

BOSTON PRIVATE INCOME FUND

QUARTERLY INVESTMENT REPORT
PERIOD ENDED: 30 JUNE 2019



7.473% ANNUALISED RETURN

Quarter Ending	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
Actual Return for Period	1.94%	1.90%	1.94%	1.95%	2.01%	1.94%	1.86%
Annualised Return	7.69%	7.72%	7.77%	7.75%	7.96%	7.87%	7.47%
Targeted Return	6.11%	6.23%	6.32%	6.27%	6.45%	6.19%	5.62%
BBSW30 at end of Quarter	1.71%	1.83%	1.92%	1.87%	2.05%	1.79%	1.22%
Margin Over BBSW30 ¹	5.98%	5.89%	5.85%	5.88%	5.91%	6.08%	6.25%
Return since Inception	8.02%	8.00%	8.00%	7.99%	8.01%	8.02%	7.99%
Achievement Against Target	▲	▲	▲	▲	▲	▲	▲

1. Margin over BBSW30: Calculated by subtracting the BBSW30 rate in the June 2019 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 NBFI's. 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.

Net Targeted Return as at 30 June 2019 is 5.62%

Boston Managed Investments Limited (BMIL) is targeting a minimum annualised return for BPIF of 5.62%, being 4.40% or 440 basis points above the Bank Bill Swap Rate (BBSW30), after fees. Bank Bill Swap Rate reported for 30 June 2019 is 1.22% or 122 basis points. 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.

Fund Manager's Investment Report —Mr. Paul Jones

The Boston Private Income Fund (BPIF) is reporting an official quarterly return of 1.863% for the June 2019 quarter, equivalent to an annualised return of 7.473% 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 strong performance over the recently completed June 2019 quarter. At the completion of the June 2019 quarter Think Tank recorded total loans under management of \$1.08 billion across 1,638 loan accounts. In comparative terms the dollar value of loans under management has grown since the June 2018 quarter by \$282 million, an annual growth rate of 35.2%. The quantum of loans accounts under management has shifted upwards by 436 loan accounts, an annual growth rate of 36.3%.

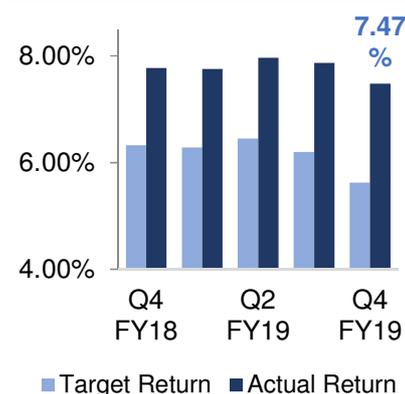
Deeper loan book metrics taken from the Think Tank commercial property loan portfolio at the end of the June 2019 quarter are equally impressive. The Weighted Average Loan to Value Ratio (LVR) across the portfolio at the end of the June 2019 quarter is 62.58%. This represents a 68-basis point reduction on the same ratio reported in the June 2018 quarter, but at the same time, is also a 6-basis point increase on the Weighted Average LVR reported in our March 2019 quarterly report. Investors should note that this levelling out in Weighted Average LVR is not a signal for concern, but more a manifestation of



Boston Private Income Fund
Rated 3.75 Stars

Latest Rating by SQM Research
Published in February 2019

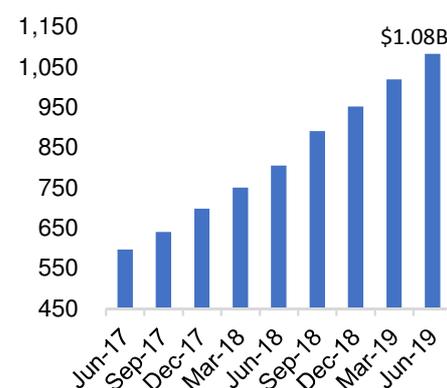
Target vs Actual Returns



Think Tank Loan Book Metrics*

No. of Loans	1,638
Book Balance	\$1,082,656,713
Avg. Loan Bal.	\$660,963
WA LVR	62.58%

Loan Book Balance* (\$m)



*Data as at 30 June 2019

regulator policy around mortgage lending, and a change that was fully anticipated. BMIL is satisfied that Think Tank is focused on maintaining prime - bank quality - credit at the core of its lending policy.

Think Tank loan arrears, of greater than 30 days, have again continued to track closely in line with historical averages over the June 2019 quarter. As at 30 June 2019, the quantum of loan accounts with repayment arrears of greater than 30 days, as a percentage of total loan book volume, is 0.95%. A closer analysis of the reported loan arrears for the June 2019 quarter confirms that there are no onerous anticipated losses, nor any significant clusters amongst geographic or industry sectors. BMIL is convinced that loan arrears are being carefully, diligently and responsibly managed by Think Tank.

Fund Manager's Comment —Mr. Paul Jones

During the June 2019 quarter, the Australian market experienced its first change in the official cash rate since August 2016, when on 5 June 2019, the Reserve Bank of Australia (RBA) board announced its decision to cut the official cash rate by 25 basis points (or 0.25%) from 1.50% to 1.25%. Market participants and observers were not entirely surprised by the June 2019 rate cut, with many anticipating a move towards looser monetary policy given persistent downward trending movements in the 30-Day Bank Bill Swap Rate (BBSW30). The BBSW30 rate, at 30 June 2019, was 1.22%, down from a high of 2.04% on 1 January 2019, suggesting the possibility of more official rate cuts by the RBA. Indeed, on 3 July 2019, just prior to the publication of this report, the RBA announced that it had elected to reduce the cash rate by a further 25 basis points (or 0.25%) to a new historically low level of 1.00%.

The BBSW30 figure, which is expected to continue weakening for the remainder of 2019 has also driven down returns on term deposits and other selected interest-based income products, some of which are now struggling to stay above the rate of annual inflation. The BPIF is not immune to negative movements in BBSW30. The June 2019 annualised return has fallen by 40 basis points, in comparison to last quarter. BPIF investors, should however, recognise that this change does not reflect the full reduction in BBSW30, which has declined by 57 basis points over the June 2019 quarter. Furthermore, the BPIF has maintained its margin over BBSW30, and has also out-performed its targeted annualised return for the June 2019 quarter.

BPIF - Open to New Investments and Further Participation

The BPIF is **OPEN** to new and existing investors, and we continue to host regular presentations for investors seeking to learn more about the BPIF in detail. We also advise that the BPIF investment program has now matured to a milestone point where by BMIL is reviewing its ability to remain open to new investments indefinitely. Investors should be aware that your investment committee is presently assessing new opportunities to ensure the ongoing success of the BMIL investment program. To arrange an investor presentation date, or to confirm how you can increase your current investment, 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	Sargon CT Pty Limited

Fund Metrics

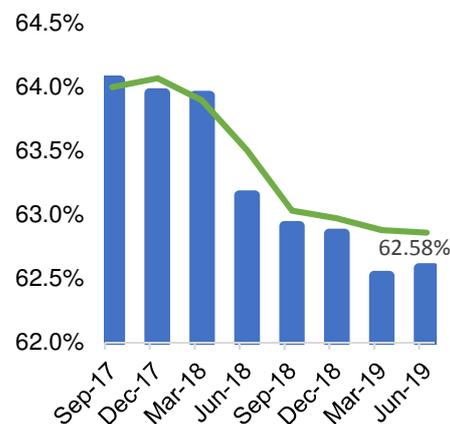
Inception Date	September 2016
IM Version & Date	Version 5 - 1 December 2018
Number of Investors	119
Investor Type	Wholesale and Sophisticated (<i>refer conditions below</i>)
Target Return	4.40% above BBSW30 (after fees)
DRP Available	Yes

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 December 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).

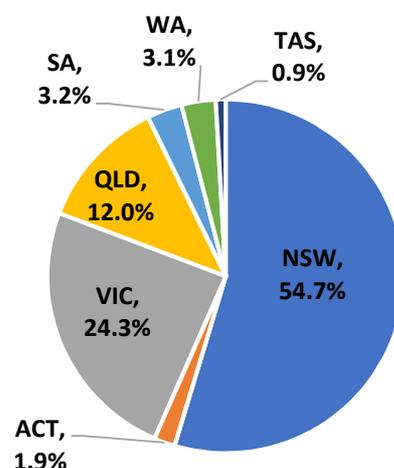
Contact Us

Boston Managed Investments Limited
Level 5, 68 Alfred Street, Millsons Point NSW 2061
Phone: +61 2 8920 8886 | Email: paul@bmilimited.com.au | www.bmilimited.com.au

Weighted Average LVR*



Geographic Distribution*



*Data as at 30 June 2019

Quarterly Report Videos

Click link below to view online –



<https://youtu.be/YffXWF4q53A>

