

MONARK

Monark High Yield Debt Fund - Series 2

JUNE 2023

MONARK HIGH YIELD DEBT FUND - SERIES 2

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MONARK HIGH YIELD DEBT FUND - SERIES 2

An Invitation to Select Investors

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MONARK HIGH YIELD DEBT FUND - SERIES 2

Executive Summary

We are delighted to invite you to partner with Monark's executives and shareholders in the **Monark High Yield Debt Fund – Series 2 (Series 2 or Fund)**.

Our objective with the Monark High Yield Debt Fund is to create an asymmetric outcome for our investors by providing a return well in excess of the associated risk.

We expect Series 2 to mirror the success of the **Monark High Yield Debt Fund – Series 1 (Series 1)**, investing a diversified portfolio of Monark's highly regarded subordinated secured property debt transactions, targeting an internal rate of return of **15% per annum** (after fees and costs) on net called capital (being drawn funds net of capital repayments).

The target size of the Fund is **\$35 million** funded via the issue of partly paid units.

The Fund will invest in a **Seed Portfolio** of five transactions totalling around \$17 million - providing investors visibility over a material part of the Fund's portfolio.

Repayments will be distributed to Unit Holders as and when realised. The Fund is therefore **self-liquidating** and will wind up after the last distribution.

The **Investment Period** of the Fund is 12 months (with a further 12-month period, if required) after which no new investments can be made. Capital calls will most likely continue after this period for transactions committed to during the Investment Period.

It likely that the **investment term** of the Fund will be approximately five years with investors expected to receive the majority of repayments in the latter half of this period.

Due to the limited availability of Series 2, investment in the Monark is by invitation only. As such we'd appreciate you treating this communication as confidential.

MONARK HIGH YIELD DEBT FUND - SERIES 2

Key Commercial Terms | Series 2

Structure	Closed-ended unit trust, being part of a Master Trust group.
Investment Mandate	Actively managed, diversified portfolio of subordinated secured property debt transactions.
Units	Partly paid units.
Investment Period	The Manager has 12 months to commit to transactions, which may be extended by a further 12 months at the election of the Trustee.
Target Fund Term	5 years.
Reinvestment	No reinvestment of repayments (self-liquidating).
Target Return	Target internal rate of return of 15% per annum (after fees and costs) on net called capital (being drawn funds net of capital repayments).
Target Fund Size	\$35 million.
Liquidity	No provision for liquidity or redemptions.
Management Fee	2% per annum on net called capital.
Establishment Fees	Establishment fees paid by Borrowers may be retained by Monark.
Fund Setup Costs	All costs incurred to establish the Fund will be covered by Monark.

MONARK HIGH YIELD DEBT FUND - SERIES 2

Key Attractions | Series 2



Access to a portfolio of Monark's **highly regarded subordinated secured debt transactions**.



Significant target internal rate of return of **15% per annum** (after fees and costs) on net called capital (being drawn funds net of capital repayments) believed to be well in excess of the risks required to achieve this.



Fund performance expected to be generally **uncorrelated with volatile investment markets** providing potential for portfolio diversification.



Target size of \$35 million set to **accelerate deployment** of investor funds.



Significant Seed Portfolio providing visibility over a material part of the Fund's portfolio.



Focus in the Australian '**middle property market**' - mid-sized projects in selected, premium geographical areas that have historically shown limited price volatility and reduced development and exit risk.



Investor alignment with sizeable investment in the fund made by Monark shareholders and executives on the same terms, and in the same unit class – a true 'partners fund'.



Simplify investing with Monark – one investment, one statement.

MONARK HIGH YIELD DEBT FUND - SERIES 2

Series 1 Snapshot

The Projected Fund Cashflow indicates that the last investment is scheduled to be repaid by the end of Year 4 (October 2026).

Based on the contracted loan portfolio held to maturity, the Projected Investor IRR is 15.01% pa.

Current Fund Metrics

Launch date	1 March 2022
Target performance	15% IRR per annum on deployed funds
Fund size	\$64.4 million
Drawdown period	15 months from launch date
Portfolio diversification	15 projects
Current Fund performance	14% pa IRR
Projected Fund performance	15% pa IRR *
Initial distribution	3.8c paid in May 2023

Period	Cash Contributions	Anticipated Cash Repayments	Net Cashflow per Unit
Q1 2022	(0.20)	-	(0.20)
Q2 2022	(0.18)	-	(0.18)
Q3 2022	(0.34)	-	(0.34)
Q4 2022	-	-	-
Q1 2023	(0.10)	-	(0.10)
Q2 2023	(0.18)	0.06	(0.12)
Q3 2023	-	0.05	0.05
Q4 2023	-	0.13	0.13
Q1 2024	-	0.06	0.06
Q2 2024	-	0.26	0.26
Q3 2024	-	0.22	0.22
Q4 2024	-	0.20	0.20
Q1 2025	-	-	-
Q2 2025	-	0.18	0.18
Q3 2025	-	-	-
Q4 2025	-	0.14	0.14
Q1 2026	-	-	-
Q2 2026	-	-	-
Q3 2026	-	0.04	0.04
Projected Investor IRR:			15.01% pa

* Based on the current contracted loans held by Series 1, the projected investor internal rate of return to maturity is 15.01% per annum.

MONARK HIGH YIELD DEBT FUND - SERIES 2

Proposed Seed Portfolio – Series 2

The Fund has secured five high-quality transactions, totalling around \$17 million, into which to invest.

Facility	(\$ million)
1. Deanside Land Subdivision VIC	6.2
2. Rockpool, Rainbow Bay QLD	3.6
3. Oakleigh Townhouses, Oakleigh VIC	3.4
4. Point Nepean Road, Rye VIC	2.2
5. Bridport Street, Albert Park VIC	1.6
TOTAL	17.0

Please note:

Whilst Monark is mandated to fund the Seed Portfolio, the timing and amounts may vary.

SEED PORTFOLIO

Deanside Land Subdivision

131-171 Deanside Drive, Deanside VIC

Project	The land of 12.12 hectares, located at 131 – 171 Deanside Drive, has a net developable area of 6.7 hectares. The project involves the construction and development of 124 residential lots, providing affordable housing stock with an average lot price of \$395k - a price point currently attracting strong demand. The Monark Group is a shareholder in this project.
Developer	Solovey
Builder	NA (land subdivision)
Indicative Fund Investment	\$6.2 million
Indicative Term	32 months
Presales	Sales campaign not yet launched.
Indicative LVR (Principal)	83%
Residual LVR	NA
Status	Town planning application process underway
What we like about this transaction	<ul style="list-style-type: none"> Experienced developer who is well-known to Monark. The site is located in an area with strong demand attributes. The Property is located within the Urban Growth Zone and Kororoit Precinct Structure Plan (PSP). Availability of services due to infrastructure works to be completed at adjacent developments.



SEED PORTFOLIO

Rockpool, Rainbow Bay

154 Marine Parade, Rainbow Bay QLD

Project	The project comprises 21 luxury apartments over 12 levels with three levels of basement providing 73 parking spaces. Communal amenities include a gym, sauna, outdoor showers, a swimming pool with a deck, and business facilities. The development has been designed to appeal to the premium end of the owner-occupier market.
Developer	Joe Adsett Architects
Builder	Tomkins Commercial & Industrial Builders
Indicative Fund Investment	\$3.6 million
Indicative Term	15 months
Presales	67% presold (by value)
Indicative LVR (Principal)	74%
Indicative Residual LVR	42% (LVR assuming all current presales settle)
Status	Planning permit issued in June 2021. Presales of 14 of the 21 apartments available, confirming project's market acceptance. Construction commenced in January 2023.
What we like about this transaction	<ul style="list-style-type: none">• The Sponsor is a well-regarded architect and an experienced developer.• Tomkins, a well-regarded Tier 2 Builder, with extensive experience in delivering similar quality and specification.• The Project is 67% presold which demonstrates strong market acceptance and significantly de-risks the Facility.



SEED PORTFOLIO

Oakleigh Townhouses

Oakleigh VIC

Project	The Developer has strategically acquired two adjacent sites to develop 16 townhouses with a single level common basement carparking. The townhouses will comprise a mix of three- and four-bedroom configurations and is being designed by well-regarded architecture firm Cera Stribley. The Monark Group is a shareholder in the project.
Developer	Callex Group
Builder	Not yet appointed
Indicative Fund Investment	\$3.4 million
Indicative Term	33 months
Presales	Sales campaign not yet launched.
Indicative LVR (Principal)	76%
Residual LVR	NA
Status	Project site deposit due in June 2023 with a 15-month settlement period. Early engagement with Council commenced ahead of the formal planning process in late 2023.
What we like about this transaction	<ul style="list-style-type: none">• Attractive offering of architecturally-designed townhouses with secure basement carparking.• High-quality amenity within short distance of the Property including shopping, transportation, education and recreational facilities.• The Project targets owner occupiers with an even mix of 3 and 4-bedroom configurations.



SEED PORTFOLIO

Point Nepean Road, Rye

2123-2135 Point Nepean Road, Rye VIC

Project	The Project is designed by Cera Stribley architects and is aimed at owner-occupiers / downsizers who are seeking high quality but low maintenance beachside retreats. The development consists of 20 apartments and ground floor commercial/retail spaces. The Monark Group is a shareholder in the project.
Developer	Curtis York
Builder	Not yet appointed
Indicative Fund Investment	\$2.2 million
Indicative Term	24 months
Presales	Marketing campaign not yet launched
Indicative LVR (Principal)	81%
Residual LVR	NA
Status	Project site settled in October 2022. Planning permit application expected in June 2023.
What we like about this transaction	<ul style="list-style-type: none">• Proximity to beach and shopping amenity.• Planning permit application submitted in line with Council's requirements.• Strong capital growth experienced in Mornington Peninsular.



SEED PORTFOLIO

Bridport Street, Albert Park

146–150 Bridport Street, Albert Park VIC

Project	The developer has strategically acquired and amalgamated three sites to develop a 6-level mixed-use development comprising six luxury apartments, all with basement carparking, to be constructed above office and retail areas. Each apartment will occupy a full level. The project is located in a high-profile shopping strip in the blue-ribbon suburb of Albert Park. Designed by well-regarded architecture firm Cera Stribley. The Monark Group is a shareholder in the project.
Developer	Jacmax Projects
Builder	Not yet appointed
Indicative Fund Investment	\$1.6 million
Indicative Term	32 months
Presales	Marketing campaign not yet launched
Indicative LVR (Principal)	78%
Residual LVR	NA
Status	Planning permit application submitted in December 2022. VCAT Compulsory Conference scheduled in July 2023 and Hearing in September 2023.
What we like about this transaction	<ul style="list-style-type: none">• Attractive product in high socio-economic suburb.• Proximity to CBD, Albert Park beach and Bridport Street shopping strip.• Planning permit application well progressed.



NEXT STEPS

Application process

We expect strong investor demand for the Fund. Accordingly, this offer is by invitation only to select investors.

To ensure investors are accommodated, we will be offering you a guaranteed allocation in Series 2. You may request a greater amount than your guaranteed allocation, which we will endeavour to accommodate, subject to availability.

The application process is in two steps:

- 1** Complete and submit the Investment Request Form at the back of the Information Memorandum
- 2** On receipt of your Investment Request Form, we will provide a link to our secure online application process, hosted by Registry Direct, together with guidance on how to complete your application.

In order to secure your allocation, we request that you complete your online application on or before Friday, 30 June 2023.

NEXT STEPS

Timetable

Key Milestones	Date
Issue of Information Memorandum and Application Form to investors	Thursday, 1 June 2023
Last date to submit applications	Friday, 30 June 2023
Confirmation of investor allocations and first capital call	Thursday, 6 July 2023
Funds due	Monday, 31 July 2023
Fund Launch	Tuesday, 1 August 2023

APPENDIX 1

Our Advisory Board and Investment Committee

**Michael Kark****Adam Slade-Jacobson****Justin Liberman****Barry Brott****Tim Muller****Peter Hutchins****Matthew Chun**

Role	CEO, Board Member IC Member	CIO Board Member	Director Jagen	Board Member	IC Member	Advisory Board	IC Member Advisory Board
Employment History	Qualitas Babcock & Brown	Qualitas Ashe Morgan	Jagen	Jagen Square Peg MYOB KPMG	Jagen KPMG	Charter Keck Cramer (CEO)	AFL Simmonds (CEO) Becton (CEO)

APPENDIX 2

The Executive Team

**Michael Kark****Adam Slade-Jacobson****Dani Peer****Sam Mitchell****Amit Sharma****Ashley Hartman****Paul McIntyre****Marina Shnaider**

Position	CEO Board Member IC Member	CIO Board Member	Director (Funds Management)	CFO	Director (Deal Execution)	Head of Legal	Director (Construction Risk)	Director (Private Capital)
Qualifications	MBCHB, MBA	BEc LLB	BCom, BAcc Adv Dip Fin Services (Financial Planning)	BCom (Accounting) Chartered Accountant	Chartered Accountant	BA LLB (Hons)	Construction Management Registered Builder Domestic Registered Builder Commercial	BCom BBusSystems Dip Fin Services
Employment History	Qualitas Babcock & Brown	Qualitas Ashe Morgan	Wingate NAB Zurich Financial Services	Pitcher Partners EisnerAmper LLP	JP Morgan Morgan Stanley Fosun Property Kotak Mahindra Capital Company Limited	Wingate Ashurst Lander & Rogers	Hub Property Group Becton Property Group Davis Construction (US)	Wingate NAB ANZ PWC ANZ
Years' Experience	26	26	30	17	13	12	20+	20+

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