MONARK
Realising the remarkable

The Monark Prime Credit Fund invests only in senior debt facilities provided by Monark Property Partners. These facilities are secured by first-ranking registered mortgages over Australian property.

Our overriding priority is to safeguard capital and then to maximise returns.

Key Information

Fund size	$180M
Unit price Unit price – 1 May entry Unit price – 1 June entry	$1.0239 $1.0160 $1.0079
Number of facilities	36
Portfolio Weighted Average LVR	61%
Average Portfolio Deployment	98%

Current Performance

Current Yield*	9.58%

* Most recent quarterly distribution annualised.

Historical Performance

1 month	0.79%
3 months	2.39%
12 months	9.27%
12 months (DRP)**	9.59%

** Performance where each quarterly distribution is reinvested under the Fund's Distribution Reinvestment Program.

★★★★☆
Superior
SQM RESEARCH

The Monark Prime Credit Fund has been awarded a Superior 4-star rating by independent research house SQM. This rating qualifies as a High Investment Grade

Monark Prime Credit Fund

Investor Update I June 2024

FLYING ON ONE ENGINE

All transactions in the Monark Prime Credit Fund's (Fund) portfolio are performing as expected. The Fund delivered a return of 0.79% for the month ended 30 June 2024 and now provides investors with a current cash yield, based on its most recent quarterly distribution annualised, of 9.58% per annum.

When flying in a thin, pressurised cylinder, 35,000 feet above a dark ocean, we are somewhat comforted knowing that there are at least two engines powering our plane. Whilst we'd prefer not to have this confirmed, it's a fact that a twin-engine jet can fly perfectly well (although not for the same distance) on only one.

Engineers call this redundancy. The intentional duplication of critical components or functions of a system with the goal of increasing reliability of that system.

Absent redundancy, a system is vulnerable to the failure of a single critical component.

Not dissimilar to today's global financial system, currently driven by a single critical component: consumer spending.

This single component has been the factor preventing the US (and by extension global) economy from tipping into a nasty recession – the most widely predicted recession not to have occurred.

There are several factors powering consumers:

1. Employment has remained strong. Every employee is a consumer.
2. US deficit spending continues to be very high by historical standards (currently 7% of GDP). Government handouts quickly make their way to wallets and purses.
3. Many households locked-in mortgages when interest rates were at record lows. Unlike Australia, US mortgagees have the luxury of fixing rates for decades, with the 30-year term being the most popular option.
4. The largess of Government COVID support (stimmy cheques).

The absence of a recession confused many forecasters. They felt materially higher interest rates would usher in a time of slower growth. With hindsight, and considering these four factors, it was ill advised to bet against the US consumer.

However, areas of weakness are now appearing. The single engine is misfiring.

US debt and deficits are a growing headwind. Federal government interest costs now exceed the entire US defence budget. New mortgages are being taken out at much higher rates. So is the refinancing of business and commercial real estate loans, typically taken out over shorter terms. Stimmy cheques have been spent.

We now see this play out in weaker consumer sentiment (index down from 79.4 in March to 69.1 in May), and disappointing results from many leading consumer companies (Walmart, Pepsi, Lululemon, Starbucks, and McDonalds). Nike recently saw its worst trading day since its IPO in 1980, crashing 20%.

With consumption accounting for approximately 70% of US GDP, a more circumspect and tentative consumer will have consequences. The oft-delayed recession may very well occur, with financial markets typically repricing to the downside.

And, as the adage goes, when the US sneezes, the world catches a cold.

Should this scenario play out, we expect little (if any) impact on Prime Credit. With thirty-plus senior debt facilities underpinned by strong collateral, the Fund is well insulated, and designed to protect investor wealth from the bear market typically associated with a recession.

We anticipate paying the June quarter distribution on Friday, 19 July.

Historical Performance (%)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	ANNUALISED RETURN
2021									0.54	0.59	0.59	0.62	7.31%
2022	0.64	0.57	0.64	0.59	0.61	0.60	0.66	0.65	0.64	0.70	0.68	0.71	7.77%
2023	0.74	0.66	0.73	0.73	0.75	0.73	0.78	0.80	0.76	0.78	0.75	0.77	8.98%
2024	0.77	0.71	0.76	0.77	0.80	0.79							9.30%

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Monark Prime Credit Fund
Investor Update | June 2024

An opportunity to co-invest alongside one of Australia's largest family offices, Monark is recognised by both the character of its people and the calibre of its investments.

Culture of partnership
We see our investors as partners. A relationship defined by trust, closeness, fairness, and a commitment to transparency. We invest your money alongside ours, ensuring an alignment of interests and a pursuit of mutual success.

Benefit of focus
We focus on the Australian middle property market, a sector underpinned by significant demand and price stability. This means robust loan security, lower risks and stronger investment fundamentals.

Power of expertise
We are an experienced, multidisciplinary team with property development, construction, credit risk and financial structuring expertise. Above all, we are property specialists who provide entrepreneurial capital, not simply a source of finance.

Discipline of patience
We recognise that superior investment opportunities are rare. Our opportunity-led strategy means we pursue quality, exercise patience, and only invest when we see value.

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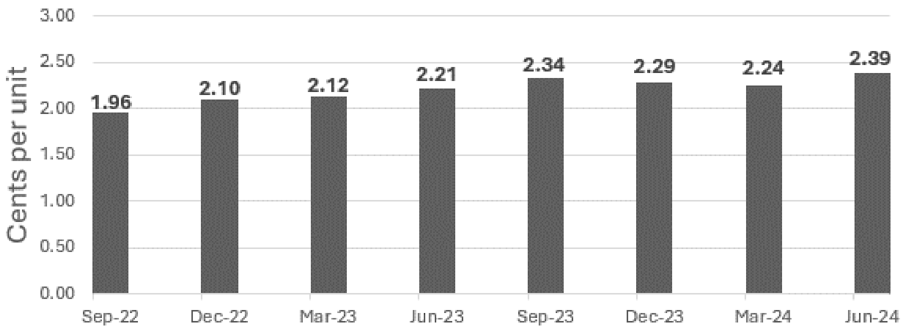
Distributions over last two years (cents per unit)



Portfolio details as at 30 June 2024

	Fund Weighting	Loan to Value Ratio (LVR)	Expected Return
Top Five Facilities			
Term Debt Commercial Perth (WA)	10%	57%	10.2%
Land Subdivision Mount Duneed (VIC)	9%	58%	10.8%
Land Subdivision Bacchus Marsh (VIC)	7%	48%	10.5%
Residential Construction Brighton (VIC)	6%	67%	10.0%
Residential Construction Essendon (VIC)	6%	65%	10.2%
Other Facilities	62%	64%	10.3%
Cash	0%	0%	3.3%

Information contained in this investor update
This investor update relates to the Monark Prime Credit Fund (Fund). Monark Securities Pty Ltd ACN 635 529 412 AFSL no. 519884 is the trustee of, and issuer of units in, the Fund. Monark Secured Debt Management Pty Ltd ACN 620 206 911 is the investment manager of the Fund and an authorised representative of Monark Securities Pty Ltd. This investor update contains general financial product advice only. The information contained in this investor update, whether express or implied, are published or made by Monark Securities Pty Ltd and Monark Secured Debt Management Pty Ltd, and by its officers and employees (collectively Monark) in good faith in relation to the facts known to it at the time of preparation. Monark has prepared this investor update without consideration of the investment objectives, financial situation, or particular needs of any individual investor, and you should not rely on the opinions, advice, recommendations and other information contained in this investor update alone. This investor update does not constitute an offer for the issue of units in the Fund. Investors should read the information memorandum for the Fund before applying for units in the Fund.

Who this investor update is provided to
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