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	$220M
Unit price	$1.0081
Number of facilities	33
Portfolio Weighted Average LVR	60%
Average Portfolio Deployment	96%

Current Performance

Current Yield*	9.53%

* Most recent quarterly distribution annualised.

Historical Performance

1 month	0.81%
3 months	2.40%
12 months	9.50%
12 months (DRP)**	9.85%

** 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 January 2025

LAND OF THE RISING PIN

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 January 2025 and now provides investors with a current cash yield, based on its most recent quarterly distribution annualised, of 9.53% per annum.

There are many pins lined up to spoil today's bubble-like and productive bull market. We've discussed several in previous updates, and in our recent CEO Letter.

At the core, much of today's pricing, and the confidence that has given rise to this, rests on the belief that interest rates have peaked, and ongoing cuts are now inevitable. Australia stands almost alone at cycle highs. Although this may be remedied at the next RBA meeting.

Should anything derail a move to lower interest rates, all bets are off. Simply, financial markets and investment assets are priced for a much lower cost of money.

Below the radar, and far, far away from the pages and channels of the mainstream financial media, lies the Land of the Rising Sun. A destination which has become increasingly popular with Australian tourists, primarily thanks to a weak Yen. A sophisticated Bali perhaps?

It is common knowledge that Japan mismanaged their economy in every way possible in the 1980s. The extent of the damage was reflected in the local bourse, the Nikkei 225 peaking on 19 December 1989 at an intraday high of 38,957. It then entered a bear market that would last decades, only passing its previous peak on 22 February 2024. A 34 year round trip to nowhere.

The reason for the Nikkei's strength is Japan's return to stronger growth. The country has shaken off decades of being trapped in a moribund economy.

Whilst positive for the Japanese, this return to health may have severe implications for global investors.

How so?

This new strength has awakened an old enemy – inflation.

Japan's inflation rate is in an upward trend, with December's reading at 3.6% per annum. Western eyes would not regard this as cause for concern. But emerging from long periods of deflation and considering that Japan is the world's most indebted major nation (government debt currently at around 250% of GDP), higher inflation is dry tinder.

Should today's Japanese inflation remain persistent, fighting it is going to have global consequences.

The Japanese government's most widely issued IOU, the 10-Year JGB (Japanese Government Bond), is currently trading at 1.3%. The current benchmark interest rate is 0.5%. Clearly these rates will need to increase substantially if inflation persists.

And there's the pin. Japan is the largest foreign holder of US Treasuries. Its government will need to sell all or some of this holding to pare down its own debt. This will have two likely consequences, higher US rates and a stronger Yen. Both are bad for financial markets – higher US rates speak for themselves, and a strong Yen threatens the substantial Yen carry trade (a setup where investors borrow in Yen at a low interest rate and invest the borrowed amount at a higher return). A stronger Yen, with a higher carrying cost, makes funding the carry trade much more expensive. Estimates suggest the trade is currently in excess of 1 trillion US Dollars. Its unwinding will be damaging.

Should this scenario play out, conservative, Australian dollar-denominated assets, would likely be a good place to be. With a portfolio consisting solely of senior debt secured against Australian real estate, the Prime Credit fund is designed to be a robust solution when pins and bubbles come closer.

Keep an eye on Japanese inflation. Watch the Yen. Kanpai!

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%
2025	0.81												9.51%

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Monark Prime Credit Fund
Investor Update | January 2025

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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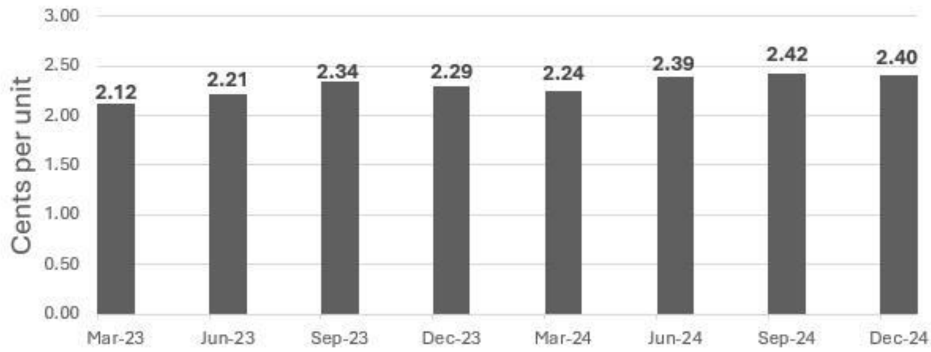
Distributions over last two years (cents per unit)



Portfolio details as at 31 January 2025

	Fund Weighting	Loan to Value Ratio (LVR)	Expected Return
Top Five Facilities			
Term Debt Commercial Perth (WA)	8%	57%	10.2%
Residential Construction Armadale (VIC)	7%	63%	11.4%
Land Acquisition Deepdene (VIC)	5%	63%	10.4%
Land Acquisition Cranbourne West (VIC)	5%	65%	10.6%
Commercial Construction Seaford (VIC)	5%	64%	9.8%
Other Facilities	62%	63%	10.6%
Cash	8%	0%	3.2%