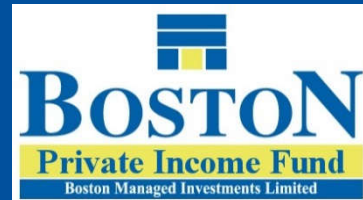


BOSTON PRIVATE INCOME FUND

QUARTERLY INVESTMENT REPORT
PERIOD ENDED: 31 DECEMBER 2017



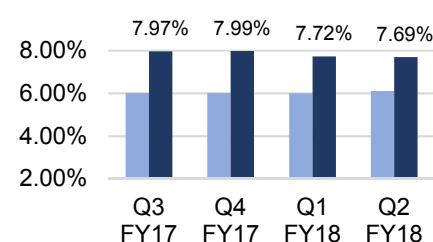
7.6915% ANNUALISED RETURN

| Quarter Ending | Sep-16 | Dec-16 | Mar-17 | Jun-17 | Sep-17 | Dec-17 |
|---------------------------------|--------|--------|--------|--------|--------|--------------|
| Actual Return for Period | 1.78% | 1.95% | 1.97% | 1.99% | 1.95% | 1.94% |
| Annualised Return | 7.07% | 7.73% | 7.97% | 7.99% | 7.72% | 7.69% |
| Targeted Return | 6.02% | 6.04% | 6.03% | 6.02% | 6.00% | 6.11% |
| BBSW30 at end of Quarter | 1.62% | 1.64% | 1.63% | 1.62% | 1.60% | 1.71% |
| Margin Over BBSW30 ¹ | 5.46% | 6.09% | 6.35% | 6.37% | 6.12% | 5.98% |
| Return since Inception | 7.07% | 7.89% | 8.03% | 8.09% | 8.05% | 8.02% |
| Achievement 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

Investment Strategy

The strategy of the Boston Private Income Fund (BPIF) is to invest at both the senior and subordinated finance levels of commercial lending platforms that feature in the Non-Bank Financial Institution (NBFI) sector. BPIF 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 BPIF will generate quarterly returns without capital uplift.



Objectives

The primary objective of BPIF is to build a portfolio of notes at the senior and 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. The evolution and growth of BPIF has come about through careful identification of assets that demonstrate long term serviceability and appropriate risk/reward characteristics.

■ Targeted Return ■ Actual Return

Net Targeted Return as at 31 December 2017 is 6.11%

Boston Managed Investments Limited (BMIL) is targeting a minimum annualised return for BPIF of 6.11%, being 4.40% or 440 basis points above the Bank Bill Swap Rate (BBSW30), after fees. Bank Bill Swap Rate is 1.71% or 171.0 basis points as at 31 December 2017. The current outperformance of the BPIF is welcomed by both BMIL and investors alike. The BMIL investment committee reiterates its continuing advice that it expects the ongoing returns to revert towards the Net Targeted Return over time.

Think Tank Loan Book Metrics*

| | |
|----------------|---------------|
| No. of Loans | 1,060 |
| Book Balance | \$697,957,341 |
| Avg. Loan Bal. | \$658,451 |
| WA LVR | 63.95% |

Fund Manager's Comment—Mr. Paul Jones

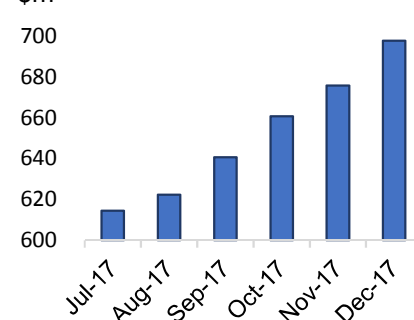
The Boston Private Income Fund (BPIF) is reporting an official quarterly return of 1.9387% for the December 2017 quarter, equivalent to an annualised return of 7.6915% which, once again, exceeds our Targeted Return for the period.

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 BPIF's investment strategy. BMIL is pleased to report Think Tank has again produced another a strong performance over the recently completed December 2017 quarter.

After achieving a key milestone during 2017 of originating over \$1 billion in Commercial Mortgage loans since the company's inception, Think Tank finished off the year on another high note by successfully introducing its latest Commercial Mortgage Backed Securitisation (CMBS) transaction, the Think Tank Series 2017-1 Trust, in the amount of \$300 million.

As at the completion of the December 2017 quarter Think Tank had loans under management of \$698 million across 1,060 loan accounts. In comparative terms

Loan Book Balance*



*Data as at 31 December 2017

the value of the loan book has grown since the December 2016 quarter by \$187.9 million, an annual overall growth rate of 36.82%. The quantum of loans under management has shifted upwards by 262 loan accounts, an annual growth rate of 32.83%.

Deeper loan book metrics taken from the Think Tank commercial property loan portfolio at the conclusion of the December 2017 quarter are equally impressive. The Weighted Average Loan to Value Ratio (LVR) across the portfolio at the end of the December 2017 quarter is 63.95%. The loan book LVR has managed to track within a very minor percentage deviation on each side of this figure for several years.

Due to careful management during the December 2017 quarter the 12-month rolling average of loan accounts classified as being in arrears has again been held below 1% of the overall loan book, an impressive metric for a commercial mortgage portfolio.

Think Tank reported another stable quarter of new loan enquiries and applications during the December 2017 quarter. As a leading indicator of future activity this metric suggests that the Think Tank business remains on a sustained path of growth and success.

If you wish to discuss your investment in the Boston Private Income Fund please contact Fund Manager Paul Jones on (02) 8920 8886.

BPIF - Open to New Investments and Further Participation

The Boston Private Income Fund remains **OPEN** to new investments. Existing BPIF investors can easily increase their current allocation with very little paperwork required. All referrals are welcome. We host regular presentations at our offices. Of course, existing investors are always welcome to attend our presentations by way of update.

To arrange an investor presentation date please call 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 |
| BPIF Fund Manager | Mr. Paul Jones |
| BPIF 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 | September 2016 |
| IM Version & Date | Version 2 - 1 October 2016 |
| Number of Investors | 48 |
| Investor Type | Wholesale and Sophisticated (<i>refer conditions below</i>) |
| Target Return | 4.40% above BBSW30 (after fees) |
| DRP Available | Yes |

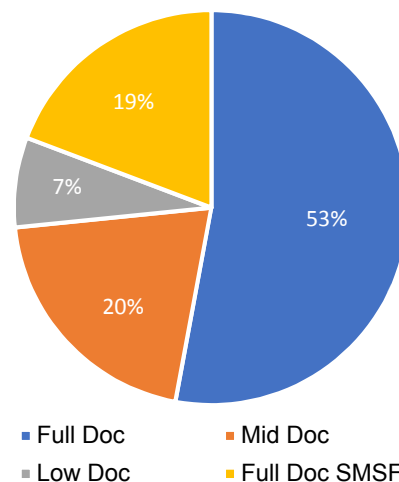
Important Information

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 Private Income Fund dated 1 October 2016. A copy of the Information Memorandum can be obtained by contacting Paul Jones on (02) 8920 8886 or at paul.jones@thebostongroup.com.au. Boston Managed Investments Ltd (AFSL No. 469808).

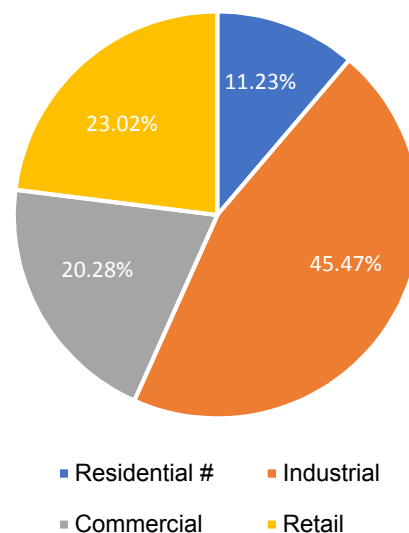
Contact Us

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 Level 5, 68 Alfred Street, Milsons Point NSW 2061
 Phone: +61 2 8920 8886 | Email: info@bmilimited.com.au | www.bmilimited.com.au

Loan by Income Verification*



Loan by Securities Type*



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

*Data as at 31 December 2017

Quarterly Report Video



<https://youtu.be/dQa8FVyPbMk>

