Monark Prime Credit Fund

Investor Update I December 2024

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	$221M
Unit price	$1.0240
Unit price – 1 Nov entry	$1.0159
Unit price – 1 Dec entry	$1.0081
Number of facilities	34
Portfolio Weighted Average LVR	61%
Average Portfolio Deployment	97%

Current Performance

Current Yield*	9.53%

* Most recent quarterly distribution annualised.

Historical Performance

1 month	0.81%
3 months	2.40%
12 months	9.47%
12 months (DRP)**	9.79%

** 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

EDUCATED GUESSING

All facilities in the Monark Prime Credit Fund's (Fund) portfolio are secure and performing.

The Fund delivered a return of 0.81% for the month ended 31 December 2024 and now provides investors with a current cash yield, based on its most recent quarterly distribution annualised, of 9.53% per annum.

There are few industries that produce as many gurus, experts and other cerebrally muscular commentators as the financial. And the content that attracts the most attention is not so much explaining today, but divining tomorrow.

Lost in this overdose of interviews, research reports, client notes, and forecasts – all delivered with a deep sense of gravitas – is the appreciation that, such is the complexity of both financial markets and the system in which they operate, the future is essentially unpredictable. That the certainty and confidence with which information is provided is more marketing tool, more investor engagement, and far less useful for wealth management. It is, at best, educated guessing.

This can be proven in many ways. Perhaps the starkest being the annual forecast for the world's most influential equity index, the S&P 500. Forecasts for year-end 2024, made in late 2023 by the largest and most well-resourced firms, were way off. For the record, the S&P 500 ended 2024 at 5882. Just a few examples…

Firm	Forecast for year ended 31 December 2024	Miss (forecast vs actual)
BCA Research	3300	78%
J.P. Morgan	4200	40%
Bank of America	5000	18%
Goldman Sachs	5100	15%

The general mood was subdued in late 2023, hence what appears to be an overly conservative outlook. Fortunately for the star gazers, a low ball estimate attracts little criticism. Investors were too busy celebrating performance to scrutinise the accuracy of their advisors' models.

Unlike the previous year, the mood in late 2024 was overwhelmingly bullish, and the average forecast for year-end 2025 is 6600. Now *all major firms are bullish*, with targets ranging from around 6400 to 7100. Simply, it's a human tendency to extrapolate the present.

It's therefore no surprise that private markets, and private debt in particular, have started to attract so much interest. Initially from well-connected wealthy investors, and now more and more from the broader investing public. *That's because we don't have to provide, nor rely on, an educated guess.*

One of the most appealing qualities of well-structured, well-secured debt is its *margin of safety*. A buffer between forecast and actual. This quality allows a thesis to go wrong without necessarily impacting on investor returns. In this regard, we have one facility in the Prime Credit portfolio which has been affected by the failure of APH Holding, a major developer now in administration. Our facility is not part of the APH group but is made to a trust controlled by its owner. It is ringfenced, there are no cross-guarantees, and it is not subject to the appointment of administrators.

We are currently considering several options which include partnering with an experienced developer to commence construction, or a sale. The security is a premium development site and the LVR (margin of safety) is such that we expect to comfortably receive both interest and principal. We communicate this in the interests of transparency, not because we have any concerns with our position.

We expect to pay the 31 December 2024 distribution on or before Friday, 24 January.

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	0.83	0.82	0.79	0.82	0.78	0.81	9.47%

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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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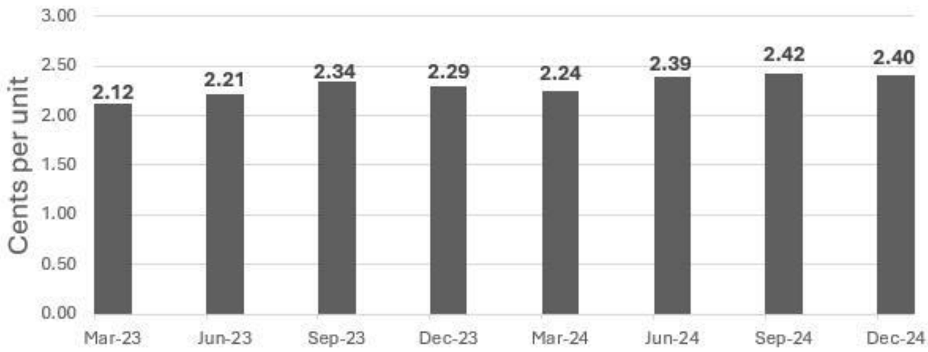
Distributions over last two years (cents per unit)



Portfolio details as at 31 December 2024

	Fund Weighting	Loan to Value Ratio (LVR)	Expected Return
Top Five Facilities			
Residential Construction Hampton (VIC)	9%	69%	9.8%
Term Debt Commercial Perth (WA)	8%	57%	10.2%
Residential Construction Armadale (VIC)	6%	63%	11.4%
Commercial Construction Seaford (VIC)	6%	64%	9.8%
Land Acquisition Deepdene (VIC)	5%	63%	10.4%
Other Facilities	64%	63%	10.5%
Cash	2%	0%	3.2%