas growth targets in the period to FY28[2]**

## LONG TERM KEY TARGET[3] METRICS

- >50% funds management EBITDA margin
- Base management fees as % of average invested FUM is to stabilise around 0.9% – 1%[4]
- Transaction fees as % of deployment ranges around 0.3% – 0.4% on average[4]

*Note: 1. Excludes any potential inorganic opportunities. 2. For the avoidance of doubt, this is not and should not be read as a forecast and is not intended to predict or provide any guidance on future events, rather to present an illustrative example and hypothetical FUM figure by FY28. Readers should not assume that the illustrative FUM amount will be achieved and no assurance is given about that or any other FUM amount at any future date. 3. For the avoidance of doubt, this is not and should not be read as a forecast and is not intended to predict or provide any guidance on future events or outcomes. These are targets provided by way of example and illustration only. 4. Depending on the product mix, this estimate is likely to vary from period to period.*

# Track record of product innovation and strategy creation

## Significant growth potential as investors globally increase allocation into alternative investments

QUALITAS

| | ESTABLISHED | EMERGING | FUTURE GROWTH OPPORTUNITIES |
|---|---|---|---|
| Asset class | • Real estate private credit and private equity | • ESG real estate private credit<br>• CRE geographic expansion | • Real assets adjacencies |
| Fund type | • Multi-asset unlisted open and close ended funds<br>• ASX-listed MREIT<br>• Discretionary SMAs | • Continue to match investor preference with underlying investment duration | • Multi-asset listed funds |
| Capital source | • Listed retail via adviser channel<br>• Large, institutional LP's<br>• Ultra HNW and family offices – domestic<br>• Private banks – domestic | • Listed retail via institutional channels<br>• Small to medium institutional capital<br>• Private bank and family offices – offshore | • Attract one or two new strategic capital partnerships each year<br>• Efficient penetration across institutional, listed retail and wholesale channels across geographies |

# Key takeaways

| | | |
|---|---|---|
| 1 | FY28 growth plan[1] | • >2.0x FUM, targeting ~$18bn by FY28[1]<br>• >50% funds management EBITDA margin |
| 2 | Differentiated business model | • Distinctive ecosystem built specifically for scale as a large alternative investment manager |
| 3 | Multiple growth levers | • Continue to increase platform efficiency<br>• Focused on sectors with large expanding addressable market<br>• Investor, asset class and product diversification |
| 4 | Experienced and aligned team | • Leading CRE alternative investment manager enabled by top talent |
| 5 | Long dated and long duration capital | • Client led investment approach, targeting fund expiry to match asset duration |

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# Agile Through-the-Cycle Platform

**Mark Fischer – Global Head of Real Estate and Co-Founder**

# Through the cycle investment strategies

Identifying investment thematics where we could build a meaningful market presence in and supported by long term tailwinds

QUALITAS

## WHAT WE LOOK FOR IN DETERMINING OUR STRATEGIES

- Differentiated proposition where Qualitas can be a meaningful participant
- Consolidate market position - create a defensive moat around capability and skillset
- Agile through market cycles – establish capability across adjacent strategies
- Be responsive to client demand and needs
- Duration of investment and thematic runway
- Larger individual investment sizes

### Income strategies

- **Income credit** (e.g. QRI, QSDF, QPICF)
- **Income equity** (e.g. QFIF, QDREF)

### Total return strategies

- **Total return credit** (e.g. QCDF, QDCI, QTCF)
- **Total return equity** (e.g. QREOF I & II, BTR equity)

# Track record of investment performance underpinned by our ability to raise and deploy capital through-the-cycle

## OPPORTUNISTIC INVESTOR

- Outsized returns in post-GFC liquidity crunch
- Investments focused on total return equity and mezzanine investments

## BROADENING TO PRIVATE CREDIT AND FUNDS

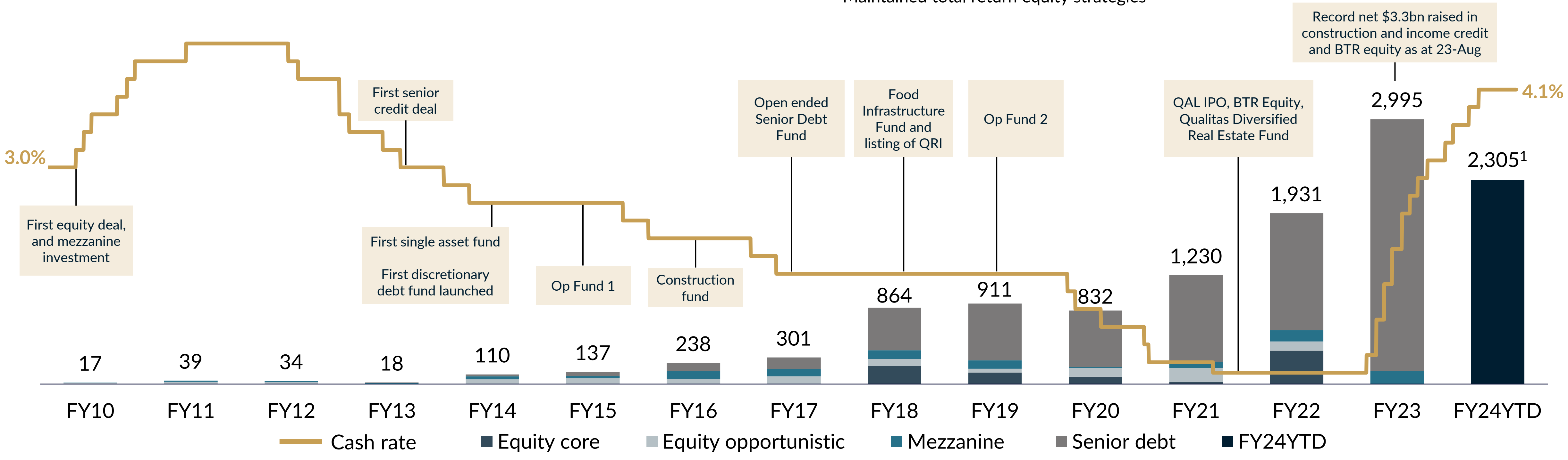
- Regulation triggered further liquidity withdrawal from traditional financiers
- Broadening of investment strategies to include credit investing, focused on total return credit

## CREATION OF INCOME PRODUCTS

- Low interest rates with rising asset valuations
- Demand from investors for income delivered by credit and equity products
- Maintained total return equity strategies

## SCALED CREDIT PLATFORM AND VALUE EQUITY LENS TO DRIVE GROWTH

- Liquidity dislocation → scale credit platform
- Recalibration of asset values → scale value equity platform




*Notes: 1. FY24YTD is as at 16 October 2023 and includes mandated, IC approved and closed transactions.*

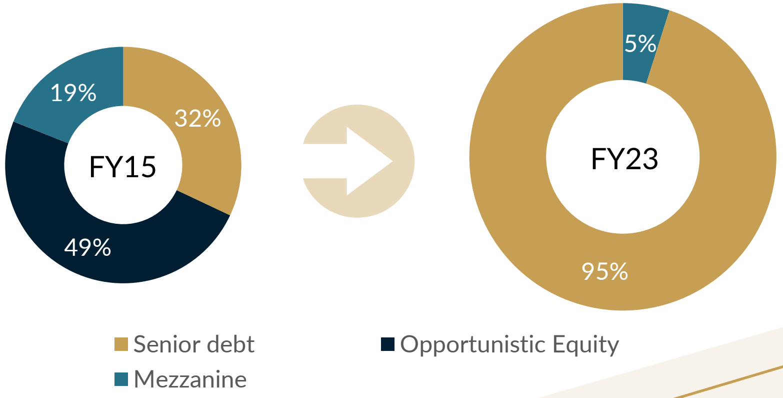
# Early FY24 momentum

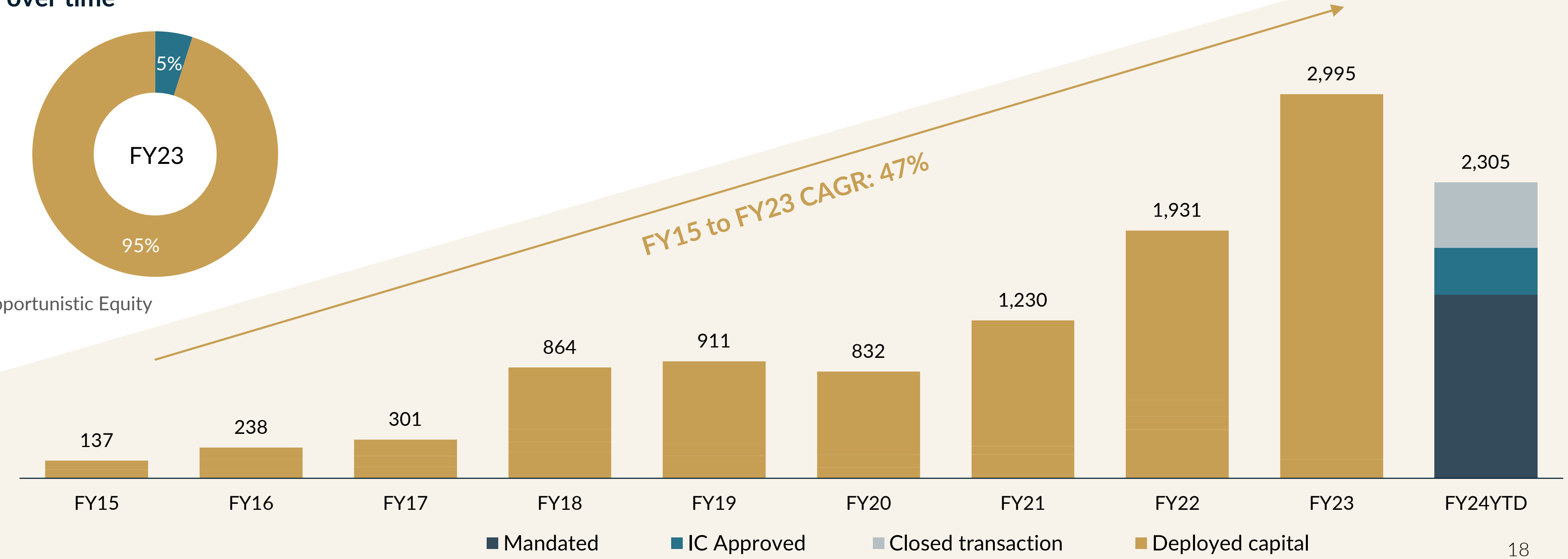
Significant deployment pipeline in credit strategies in first quarter of FY23

## WHAT HAVE WE DONE TO CAPITALISE

- Team structured to focus on distinct credit and equity strategies from an execution perspective
- Recently increased investment in origination resources across Sydney, Melbourne and Brisbane. These investments are not reflected in FY23 deployment volumes
- Pipeline at $2.3b YTD[1], 96% in senior credit
- Liquidity is at a premium and we are seeking to optimise returns for investors

### Qualitas deployment profile over time




Notes. 1. All data as at 16 October 2023.

# Current market landscape

Dry powder is a clear differentiator amongst competitor set

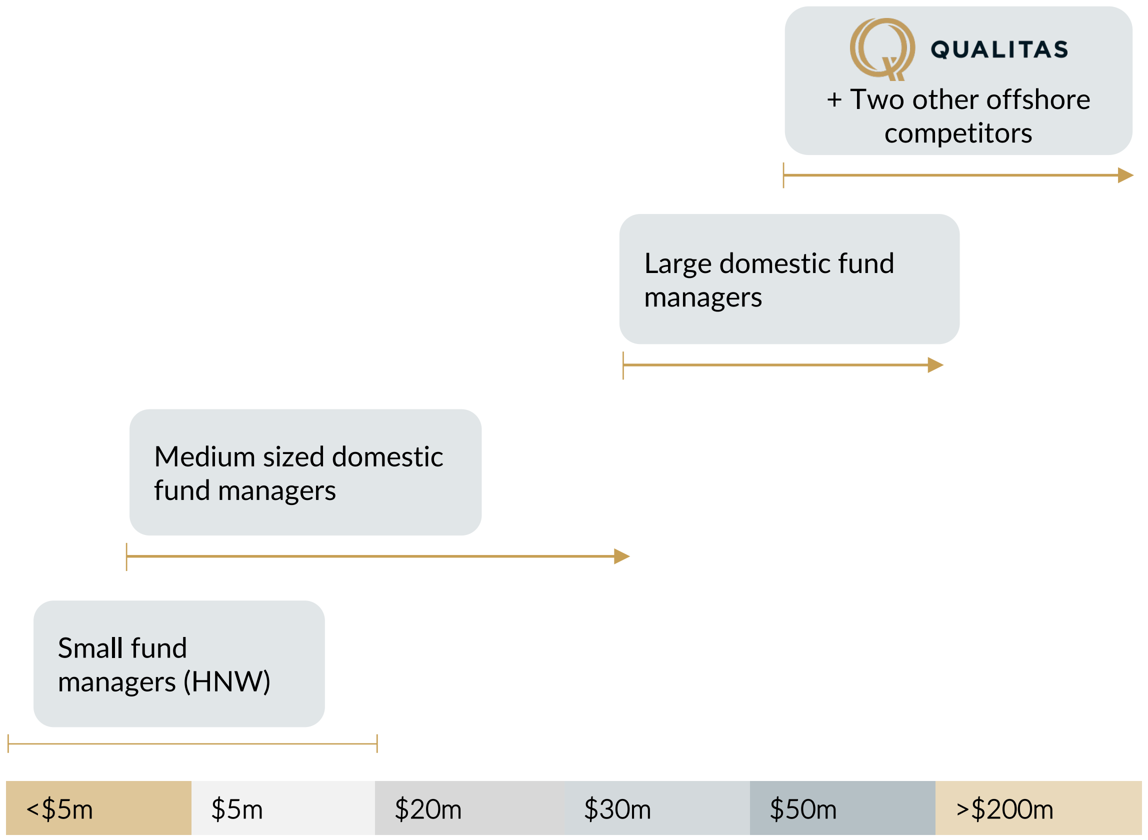
## MARKET AND COMPETITION

- Market liquidity remains withdrawn
- Significant reduction in competitors, few with large capital mandates
- Diverging market participants, capital structure, sectors, asset and sponsor quality
- Credit strategies preferred, green shoots in equity

## SECTOR THEMATICS

- Selective sector criteria
- Asset quality
- Sponsor quality
- Opportunistic equity post asset recalibration
- Stabilising construction costs
- Residential remains resilient

## LESSENING COMPETITION AS INVESTMENT SIZE INCREASES AND CAPITAL RAISING MORE CHALLENGED



# Key takeaways

| | | |
|---|---|---|
| 1 | Platform flexibility | • Debt and equity skillset is a key differentiator, enables us to be agile and nimble<br>• Team structured for optimal efficiency |
| 2 | Proven investment performance through-the-cycle | • Track record of product innovation and FUM growth |
| 3 | Disciplined deployment | • Positive momentum but remain vigilant on underwriting standards and asset management |
| 4 | Changing competitive landscape in CRE financing | • Competition reduces as investment size increases and capital raising become more challenging<br>• Significant debt and equity opportunities in the residential sector with green shoots emerging from liquidity dislocation in the equity sector |

# Integrating ESG into Alternatives

**Fiona Reynolds – Chair of Qualitas ESG Advisory Group**

**Dr Ian Woods – Independent Member of Qualitas ESG Advisory Group**

**Brian Delaney – Member of Qualitas ESG Advisory Group & Board Director**

*Moderated by* **Jason Rackley, Head of ESG at Qualitas**

# ESG vision and priorities

## ESG VISION

Leveraging Qualitas' platform and position as a leading alternative CRE financier to play a role in assisting Australia to transition to a low-emissions future, focused on residential property.

Delivering real impact through our social and community programs including charitable engagement, diversity, equity and inclusion.

Continued review and refinement of our governance framework to ensure 'best-in-class' alignment to achieve our growth objectives.

## ESG PRIORITIES

| | |
|---|---|
| **Environmental** | Expanding our ESG reporting infrastructure and data collection to provide more transparent ESG reporting to our domestic and offshore stakeholders, including the carbon footprint of our funds. |
| **Social** | Continued focus on employee engagement, recruitment, retention and gender diversity as part of inclusion and diversity program and meaningful and impactful charitable engagement. |
| **Governance** | Progressing our work on TCFD / ISSB[1] reporting. Implementing a Modern Slavery policy. |

*Notes: 1. Task Force on Climate-Related Financial Disclosures (TCFD). International Sustainability Standards Board (ISSB).*

# A Dominant Player in Build-to-Rent

**Mark Fischer – Global Head of Real Estate and Co-Founder**

**Ashleigh Macdonald – Operations Manager, GQ BTR Victoria**

# GQ platform

Leading Australian BTR platform, established in 2021 by Qualitas and GURNER™

Grown to become

**Largest Australian BTR platform by committed AUM[1]**

Strong pipeline under control of the platform

**$3.2bn**
Gross capital commitment

**4 assets**
In portfolio to date

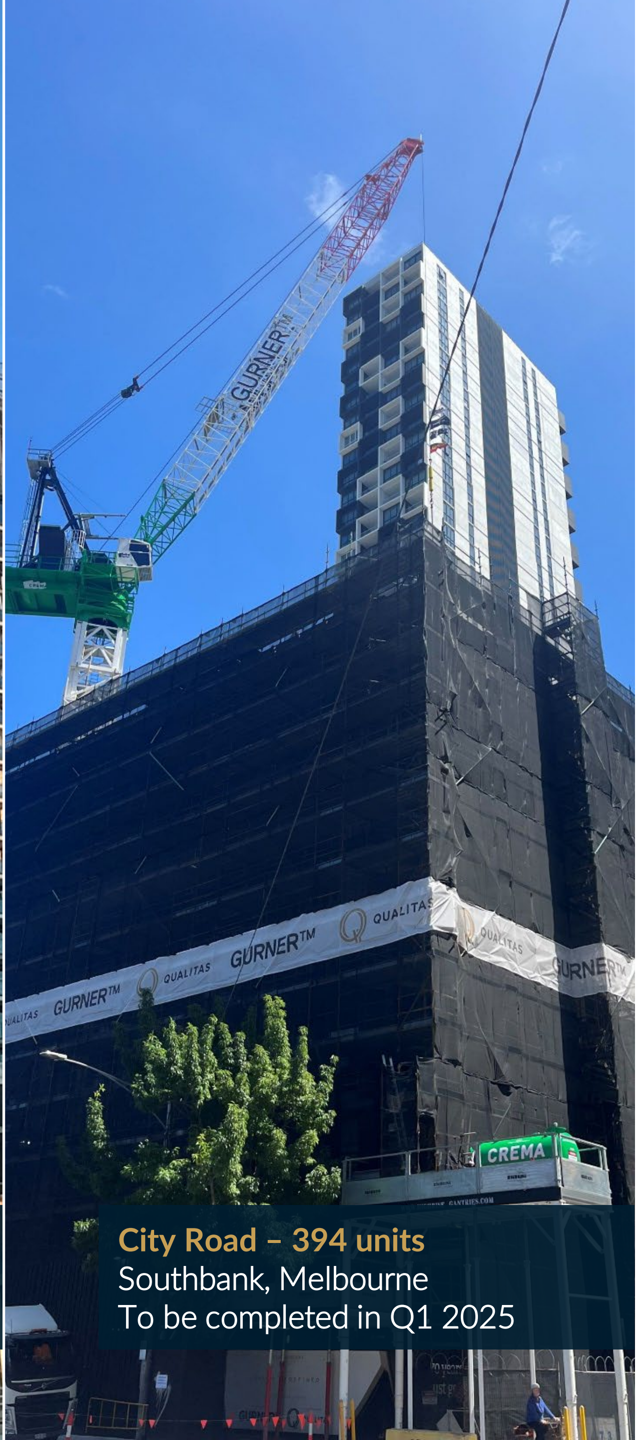
**1,400+ units**
Secured portfolio to date

**3,600+ units**
Pipeline across Sydney, Melbourne & Brisbane

*Notes: 1. Savills Australia.*

GURNER™ QUALITAS


**Beach House – 297 units**
St Kilda, Melbourne
To be completed in Q1 2024




**City Road – 394 units**
Southbank, Melbourne
To be completed in Q1 2025

**Queens Parade – 339 units**
North Fitzroy, Melbourne
Construction to begin in Q4 2023

**Hassall Street – 397 units**
Parramatta, Sydney
Construction to begin in 2024

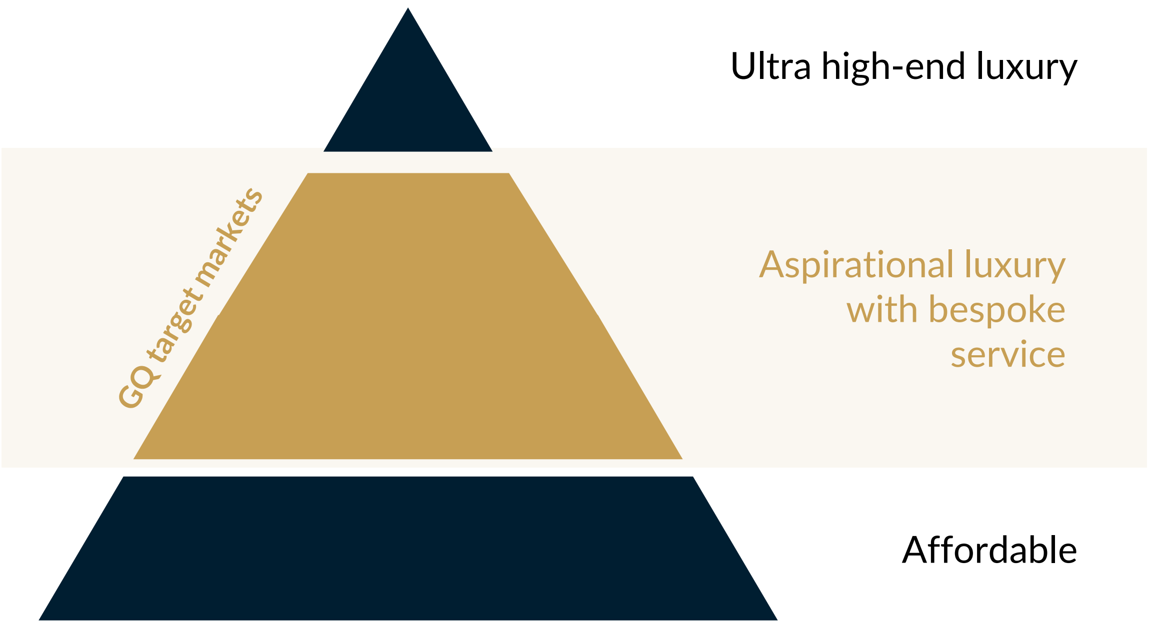
# GQ proposition

GQ GURNER™ QUALITAS

## Targeting key assets within the BTR sector

| PILLAR 1 | PILLAR 2 | PILLAR 3 | PILLAR 4 |
|---|---|---|---|
| Target demographics<br>% of renters, % of apartments, income levels | Low existing supply of quality product and service | Constrained future supply of competing stock | Strong existing neighborhood amenity |

### KEY APARTMENT MARKET SEGMENTS




### WE LOOK FOR SUBURBS WITH:

- ✓ **Household structure:** Young couples ( 0 -1 child) and singles
- ✓ **Profile:** Educated professionals
- ✓ **Age:** 25 - 39
- ✓ **Rent / household income:** < 30%
- ✓ **Rent per sqm per week:** $10 - $12+

### HOW DOES GQ PROVIDE SUSTAINABLE LIVING?

**100% green energy**
in common areas and tenants can opt into green energy

**Annual carbon account**
and purchase of accredited carbon offsets

**No gas policy**
across the portfolio


PRIVATE DINING

LOBBY BAR

MY WELLBEING

GQ
GURNER™
QUALITAS
THE BATHS

LOUNGE ROOM

WORK CLUB

SAMSARA

LIFE STORE

KIDS CLUB

CINEMA

PET CLUB

MOVE-IN MANAGER

PLATINUM CLUB

THE SHED

VEGETABLE GARDEN

GAME ROOM

# GQ platform vision – significant enterprise value with over $5bn GAV[1] over medium term

GURNER™ QUALITAS

## GROWTH VISION

- Target GAV of $5bn+ over medium term[1] vs. $290bn estimated total BTR long term value in Australia[2]
- Base case GQ platform is forecast to be profitable from FY25, subject to securing new assets and market conditions
- Continue to leverage resources from two established fast-growing businesses – translate to cost advantage in platform establishment
- Target stabilised EBITDA margin of ~55-60%
- Target two to four assets in the next twelve months, remain disciplined in acquisition

## SUCCESS FACTORS

Funds and investment management

+

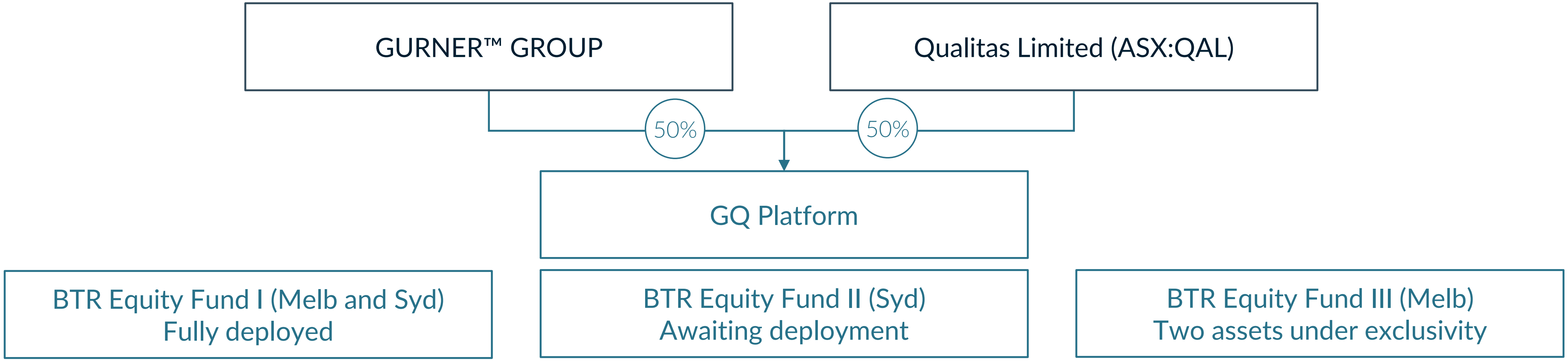
Property development and management

- Differentiated product and service offering relevant to the local market
- Operational efficiencies from existing GQ and Qualitas platform
- Recruit and retain top talent
- Extensive local expertise and network
- Off-market pipeline matched with large institutional capital

*Notes: 1. For the avoidance of doubt, this is not and should not be read as a forecast and is not intended to predict or provide any guidance on future events, rather to present an illustrative example and hypothetical AUM figure. Readers should not assume that the illustrative AUM amount will be achieved, and no assurance is given about that or any other AUM amount at any future date. 2. "A new form of housing supply for Australia: Build to Rent housing", Property Council of Australia and EY, April 2023.*

# GQ platform structure

GURNER™ QUALITAS




| | | | |
|---|---|---|---|
| Revenue | Funds management, performance and acquisition fees in line with other income equity funds | Property management and leasing fees | Co-investment income |
| Costs | **GQ direct employee costs**<br>GQ group level employees only. Staff employed at each investment site (e.g. security) are paid by the funds (concierge, security) | **GURNER™ and Qualitas recharges**<br>Costs incurred by GURNER™ and Qualitas are recharged including time required from funds management, finance and legal teams | **Corporate costs**<br>IT, travel, rent, marketing, insurance and research costs |

**GQ NPAT**
(Equity accounting 50/50 between Qualitas and GURNER™, reported under principal income for QAL)

# The Evolution and Opportunity in Private Credit

**Mark Power – Head of Income Credit**

# CRE private credit – Qualitas FUM growth outperforming the market

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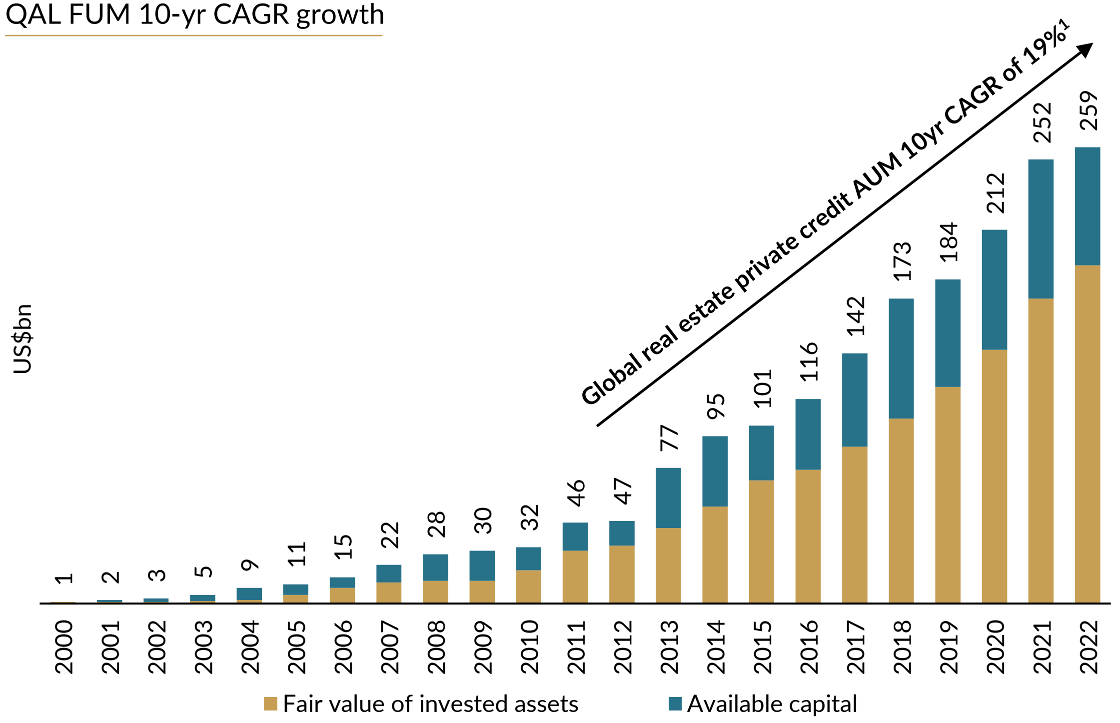
## WE ARE GROWING FASTER THAN THE MARKET

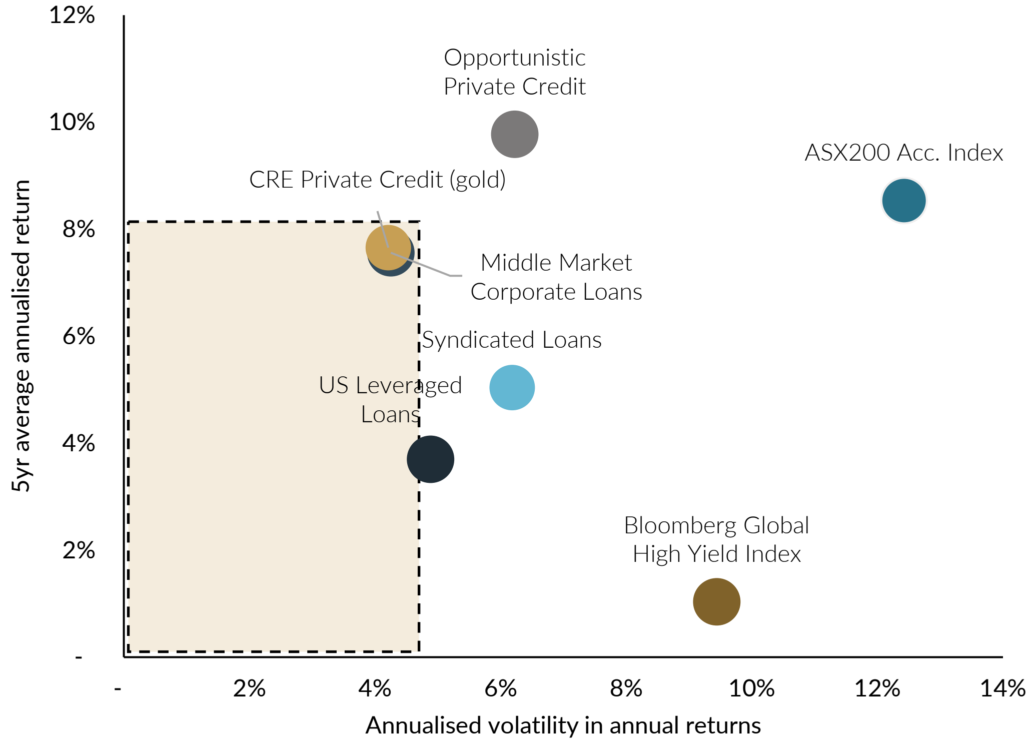
32%

QAL FUM 10-yr CAGR growth




## INVESTORS ARE ATTRACTED TO ATTRACTIVE RISK ADJUSTED RETURN DELIVERED BY PRIVATE CREDIT

Risk and return over a 5-year period[2]




Notes: 1. Preqin, Goldman Sachs Global Investment Research. 2. BondAdviser September 2023.

# Significant opportunities emerge from the divergence of CRE sectors combined with the liquidity dislocation

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## AUSTRALIAN CRE IS NOT JUST ONE TYPE OF ASSET

**Residential**

<1%

Low residential vacancy due to undersupply[1]

**Industrial**

<1%

Unprecedented industrial vacancy rate, with Sydney experiencing negative rates[3,4]

**Retail**

15%

CBD retail vacancy as of 1H23, +112bps softening from 2H22[2]

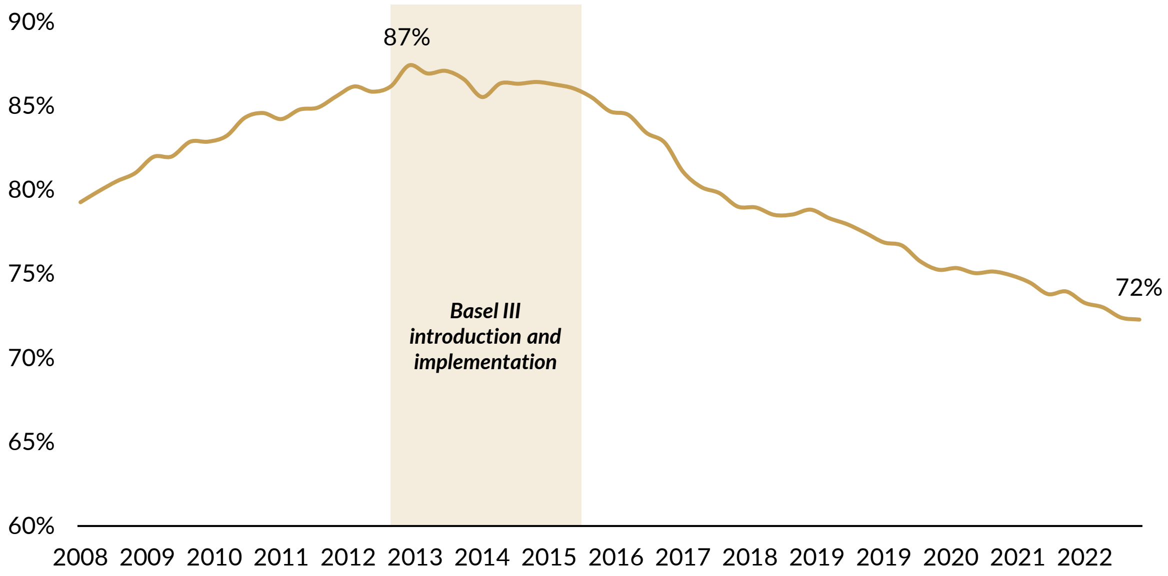
**Office**

14%

Vacancy across both prime and secondary grade office, highest level since mid-1990s[5,6]

## AUSTRALIAN CRE FINANCIER LANDSCAPE HAS CHANGED SINCE THE GFC

Traditional financiers market share as % of total authorised deposit-taking institutions CRE lending limit




<1% Non-performing rate is negligible[8]

5.5% Australian banks loan exposure to CRE as % of total assets vs. ~10% post-GFC[5]

*Notes: 1. Domain Research, Vacancy Rates (August, 2023) 2. CBRE Retail Vacancy Report (August, 2023) 3. CBRE Australia Industrial Vacancy Report (June, 2023). 4. Sydney industrial vacancy rate is (0.2%), the tightest of any city globally. 5. RBA Report, "Financial Stability Risks from Commercial Real Estate" (Sept, 2023), 6. CBRE Australian Office Market (June, 2023). 7. Traditional financiers represent Westpac, ANZ, Commonwealth Bank of Australia and National Australia Bank. All data sourced from Australian Prudential Regulatory Authority (APRA), Quarterly authorised deposit-taking institution property exposures statistics June 2023. 8. Quarterly ADI performance statistics – highlights (June, 2023).*

# CRE private credit loans are not just one type of loan

## Pre-completion phase

| | Land | Construction |
|---|---|---|
| | **Senior land loans**<br>Secured against infill vacant land with development potential. | **Mezzanine and senior construction loans**<br>Drawn down over time as the construction progresses. |
| **Criteria** | • Sites to be activated within the next 6-18 months backed by strong borrowers<br>• Close proximity to CBD – generally within 10km | • Provide mezzanine financing to strong borrower group looking to increase equity IRR<br>• Established builders<br>• Areas of undersupply |
| **Rationale** | • Secured by underlying assets<br>• Strong development potential<br>• Refinance to other types of loan | • Higher returns within a strong risk framework<br>• Qualitas has extensive workout experience to complete the project<br>• Multiple equity buffers |
| **Returns** | 625bps - 750bps on BBSY | Mezzanine IRR: 14 - 17%<br>Senior IRR: 12 - 15% |

*CRE private credit loans encompass the entire real estate project lifecycle. Risk adjusted returns of different types of CRE loans variy across different macroeconomic environments. Experienced managers select the most optimal portfolio mix to maximise returns and minimise risks for investors through-the-cycle*

# CRE private credit loans are not just one type of loan

Completed building

QUALITAS

## Completed building

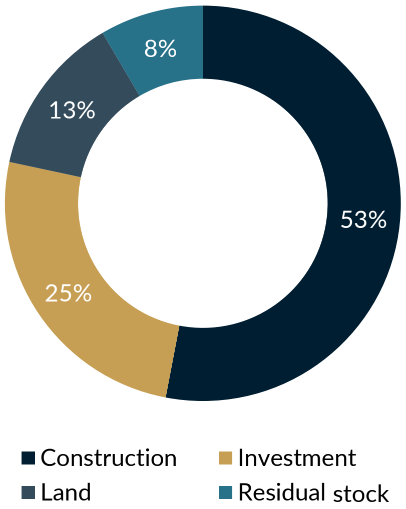
| | Senior investment loans<br>Secured again real estate that is or is potentially income generating. | Residual stock loans<br>Secured by unsold completed residential assets. |
|---|---|---|
| **Criteria** | • Tennant quality underpins rent<br>• High equity buffer<br>• Commercial, retail and industrial sector focused on moderate LVR | • Strong sales momentum transacting at or above valuation underwritten |
| **Rationale** | • Attractive underlying fundamentals that don't fit traditional financing framework | • Loans are amortised progressively from the sale and settlement of the residual apartments |
| **Pricing** | 450bps - 600bps on BBSY | 525bps - 650bps on BBSY |

*CRE private credit loans encompass the entire real estate project lifecycle. Risk adjusted returns of different types of CRE loans variy across different macroeconomic environments. Experienced managers select the most optimal portfolio mix to maximise returns and minimise risks for investors through-the-cycle*

# Positioned to benefit from the potential uptick in residential construction

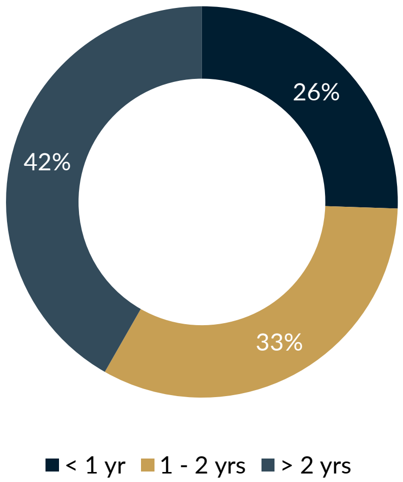
QUALITAS

## REAL ESTATE CYCLE EXPOSURE[1]



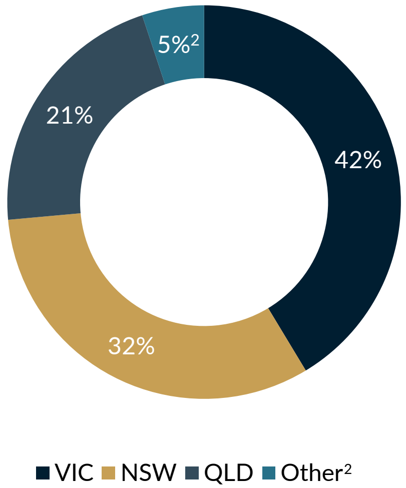

Attractive opportunities in construction credit driven by liquidity withdrawal from traditional financiers

## UNDERLYING LOAN MATURITY EXPOSURE[1]



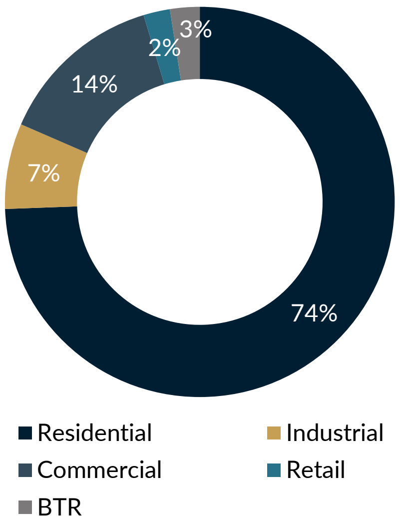

Short tenured portfolio aids platform agility

## UNDERLYING GEOGRAPHIC EXPOSURE[1]




Majority of investments are on the east coast of Australia

## UNDERLYING SECTOR EXPOSURE[1]




Significant exposure in the residential sector, the most resilient sub-segment in CRE

*Notes: 1. Represents invested capital as at 31 August 2023 excludes QCDF I. 2. Investments Canberra and South Australia.*

# Loan valuation and impairment assessment

QUALITAS

## IMPAIRMENT RISK MITIGANTS

- Equity buffer
- Sponsor guarantees
- Interest reserves
- Active management of loan and borrower
- Extensive loan obligations and covenants
- Annual property revaluation
- Bilateral lender control and sole decision making

## IMPAIRMENT ASSESSMENT

- Impairment is made when it is unlikely that a loan payment (interest or principal) will be collected
- View on forward market valuations
- Impairment assessment is conducted monthly

## TRAFFIC LIGHT SYSTEM FOR LOAN RISK MONITORING

- Progressing satisfactorily – reviewed every six weeks
- Requires additional monitoring – reviewed fortnightly
- Issues exist warranting greater senior executive oversight – reviewed weekly

## SALE OF PROPERTY IS THE LAST RESORT

Loan default → 1. Cure default → 2. Restructure → 3. Loan recovery (last resort) → Acceleration → Enforcement → Sale of property → Repayment

Loan default: Borrower fails to meet a loan obligation (interest and repayment of principal) as documented in the agreement

# Qualitas Real Estate Income Fund (ASX:QRI)

## Differentiated proposition on the ASX – democratising access to CRE for public market investors

- Attractive positive inflation adjusted returns[1]
- Continuing to benefit from an elevated interest rate environment reflected in the increased distribution, with a short tenured portfolio and platform agility to pivot
- Defensive exposure to CRE through private credit with downside protection through an equity buffer
- Managed by an industry leading team with 15-year track record
- Fund well-positioned to grow and take advantage of market dislocation as traditional financiers retreat

**9.02%**
Sep-23 annualised distribution return p.a. based on NAV of $1.60

**8.76%**
Sep-23 annualised net return p.a. based on NAV of $1.60

**Only MREIT in ASX300 & ASX300 A-REIT indices**

**0.90 yrs**
Weighted loan maturity[2]

Monthly cash distributions

**66%**
Weighted LVR[3]

**Two primary risks are a loss of loan principal and a loss of loan income. The loss of loan principal is the risk that a borrower cannot repay the loan and the security property value declines and is insufficient to meet the full repayment of the loan. The loss of loan income is the risk that cash flow from property or other borrower sources will be insufficient to pay loan interest and fees that are due to the lender.[4]**

**All figures are based on QRI exposure, look through to Qualitas wholesale funds. All figures are based on QRI exposure, look through to Qualitas wholesale funds.*
*Notes: 1. Past performance is not a reliable indicator of future performance. 2. Represents total loans in the portfolio on a look through basis, via investments in direct loans and Qualitas wholesale funds. 3. Represents total LVR of loans in the portfolio on a look through basis, via investments in direct loans and Qualitas wholesale funds. 4. QRI PDS is available on QRI website https://www.qualitas.com.au/listed-investments/qri-overview/ .*

# Key takeaways

| | | |
|---|---|---|
| 1 | CRE private credit | • CRE private credit is outperforming traditional investment options<br>• Qualitas credit FUM is growing significantly faster than the overall market |
| 2 | Expanding addressable market | • Liquidity withdrawal from traditional financiers and CRE sub-sector divergence present attractive investment opportunities |
| 3 | Invest across real estate cycle | • Select the most attractive risk adjusted investment opportunities across capital stack, sector and asset type leveraging specialised CRE skillset |
| 4 | Robust risk and asset management platform | • Proven asset management platform developed over 15 years |
| 5 | Australian MREIT pioneer | • Democratising access to CRE for public market investors with the only MREIT in the ASX300 and ASX300 A-REIT indices |

# Case Study:
# Private Credit Loan

Samantha Khalid – Head of Execution, Credit Investments

# Case study: senior debt residual stock loan (RSL)

Melbourne inner city location

~$155m
Facility limit

≤ 75%
LVR

18 months
Term

~450
Total apartments

1%
Arrangement fee

6 month
Interest and servicing accounts

BBSY + 6.5% margin
Interest rate

~200
Apartments funded by Qualitas

## WHY DID THE BORROWER CHOOSE AN ALTERNATIVE FINANCIER?

- RSLs are generally outside of the remit of traditional financiers
- Ability for developers to extract unrealised profit and invest in the next project
- Leverage and interest costs of the loan reduce over the term as apartments are progressively sold

## WHY QUALITAS?

- Structured on a slightly higher commencing LVR
- Well known borrower
- Agreed to fund prior to completion of final works

# Case study: senior debt residual stock loan (RSL)

Melbourne inner city location

## RISKS AND MITIGATION

### Construction risk

- Due diligence on structural integrity
- Works completed on cost to complete basis

### Interest servicing risk

- Interest reserve account to meet 3 months of interest
- Interest servicing to meet 3 months of interest

### Leverage risk

- Additional fee if LVR is not <70% within 6 months
- Limited competing supply

### Refinance risk

- Sponsor cashflow assessment
- Parties to meet the shortfall if required

## HOW IS THE DEAL TRACKING?

>60
Apartments sold

~5%
Above valuation

Sales
greater than forecast

<69%
LVR

# Case Study: Construction Loan

**Gil Norwood – Head of Total Return Credit**

# Case study: residential construction loan

Port Melbourne, Victoria

QUALITAS

| | | | |
|---|---|---|---|
| $108m / $94m[1] Senior debt facility limit | 70% LVR | 22 months Term | 14.1% IRR Returns |
| 1.25% Arrangement fee | 2.70% Line fee | BBSY + 2.70% margin Interest rate | 104 of 122 Townhouses presold |

## THE OPPORTUNITY

- Experienced integrated Developer/Builder
- 16 stage residential medium density townhouse project
- Zoned for purpose and planning complete
- 122 townhouses located close to Melbourne CBD and benefits from minimal competing supply
- Funding provided on a peak debt basis given settlements on earlier stages will be redrawn to fund later stages
- Funding of civil infrastructure and construction of dwellings
- Value relative to (3-Bed) detached house attractive – $1.25m vs $1.78M

*Note: 1. Peak limit across 16 stages.*

# Case study: residential construction loan

Port Melbourne, Victoria

QUALITAS

## WHY DID THE BORROWER CHOOSE AN ALTERNATIVE FINANCIER?

- Responsiveness
- Seeking leverage within the structure in recognition
- Peak debt funding structure given staged starts/completions
- Borrower understanding of broader lending market appetite
- Related-party builder
- Understanding the high profitability vs. low cash equity

## WHY QUALITAS?

- Existing 2$^{nd}$ tier alternative (senior) lender unable to deliver
- Qualitas previously issued terms which we considered best reflected the market/transactional risk vs reward. Our prior conviction and expertise to evaluate the overall investment was validated
- Certainty of (discretionary) capital backed by institutional mandates
- Borrower relationship (~4 years) and proven track record (3 previous investments) of Qualitas to deliver time critical solutions
- We understood their business and strategy

# Case study: residential construction loan

Port Melbourne, Victoria

QUALITAS

## RISKS AND MITIGATION

### Construction/delivery risk

- Sponsor guarantees for performance of owner builder entity
- Proof of payment for sub-contractors
- Builder replacement scenario for builder default/insolvency
- Further trade escalation allowance in addition to contingency

### Sponsor risk

- Sponsor cashflow assessment (e.g. liquidity and contagion)
- Well capitalised with a strong asset position

### Exit risk

- High proportion of sales were secured 2019-2020
- Required purchasers to reaffirm commitment (95%+ conversion)

## HOW IS THE DEAL TRACKING?

**>110%**
Pre-sale debt cover

**April 2025**
Completion date on track

**12**
Townhouses retained for investment purpose by sponsor

**6**
Remaining townhouses to be sold at higher price closer to completion

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Past performance is not a reliable indicator of future performance.

# Fund key

## LISTED ENTITY

| | |
|---|---|
| ASX: QAL | Qualitas Limited |

## LISTED FUNDS

| | |
|---|---|
| ASX: QRI | Qualitas Real Estate Income Fund |

## UNLISTED FUNDS

| | |
|---|---|
| QSDF | Senior Debt Fund |
| BTR | Build-To-Rent |
| QBIF | Build-to-Rent Impact Fund |
| QCDF | Construction Debt Fund |
| QCDF II | Construction Debt Fund II |
| QDCI | Diversified Credit Investments |
| QDREF | Diversified Real Estate Fund |
| QFIF | Food Infrastructure Fund |
| QLCDF | Low Carbon Debt Fund |
| QPICF | Private Income Credit Fund |
| QREOFI | Real Estate Opportunity Fund 1 |
| QREOFII | Real Estate Opportunity Fund 2 |
| QSDEF | Senior Debt Enhanced Fund |
| QTCF | Tactical Credit Fund |
| Senior Debt SMA | Senior Debt separately managed account |

# Glossary

QUALITAS

| | |
|---|---|
| **ADI** | Authorised deposit-taking institution |
| **AUM** | Assets under management |
| **Average invested FUM** | Average monthly invested FUM excluding BTR equity and Arch Finance |
| **BBSY** | Bank bill swap rate |
| **BTR** | Build-to-rent |
| **CAGR** | Compound annual growth rate |
| **Closed-end fund** | Fund with expiry date |
| **Committed FUM** | Committed capital from investors with signed contracts |
| **CRE** | Commercial real estate |
| **EBITDA** | Earnings before interest tax depreciation & amortisation |
| **ESG** | Environmental, social, and governance |
| **FUM** | Represents committed capital from investors with signed investor agreements |
| **GAV** | Gross asset value |
| **GFC** | Global financial crisis |
| **GQ** | Gurner™ Qualitas |

| | |
|---|---|
| **HNW** | High net worth |
| **Invested FUM / capital drawn** | Funds currently deployed. Capital drawn for equity funds. Funds drawn on live deals / loans less repayments for credit funds |
| **IPO** | Initial public offering |
| **IRR** | Internal rate of return |
| **ISSB** | International sustainability standards board |
| **JV** | Joint venture |
| **LP** | Limited partner or limited partnership |
| **LVR** | Loan-to-value ratio |
| **MREIT** | Mortgage Real Estate Investment Trust |
| **NPAT** | Net profit after tax |
| **Open-ended Fund** | Fund without expiry dates |
| **Perpetual capital** | Open-ended funds with no mandated expiry dates |
| **PF** | Performance fees |
| **RSL** | Residual stock loan |
| **SMA** | Separately managed account |
| **TCFD** | Task force on climate related financial disclosures |