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Monark High Yield Debt Fund – Series 1 Quarterly Investor Update

31 March 2025

Confidential

Please Note

Information contained in this investor update

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Dear Investor

Welcome to Monark High Yield Debt Fund – Series 1 (the Fund, Series 1) update for the quarter ended 31 March 2025.

Executive summary

The Fund's remaining portfolio continues to perform strongly, providing investors with a since-inception Internal Rate of Return of 14% per annum.

During the quarter, the Hampton Hill facility was repaid leaving the Fund with six portfolio investments. Two distributions were made totalling 17.56 cents per unit. To date investors have received distributions totalling approximately 93 cents per unit.

We anticipate continued repayments of the Fund's facilities and expect to make a further distribution towards the end of the June quarter.

The current unit value is 40 cents. Total growth per unit (current value plus distributions) is therefore $1.33, providing investors with a return on total capital invested of 1.33x.

In the *Investment Environment* section of this update, we explore the relationship between "Main Street" and "Wall Street". We discuss how the circumstances in the real economy eventually force financial markets to align, and how this is likely to have an important impact on the performance of investor portfolios. We also offer a somewhat challenging perspective on "Trump's Tariffs".

Finally, we continue to see a number of attractive opportunities that meet the criteria and quality we seek for our High Yield Debt Funds. With Series 3 now 75% deployed (including a call in mid-April), we are in the process of setting up Series 4 and anticipate a fund launch date of 1 August.

We plan to extend an invitation to invest to all investors in our High Yield Debt Funds (Series 1, 2 and 3), together with a guaranteed allocation. As with previous offers, we expect Series 4 will attract strong demand. If you would like to receive an allocation materially higher than your current investment, please let us know so that we can look to set this aside for you.

We hope you enjoy reading this report and continue to remain engaged with the progress of your investment in the Fund.

Investment environment

When speaking with prospective investors and making the case for an allocation to private credit, we always appreciate that our chosen asset class faces competition from a number of others. The most popular being equities. Equities have been the mainstay of most portfolios for many years. And, given their performance, quite understandably.

That being the case, we have communicated regularly – in these updates and other notes to our investors - that fundamentals and market performance just didn't add up. That "Main Street" and "Wall Street" seemed out of step. Recognising this anomaly, we continued to describe the investment environment as being "fragile".

We also appreciate that perception and reality can differ for a considerable period. That's what gives us bull and bear markets – the recognition that market pricing and the environmental reality differ.

But we query the perception and objectivity of those whose role it is to assist investors make educated decisions about where best to allocate their capital.

In a recent update to investors in our Prime Credit Fund, we said:

> *Many whose job it is to inform, and report, have been napping. Or at least seeing their preferred reality. The introduction of tariffs has resulted in a wave of fury. But why the preoccupation with lower inflation and higher stock prices, whilst ignoring the pervasive and ongoing deterioration of the country's fundamentals?*

We referred to Stein's Law:

> *"If something cannot go on forever, it will stop".*

In this case what couldn't go on forever was the belief in "American exceptionalism" and the market pricing that accompanied this misguided notion.

We see the tariffs announced on "Liberation Day" as the pin that pricked the exceptionalism bubble.

74% of the globe?

At the start of 2025, US equities accounted for around 74% of global market capitalisation. Whilst US Gross Domestic Product (GDP) accounted for just one quarter.

The logic, of course, was that the premium placed on US companies was due to their superior earning's growth. And the exceptionalism behind this. Just look at the Magnificent Seven, investors were told.

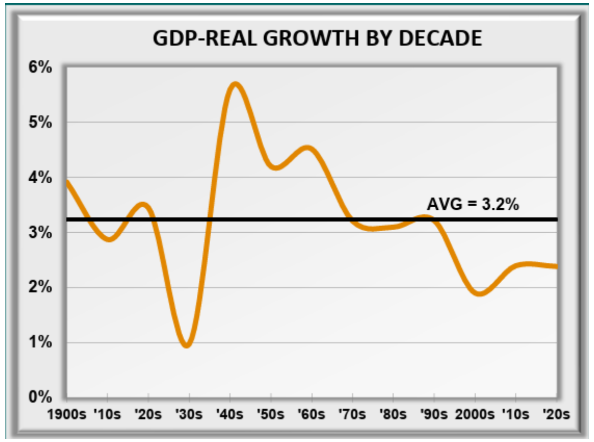
Below the hype, the land of the free and home of the brave was struggling. And, contrary to what the mainstream media has been venting these last few weeks, this demise began long before "Liberation Day". In our Prime Credit update we said:

> *Reality is that the United States has been on the decline for several decades. A reality that presents in many ways: the relentless build-up of government debt (where the annual interest bill now exceeds the nation's defence spending), the hollowing out of the middle class primarily through de-industrialisation and the export of the country's manufacturing base, material trade deficits and dependence on foreign funding, new jobs' openings skewed to low-paid retail, hospitality and care industries, a crumbling infrastructure…*

If one simply remained glued to ever-levitating equity indices, one would scoff at this gloomy description. How could it be that such a *subpar environment* could nonetheless produce such *exceptional investment performance*? The answer? Investor confidence and ample liquidity can do amazing things for financial markets.

A subpar environment

A country's GDP is the sum of all its economic activity – consumer, business, government, and the external sector (imports and exports). US GDP growth has been on the wane for decades:



Source: Crestmont Research

QUARTERLY INVESTOR UPDATE

The graph echoes the “lived experience” for many Americans. A sense that things were on the decline.

Sadly, it’s even worse than the graph suggests with a large part of GDP coming from consumption and government expenditure – the “poor quality” components. Much of this activity has been – and continues to be – fuelled by debt. Business investment and exports – the “high quality” components – made far smaller contributions.

But you’d never have guessed this if you held a portfolio of US stocks. Whilst growth in the *real* economy continued to slow, the *financial* markets surged.

Exceptional investment performance

This phenomenon was driven by two forces: value and liquidity.

Simply, substantial government financial deficits (now in the trillions) translated into liquidity looking for a home. The chosen destination was Wall Street. The only challenge was finding stocks available at reasonable prices. But leave that to the marketing department. Talk of the future profits to be generated by Artificial Intelligence, Robotics, and other technological advances, soon convinced investors that *any* price could be paid for tomorrow’s winners. This resulted in US markets moving to their most expensive levels *ever*, by some of the more sophisticated measures.

We are now in correction mode. With the US markets – as can always be expected – impacting global confidence and sending all equity markets lower.

What’s next?

No one can divine the future.

But one can be confident that there will be rallies and drops. That, *if* this is the end of the longest and strongest bull market in history (March 2009 to today), it won’t die easily. That “buying the dip” will continue to be popular. That investors will use yesterday’s prices as “anchor points”, comparing what a stock trades for today against its past peak rather than its sound pricing and prospects.

We think what is happening is more fundamental. More pervasive. And more enduring. As more and more investors recognise the weakness in Main Street, they will reconsider the pricing and prospects of Wall Street.

Perception is ephemeral. Fundamentals are gravity. One transitory, one timeless.

QUARTERLY INVESTOR UPDATE

A few words on Trump's Tariffs

In the same Prime Credit investor update we referred to earlier we said,

> *(We) don't think tariffs will in themselves remedy the issues described above. But we do believe that they provide the US administration with powerful bargaining tools to extract concessions which may in turn provide some positive outcomes.*

It's true, as President Trump argues, that tariffs did work in a bygone era. That at the dawn of the 20th century tariffs provided the majority of fiscal receipts for the US Federal government. However, decades of post-World War Two globalisation have seen capital investment made in many nations, the creation of a global logistical framework, the development of centres of expertise, the rise of business networks, and many other factors that make global trade part of the fabric of how the world runs.

The notion of a return to fortress America. The disruption this will cause, the complexities involved, the sacrifices required, are enormous and a substantial threat to real and paper value.

We understand where Trump is coming from. We've described earlier the parlous state and ongoing decline of the US. But we don't think the problem has been correctly diagnosed and therefore the solution is most likely not going to work. Unless, indeed, this is all about the art of the deal and tariffs are a bluff.

We don't believe that free trade has gutted the ability of the United States to remain a manufacturing superpower. Yes, there are many examples of currency manipulation, occupational health and safety issues in developing countries, theft of intellectual property, and some inappropriate tariff protection.

We believe, and this goes for Australia and most (all?) other Western nations, that over-regulation, high taxes, high minimum wages, high energy costs, and a declining work ethic are the essence of our lack of competitivity.

The US – and Australia – *do* need to bring back manufacturing to our shores. But the answer is extensive deregulation, scrapping minimum wages, encouraging businesses to invest by providing an environment in which they can flourish (which would include tax concessions), developing low-cost electricity production, and cutting back on social security to get people back to work.

Socialism has crippled the West, not a nefarious Chinese plot.

The US doesn't need tariffs. It needs free enterprise. And so does Australia.

In conclusion

Sadly, the changes we've described above are even more challenging than ringfencing an economy from competition by throwing up a wall of tariffs. The likelihood is that the headwinds to national growth – for which we have made the case – are set to endure and are likely to be translated into future underperformance by both equity and other risk asset markets.

That's why we remain excited about our asset class, and the contribution it can make to future portfolio performance. Private credit is generally uncorrelated with financial markets and has qualities that can offer protection from the consequences of the adverse environment described.

For those wedded to the portfolio allocations of the past, we'll let author, educator and executive coach, Marshall Goldsmith, have the final word:

"What got you here (may not) get you there."

Fund notes

The Fund's remaining portfolio continues to perform strongly, providing investors with a since-inception Internal Rate of Return of 14% per annum.

Although tracking slightly short of our target return of 15% per annum, we are pleased with the performance. If you recall, the Fund was launched in March 2022, at a time when the Australian cash rate was a heady 0.1%. Since launch there have been 13 interest rate increases – four of 0.5% and nine of 0.25%, and only a single cut, arriving at the current cash rate of 4.10%. It is common knowledge that higher rates have produced a great deal of stress, particularly in commercial real estate and property construction. We believe that the Fund's performance to date, in such a challenging environment, demonstrates both a robust strategy and a committed management team.

As at 31 March 2025, the Fund has a value of $25.7 million, $18.2 million of this is investor capital and $7.5 million accrued interest. The unit value is 40 cents.

During the quarter, the Hampton Hill facility was repaid. This, together with the repayment in late December 2024 of the Westgarth Fitzroy facility, enabled the Fund to make two distributions totalling 17.56 cents per unit. Details, including the split between the capital and income components of all distributions made to date, can be found on pages 15 and 16.

We anticipate continued repayments of the Fund's facilities and expect to make a further distribution towards the end of the June quarter.

As at 31 March 2025, investors have now received distributions totalling 93.17 cents per unit. With a current unit value of 40 cents per unit, the Fund is delivering a 1.33x on total capital invested, just shy of our initial estimate of 1.35x.

Looking ahead

The strategy behind the High Yield Debt Fund Series continues to deliver exceptional risk-adjusted returns for investors. As described above, Series 1 is now well into its mature phase, with 93.17 cents per unit returned to investors.

Series 2 continues to perform strongly currently delivering an IRR of 14.8% per annum, with Series 3 providing a similar return.

As described in the *Investment Environment* comments earlier, a more subdued "Main Street" is starting to exert its gravity on "Wall Street" which has until recently arguably behaved in a somewhat bubble-like fashion. The introduction of higher than anticipated tariffs on "Liberation Day" has brought a more sober mood to markets. We ended last quarter's commentary with the words:

> *We continue to describe major financial markets as "fragile", as materially overvalued, and believe we are now late in the bull market cycle and that the fabulous returns recently enjoyed by equity investors are unlikely to be maintained in the years ahead.*

We continue to maintain this view believing that our niche, private debt secured against Australian real estate, originated and managed by considered and experienced management, will prove profitable and constructive for investors.

We take the responsibility of managing your investment with us seriously and thank you for partnering with us.

Key Metrics

$64.4M

Capital called

$60.0M

Fund distributions

Of the $64.4M invested, $60.0M (93 cents per unit) has been repaid to 31 March 2025. This includes capital of $46.2M (72 cents per unit) and $13.8M (21 cents per unit) of income.

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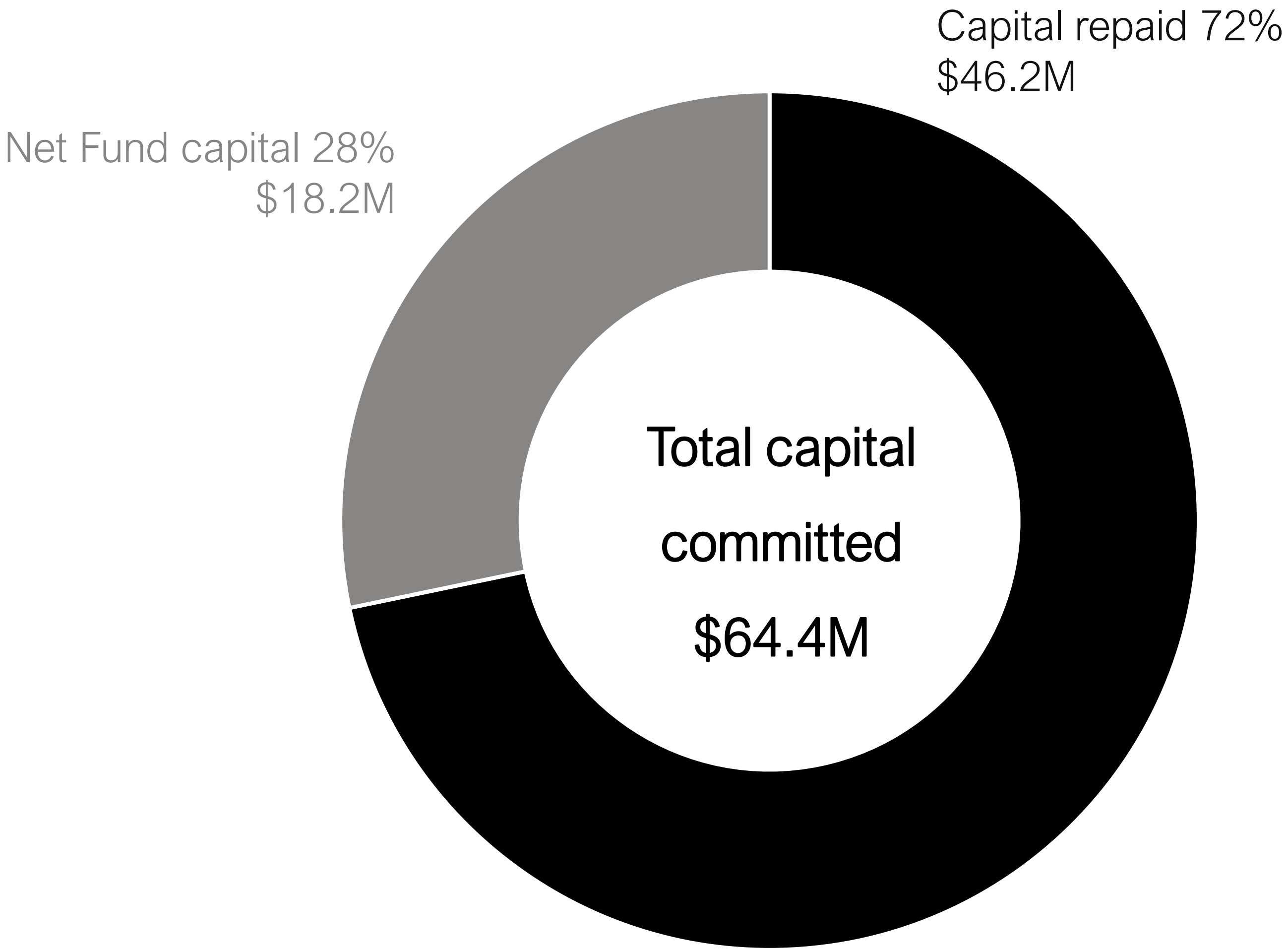
Number of portfolio investments

14%

Annual Fund IRR (net of fees and costs) from inception, 1 March 2022 to reporting date, 31 March 2025

Fund Capital

	Fund	Per unit
Total capital committed	$64.4M	$1.00
Capital movements		
Net Fund capital – 1 January ‘25	$26.6M	41c
Capital called during current quarter	-	-
Capital repaid during current quarter	$8.4M	13c
Net Fund capital – 31 March ’25	$18.2M	28c
Capital not yet called	-	-



Fund Performance

The Fund’s net IRR from Inception to Reporting Date is 14%.

	Fund	Per unit
Capital called	$64.4M	100c
Capital repaid	($46.2M)	72c
Net Fund capital	**$18.2M**	**28c**
Net income distributed	$13.8M	21c
Net income accrued	$7.5M	12c
Total net income since inception	**$21.3M**	**33c**
Annual Fund IRR from inception (1 March 2022) to 31 March 2025 [1]	**14%**	

1 The Fund’s final IRR will be determined after the repayment of all transactions in its portfolio.

Detailed Investor Cashflows – Capital Called

Date	Cents per unit
1 March 2022	20c
17 June 2022	18c
Financial year ending 30 June 2022	38c
3 August 2022	34c
15 February 2023	10c
19 April 2023	5c
18 May 2023	13c
Financial year ending 30 June 2023	62c
Total capital called	$1.00

Detailed Investor Cashflows – Fund Distributions*

Date	Total cents per unit	Income cents per unit	Capital cents per unit
3 May 2023	3.77	0.36	3.41
16 June 2023	3.13	0.40	2.73
Financial year ending 30 June 2023	**6.90**	**0.76**	**6.14**
9 October 2023	3.26	0.49	2.77
6 February 2024	1.70	0.23	1.47
24 April 2024	13.25	2.93	10.32
Financial year ending 30 June 2024	**18.21**	**3.65**	**14.56**

* Investors’ tax liability is determined by your pro rata entitlement to the income earned by the trust and is not necessarily related to the capital and income components of actual cash distributions. Investors will be provided with an Annual Tax Statement, which we expect to issue within 60 days of financial year end.

Detailed Investor Cashflows – Fund Distributions*

Date	Total cents per unit	Income cents per unit	Capital cents per unit
30 September 2024	8.38	1.68	6.70
7 November 2024	6.40	0.80	5.60
15 November 2024	2.31	0.63	1.68
03 December 2024	15.62	4.48	11.14
19 December 2024	17.79	4.91	12.88
14 January 2025	4.24	0.97	3.27
27 February 2025	13.32	3.51	9.81
Financial year ending 30 June 2025 (to date)	**68.06**	**16.98**	**51.08**
Total distributions paid to date	**93.17c**	**21.39**	**71.78**

*Investors’ tax liability is determined by your pro rata entitlement to the income earned by the trust and is not necessarily related to the capital and income components of actual cash distributions. Investors will be provided with an Annual Tax Statement, which we expect to issue within 60 days of financial year end.

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Unit Value

	Fund	Per unit
Net Fund capital	$18.2M	28c
Net income accrued	$7.5M	12c
Net asset value	**$25.7M**	**40c**

	Per unit
Unit value as at 31 March 2025	$0.40
Total distributions (capital and income) per unit to 31 March 2025	$0.93
Total growth per unit	**$1.33**

Series 1 Portfolio as at 31 March 2025

Facility	Balance of initial investment	Weighting
1. Horton Parade, Maroochydore QLD	$4.2M	31%
2. The Carlile, Armadale VIC	$3.6M	26%
3. Bridport Street, Albert Park VIC	$2.6M	19%
4. Point Nepean Road, Rye VIC	$1.3M	9%
5. Land Subdivision, Deanside VIC	$1.2M	9%
6. Harli Estate, Cranbourne West VIC	$0.8M	6%
	$13.7M	100%

PORTFOLIO REVIEW

Horton Parade, Maroochydore

127–137 Horton Parade, Maroochydore QLD

This property is a corner site located within the Maroochydore CBD. It includes two commercial buildings with 50 undercover car parking bays and 16 uncovered car parking bays. The developer's strategy is to procure development approval for a multi-level residential project or hotel and then market the property as a ready-to-develop opportunity. Monark is a shareholder in the property.

Key Information:

Developer	ZR Property Pty Ltd
Balance of initial investment	$4.2 million

Project Update

- The property was successfully acquired on 30 June 2022.
- It sits on 2,978 sqm of land and has a Net Lettable Area (NLA) of 2,280sqm.
- The property is 100% leased to several A-grade tenants including ANZ, Department of Veterans' Affairs, Projex Partners and Full Life Psychology.
- Rental income is currently sufficient to service senior bank interest payments and to provide the Fund with a monthly coupon of 7% per annum.
- The Developer recapitalised the asset in December 2024, reducing the senior debt leverage on the property by $1.0m. As a result, interest servicing costs are lower providing time to review market conditions and to determine an appropriate exit.

PORTFOLIO REVIEW

The Carlile, Armadale

929 – 933 High Street, Armadale VIC

A luxury six-level development with nine apartments and two retail units. Three levels of basement car parking provide traditional garage and tandem car spaces accessed via a car lift. Designed by Bayley Ward, the apartments comprise two, three and four-bedroom units ranging in size from 107 sqm to 332 sqm. The apartments are proposed to be finished to a luxury standard featuring timber flooring, natural stone benchtops and splash backs, Vzug induction appliances, integrated Leibherr fridges and Vintec wine fridges, built in gas fireplaces, floor and wall tiled bathrooms with freestanding tubs and uninterrupted CBD views to the northwest for upper-level apartments.

Key Information:

Developer	Hewson
Builder	Cobild
Balance of initial investment	$3.6 million

Project Update

- A planning permit was issued by Stonnington Council on 23 August 2019.
- Demand for the units in the project has been strong with unconditional sales contracts concluded for five of the nine apartments and for both retail units.
- Construction is now complete with the Statement of Compliance issued in early April.
- Titles are expected to be issued in mid-April with the settlement of sold units taking place shortly thereafter.
- A marketing campaign is underway with newly appointed sales agent Marshall White to sell the remaining units.

PORTFOLIO REVIEW

Bridport Street, Albert Park

146–150 Bridport Street, Albert Park VIC

The developer has strategically acquired and amalgamated three sites to develop a mixed-use development comprising luxury apartments, all with basement carparking, to be constructed above office and retail areas. 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. Monark is a shareholder in the project.

Key Information:

Developer	Jacmax Projects
Balance of initial investment	$2.6 million

Project Update

- A VCAT application was submitted in March 2023, resulting in the securing of a planning permit in May 2024 for a three-level building.
- Endorsed plans for the permitted scheme was received in December 2024 and the Developer is now preparing to apply for a Section 87A (Amend a Permit) via VCAT to re-instate the fourth level which was lost in the initial VCAT process.
- Marketing materials are currently being prepared for the permitted scheme with marketing of the lower levels expected to commence in the near future.
- World renowned interior designer, Kelly Wearstler, has been engaged to assist Cera Stribley.
- A consultant kick-off meeting is scheduled for April to commence design documentation ahead of an indicative construction start in late 2025.
- A preferred builder will be engaged on an early contractor basis to scope and price the construction contract.

PORTFOLIO REVIEW

Point Nepean Road, Rye

2123-2135 Point Nepean Road, Rye VIC

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 and are priced out of the Mornington / Sorrento & Mount Martha markets. The development consists of 20 apartments and ground floor commercial/retail spaces.

Key Information:

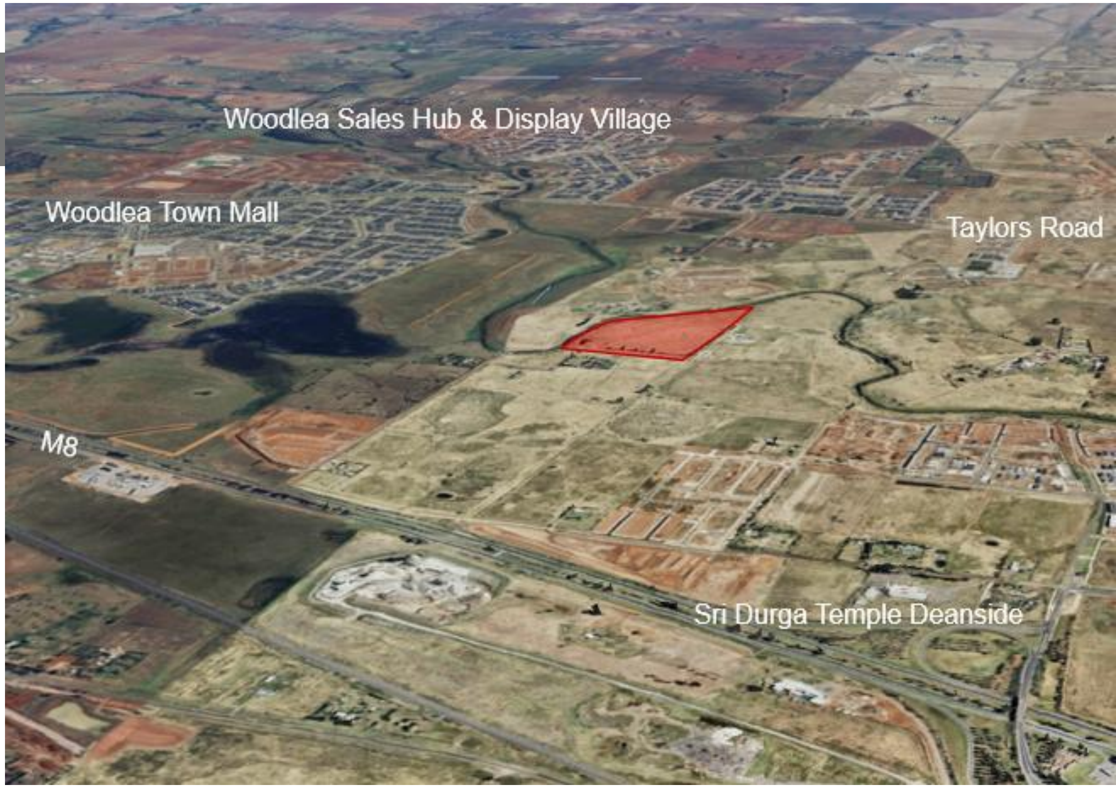
Developer	Curtis York
Builder	Sinjen
Balance of initial investment	$1.3 million

Project Update

- Land for the project was settled in October 2022.
- A planning permit was received in November 2023 and the project launched in late December 2023.
- To date, four units out of 20 have been sold.
- The Developer is currently finalising a construction contract with the Builder, Sinjen.
- An initial proposal for senior construction funding has been received from Westpac and is currently under review.

PORTFOLIO REVIEW

Land Subdivision, Deanside



131-171 Deanside Drive, Deanside VIC

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.

Key Information:

Developer	Solovey
Balance of initial investment	$1.2 million

Project Update

- Financial close took place in February 2023.
- The developer has now engaged a majority of the consultant team via competitive tender.
- The town planning application was submitted to Melton City Council for review.
- Council requested a CHMP (a Cultural Heritage Management Plan) to progress town planning application.
- After an extended period of negotiation, the Developer has completed a complex 'cultural heritage test results' meeting with Wurundjeri HQ and is in the process of submitting a final CHMP to Council.

PORTFOLIO REVIEW

Harli Estate, Cranbourne West

950 Western Port Highway, Cranbourne West VIC

Developer, Resolution Property Group (RPG), is collaborating with the vendor, Natural Resources Conservation League, to deliver an exemplar of environmentally sustainable development. Specifically, a land subdivision comprising 181 lots on a 9.2 ha infill site with homes having a 7-star NatHERS rating.

RPG is a property development manager company experienced in acquiring and developing master planned communities, residential land subdivisions, infill townhouse projects and residential/golf communities throughout Victoria. Monark is a shareholder in the project.

Key Information:

Developer	Resolution Property Group
Balance of initial investment	$0.8 million

Project Update

- Both land settlement and receipt of a planning permit for the project took place in August 2022.
- Stage 1 was completed in March 2024 and Stage 2 received occupancy permit in September 2024.
- 81 lots have now settled across the stages. The developer is actively marketing residual titled lots in Stages 1 & 2 and untitled lots in Stages 3 & 4. To date 21 lots have been sold in Stages 3 & 4.
- With the repayment of the senior debt facility, a residual stock facility and an englobo land facility have been established which has enabled a substantial part of the preferred loan facility to be repaid.
- The Developer is proposing to commence construction on Stages 3 & 4 shortly to capitalise on the recent momentum in presales and bring forward the overall project development timeline.

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