

BOSTON INCOME FUND

QUARTERLY INVESTMENT REPORT
PERIOD ENDED: 31 MARCH 2019



10.3777% ANNUALISED RETURN

Quarter Ending	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
Actual Return for Period	2.54%	2.57%	2.57%	2.57%	2.52%	2.58%	2.61%	2.62%	2.56%
Annualised Return	10.31%	10.31%	10.21%	10.20%	10.21%	10.34%	10.36%	10.41%	10.38%
BBSW30 at end of Quarter	1.63%	1.62%	1.60%	1.71%	1.83%	1.92%	1.87%	2.05%	1.79%
Margin Over BBSW30 ¹	8.69%	8.70%	8.61%	8.49%	8.38%	8.42%	8.49%	8.36%	8.59%
Return since Inception ²									11.44%
Return Against Target	▲	▲	▲	▲	▲	▲	▲	▲	▲

- Margin over BBSW30:** Calculated by subtracting the BBSW30 rate at the end of the quarter from the Annualised Return for the Quarter
- 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

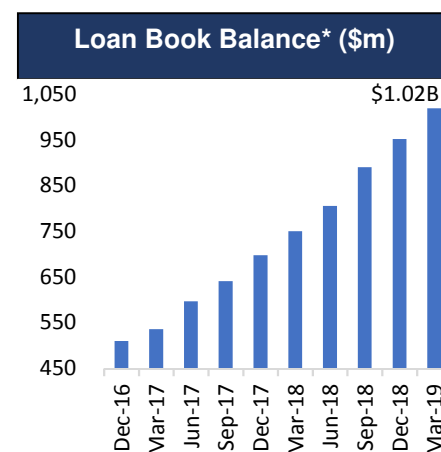
The primary objective of BIF is to build a portfolio of notes at the subordinated level within the debt capital structure of targeted NBFIs. In addition to meeting the stringent risk weighting criteria of senior funders, a strict approach to performance benchmarking and risk management supports the preservation 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

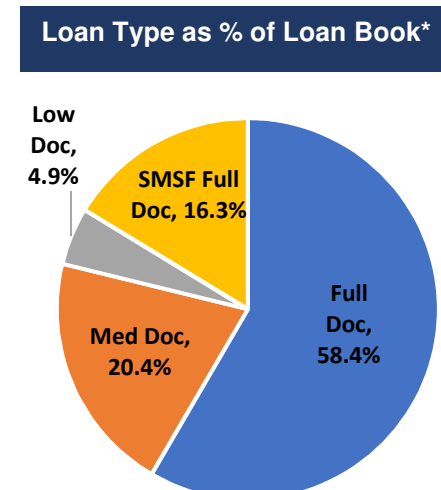
The Boston Income Fund (BIF) is reporting an official quarterly return of 2.5589% for the March 2019 quarter, equivalent to an annualised return of 10.3777% or 11.4351% assuming the consistent reinvestment of quarterly distributions (*shown in the table above as 'Return since Inception'*).

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 March 2019 quarter. At the completion of the March 2019 quarter Think Tank recorded total loans under management of \$1.02 billion across 1,525 loan accounts. In comparative terms the dollar value of the loans under management has grown since the March 2018 quarter by \$269 million, an annual overall growth rate of 35.9%. The quantum of loans accounts under management has shifted upwards by 400 loan accounts, an annual growth rate of 35.6%.

Deeper loan book metrics taken from the Think Tank commercial property loan portfolio at the end of the March 2019 quarter are equally impressive. The Weighted Average Loan to Value Ratio (LVR) across the portfolio at the end of the March 2019 quarter is 62.52%, a 141-basis point reduction on the same ratio reported in the March 2018 quarter, and an indication that Think Tank is focused



No. of Loans	1,525
Book Balance	\$1,019,352,198
Avg. Loan Bal.	\$668,428
WA LVR	62.52%



*Data as at 31 March 2019

on maintaining prime - bank quality - credit at the core of its lending policy. The downward trending progress in LVR contrasts against the growth in monthly new loan volumes and total loans under management, both of which have increased at the same time monthly LVR figures have been continuously declining.

Think Tank loan arrears, of greater than 30 days, reported at the end of the March 2019 quarter, have declined against the elevated rate reported in the December 2018 quarterly report. As at 31 March 2019, the quantum of loan accounts with repayment arrears of greater than 30 days, as a percentage of total loan book volume, is 0.97%. A closer analysis of the reported loan arrears over the March 2019 quarter confirms that there are no significant clusters amongst geographic or industry sectors and BMIL is satisfied that loan arrears are carefully and responsibly managed by Think Tank.

Fund Manager's Comment — Mr. Paul Jones

Over the March 2019 quarter, BMIL has observed consistent downward movements in Australian short-term interest rates, including the 30-Day Bank Bill Swap Rate, or BBSW30, which declined by 26 basis points, or quarter of a percent, over the March 2019 quarter. The reported 3 basis point fall in the BIF's annualised return for the March 2019 quarter does reflect this fall in BBSW30, but investors will note that the BIF has also maintained its annualised return above its targeted benchmark over the March 2019 quarter. Given current market conditions, and a consensus outlook for reductions in the Official Cash Rate possibly occurring in late 2019 and/or early 2020, BMIL is expecting short term rates to remain at low levels for the next few quarters.

As you will have noted from the details in the Investment Report above, plus associated tables and charts, Think Tank achieved a significant milestone during the March 2019 quarter. The total value of Think Tank's current loans under management now exceeds 1 billion dollars. This is a significant achievement for a specialised commercial property lender in the Australian market.

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	60
Investor Type	Wholesale and Sophisticated (<i>refer conditions below</i>)
Target Return	3.50% above BBSW30 (<i>after fees</i>)
DRP Available	Yes

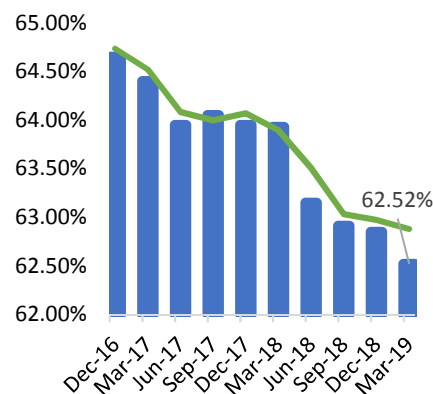
Important Information

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. Boston Managed Investments Ltd (AFSL No. 469808).

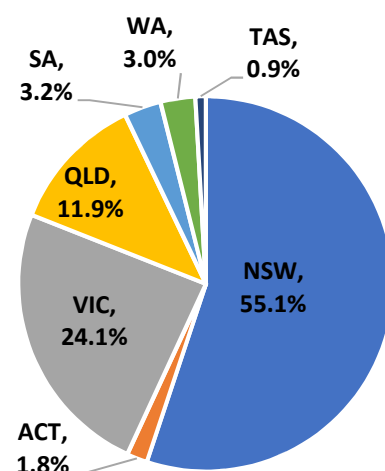
Contact Us

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Loan Book Weighted Average LVR*



Geographic Distribution*



Quarterly Report Videos

Click link below to view online –



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