

# BOSTON INCOME FUND

QUARTERLY INVESTMENT REPORT  
PERIOD ENDED: 30 JUNE 2018



## 10.3357% ANNUALISED RETURN

Quarter Ending	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Actual Return for Period	2.75%	2.74%	2.63%	2.54%	2.57%	2.57%	2.57%	2.52%	2.58%
Annualised Return	11.04%	10.85%	10.42%	10.31%	10.31%	10.21%	10.20%	10.21%	10.34%
BBSW30 at end of Quarter	1.85%	1.62%	1.64%	1.63%	1.62%	1.60%	1.71%	1.83%	1.92%
Margin Over BBSW30 <sup>1</sup>	9.20%	9.24%	8.78%	8.69%	8.70%	8.61%	8.49%	8.38%	8.42%
Return since Inception <sup>2</sup>									11.55%
Return Against Target	▲	▲	▲	▲	▲	▲	▲	▲	▲

1. **Margin over BBSW30:** Calculated by subtracting the BBSW30 rate at the end of the quarter from the Annualised Return for the Quarter
2. **Return since Inception:** Assumes the consistent reinvestment of distributions since the BIF inception date of 1 November 2013

### Investment Strategy

The strategy of the Boston Income Fund (BIF) is to invest at the subordinated finance level of commercial lending platforms that feature in the Non-Bank Financial Institution (NBFI) sector. BIF will invest primarily through trust structures in a carefully selected portfolio of high yielding, income producing assets providing returns commensurate with the underlying level of risk. These assets may be in rated and non-rated structures. It is expected that BIF will generate quarterly returns without capital uplift.

### Objectives

The primary objective of BIF is to build a portfolio of notes at the subordinated level within the debt capital structure of targeted NBFIs. In addition to meeting the stringent risk weighting criteria of senior funders, a strict approach to performance benchmarking and risk management supports the preservation of investor capital and strong returns. BIF seeks to take advantage of the regulatory arbitrage that has evolved within the Australian Commercial Debt sector following the introduction of rules with respect to debt capital ratios imposed by the Basel conventions. BIF has been designed to take advantage of these changes to international banking protocols. The evolution and growth of BIF has come about through careful identification of assets that demonstrate long term serviceability and appropriate risk/reward characteristics.

### Fund Manager's Investment Report — Mr. Paul Jones

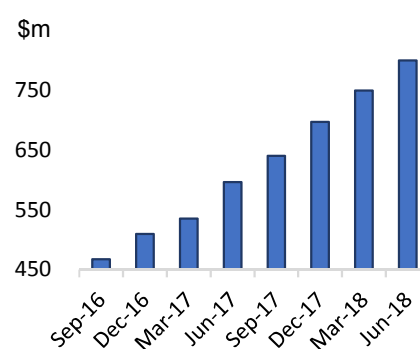
The Boston Income Fund (BIF) is reporting an official quarterly return of 2.5769% for the June 2018 quarter, equivalent to an annualised return of 10.3357% or 11.5456% assuming the consistent reinvestment of quarterly distributions (*shown in the table above as 'Return since Inception'*).

Think Tank Group Pty Ltd (Think Tank), a Sydney based NBFI commercial mortgage lender is the Manager, Originator and Servicer of each of the commercial mortgage trusts that form the basis of BIF's investment strategy. BMIL is pleased to report Think Tank has again produced another strong performance over the recently completed June 2018 quarter.

At the completion of the June 2018 quarter Think Tank broke new ground and recorded total loans under management of \$805.3 million across 1,218 loan accounts. In comparative terms the value of the loan book has grown since the June 2017 quarter by \$208.2 million, an annual overall growth rate of 34.9%. The quantum of loans under management has shifted upwards by 302 loan accounts, an annual growth of 32.9%.

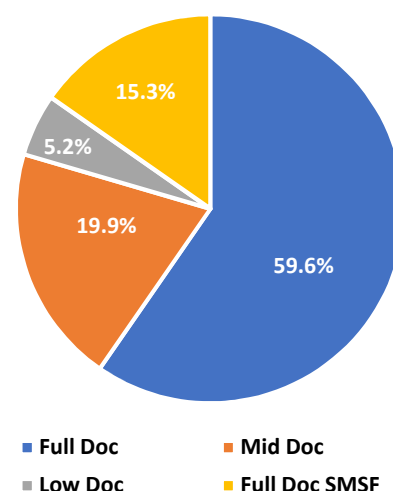
Think Tank Loan Book Metrics*	
No. of Loans	1,218
Book Balance	\$805,297,858
Avg. Loan Bal.	\$661,164
WA LVR	63.15%

#### Loan Book Balance\*



#### Loan by Income Verification\*

\*Data as at 30 June 2018



Deeper loan book metrics taken from the Think Tank commercial property loan portfolio at the conclusion of the June 2018 quarter are equally impressive. The Weighted Average Loan to Value Ratio (LVR) across the portfolio at the end of the June 2018 quarter is 63.15%, a 78-basis point reduction on the ratio reported last quarter, and the lowest reading in the history of the Think Tank loan book. The loan book LVR has been gradually trending downwards over the last 5 years.

Once again, careful management during the June 2018 quarter has resulted in the 12-month rolling average of loan accounts classified as being in arrears is being maintained at 1% of the overall loan book, an impressive metric for a commercial mortgage portfolio.

### Fund Manager's Comment — Mr. Paul Jones

The Australian interest rate environment remained mostly stable during the June 2018 Quarter. Whilst the Official Cash Rate has remained unchanged, there was some upward movement in the Bank Bill Swap Rate towards the end of the quarter. This trend is expected to continue over the short term. On 19 April 2018, Australian Finance Group Limited (ASX: AFG) acquired a significant shareholding in Think Tank Group Pty Ltd. AFG's investment recognises Think Tank as a viable alternative in the commercial property finance sector. Think Tank will become a white label provider of Commercial Mortgage Loans, under the name "AFG Commercial, Powered by Think Tank", to AFG's network of over 2,900 brokers. The contribution of this arrangement to the growth and continued success of the BIF will be closely monitored by your Investment Committee.

BMIL is also very pleased to announce that our updated website is now available at [www.bmilimited.com.au](http://www.bmilimited.com.au). BIF investors can access past and current quarterly reports, videos and news updates from the website. In addition, there is an easy to use login portal for our registry, Boardroom Pty Ltd, where investors can access their quarterly and annual tax statements.

Should you wish to discuss your investment in the Boston Income Fund, or have any questions about accessing documents or information on our updated website, please contact the Fund Manager, Paul Jones, on (02) 8920 8886.

### Our Team

Director and Chairman	Mr. Derryn Harrison
Director	Mr. Bradford Gower
Director	Mr. Paul Jones
Non-Executive Director	Mr. Tim Power
BIF Fund Manager	Mr. Paul Jones
BIF Deputy Fund Manager	Mr. Daniel Hoang

### Fund Structure

Registry	Boardroom Pty Limited
Trustee	BMIL Nominees Pty Limited
Manager	Boston Managed Investments Limited
Auditor of the Fund	Thomas Hopper & Partners
Custodian	Australian Executor Trustees Limited

### Fund Metrics

Inception Date	November 2013
IM Version & Date	Version 6 – 01 July 2018
Number of Investors	57
Investor Type	Wholesale and Sophisticated ( <i>refer conditions below</i> )
Target Return	3.50% above BBSW30 ( <i>after fees</i> )
DRP Available	Yes

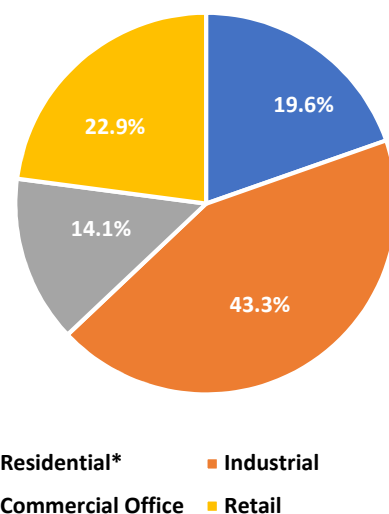
### Important Information

Disclaimer: This document is not intended to be read by anyone other than a Wholesale Client or Eligible Investor (as defined in Section 761G of the Corporations Act 2001) and should be read in conjunction with the Information Memorandum for Boston Income Fund dated **01 July 2018**. A copy of the Information Memorandum can be obtained by contacting Paul Jones on (02) 8920 8886 or at [paul@bmilimited.com.au](mailto:paul@bmilimited.com.au). Boston Managed Investments Ltd (AFSL No. 469808).

### Contact Us

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### Loan by Securities Type\*



# Includes Rural, Student Accom, Boarding Houses, Multi Title, Mixed Use etc

\*Data as at 30 June 2018

### Quarterly Report Videos



<https://youtu.be/Pue2eQtGc54>

