

BOSTON PRIVATE INCOME FUND

QUARTERLY INVESTMENT REPORT
PERIOD ENDED: 30 SEPTEMBER 2018



7.7528% ANNUALISED RETURN

Quarter Ending	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18
Actual Return for Period	1.99%	1.95%	1.94%	1.90%	1.94%	1.95%
Annualised Return	7.99%	7.72%	7.69%	7.72%	7.77%	7.75%
Targeted Return	6.02%	6.00%	6.11%	6.23%	6.32%	6.27%
BBSW30 at end of Quarter	1.62%	1.60%	1.71%	1.83%	1.92%	1.87%
Margin Over BBSW30 ¹	6.37%	6.12%	5.98%	5.89%	5.85%	5.88%
Return since Inception	8.09%	8.05%	8.02%	8.00%	8.00%	7.99%
Achievement Against Target	▲	▲	▲	▲	▲	▲

1. Margin over BBSW30: Calculated by subtracting the BBSW30 rate in the September 2018 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.

Net Targeted Return as at 30 September 2018 is 6.27%

Boston Managed Investments Limited (BMIL) is targeting a minimum annualised return for BPIF of 6.27%, being 4.40% or 440 basis points above the Bank Bill Swap Rate (BBSW30), after fees. Bank Bill Swap Rate reported for September 2018 is 1.87% or 187 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 1.9541% for the September 2018 quarter, equivalent to an annualised return of 7.7528% 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 September 2018 quarter.

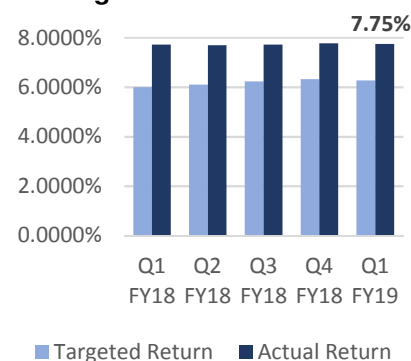
At the completion of the September 2018 quarter Think Tank recorded total loans under management of \$890.6 million across 1,350 loan accounts. In comparative terms the value of the loan book has grown since the September 2017 quarter by \$249.9 million, an annual overall growth rate of 38.9%. The quantum of loans under management has shifted upwards by 368 loan accounts, an annual growth rate of 37.5%.

Deeper loan book metrics taken from the Think Tank commercial property loan portfolio at the end of the September 2018 quarter are equally impressive. The Weighted Average Loan to Value Ratio (LVR) across the portfolio at the end of the September 2018 quarter is 62.91%, a 114-basis point reduction on the same ratio reported in the September 2017 quarter, and an indication that Think Tank is focused on maintaining prime - bank quality - credit as the focus of its lending policy. The



Boston Private Income Fund
Rated 3.5 Stars
By SQM Research

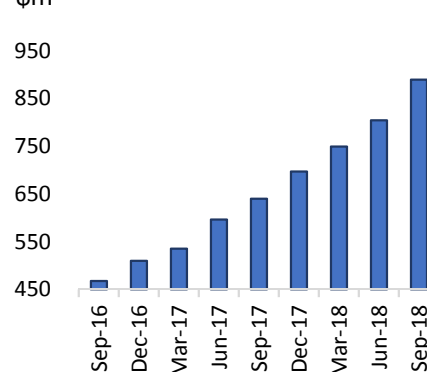
Target v Actual Returns



Think Tank Loan Book Metrics*

No. of Loans	1,350
Book Balance	\$890,630,123
Avg. Loan Bal.	\$659,726
WA LVR	62.91%

Loan Book Balance*

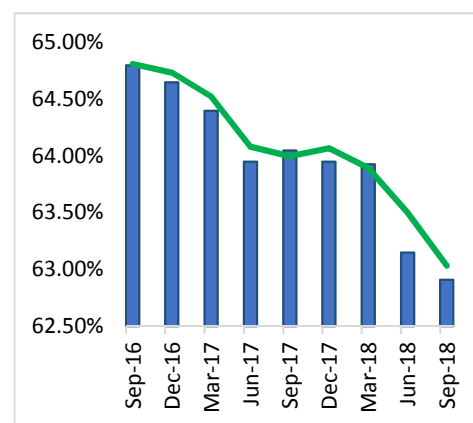


*Data as at 30 September 2018

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. Lastly, the 12-month rolling average of loan accounts classified as being in arrears has again been maintained within acceptable limits of the preferred 1% band of total loans under management - an impressive metric for a commercial mortgage portfolio.

Loan Book Weighted Average LVR*

*Data as at 30 September 2018



Fund Manager's Comment —Mr. Paul Jones

As forecast previously, Australian official interest rates remained unchanged at 1.50% during the September 2018 Quarter and the consensus among market economists is that the Reserve Bank of Australia (RBA) will maintain that level for the short to medium term. This now marks 25 months since the RBA last altered the Official Cash Rate on 2 August 2016. The RBA reconfirmed the Official Cash Rate at 1.50% at its October 2018 meeting. This extended stability in the Official Cash Rate has been contrasted by movements in the 30 Day Bank Bill Swap Rate (BBSW30) which retreated late in the September 2018 Quarter, from a June 2018 high of 2.02%, to finish the quarter at 1.87%. Movements in BBSW30 are not as uniform as changes in the Official Cash Rate because swap rates are sensitive to monetary policy changes, both in Australia and Overseas.

The close of the September 2018 quarter saw the first public release of the Interim Report from the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry ("Royal Commission"). The report itself did not make any recommendations, however, there has been substantial public debate around how future recommendations may be framed, and which sectors are most vulnerable. Your investment committee has closely monitored this evolving picture and remain confident that the likely reforms will strengthen BPIF's position in the NBF market place. Continuing the investment focus on commercial rather than residential lending will help insulate BPIF from any negative or disruptive effects extending from the consumer and residential space. Whilst BMIL believes that caution and level headedness is critical in the application of any recommendations stemming from Royal Commission, we do believe the outcome will benefit the Australian Financial Services industry long term.

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, in fact, this is our main source of new investors. We host regular presentations at our offices. Existing investors are always welcome to attend our presentations for an update on fund performance. 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

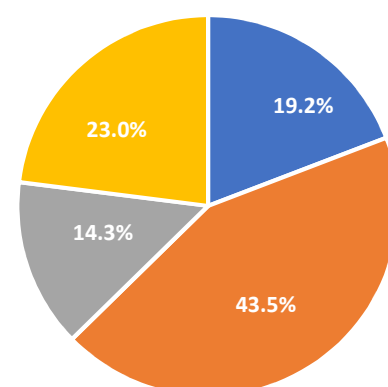
Inception Date	September 2016
IM Version & Date	Version 4 - 1 July 2018
Number of Investors	67
Investor Type	Wholesale and Sophisticated (<i>refer conditions below</i>)
Target Return	4.40% above BBSW30 (after fees)
DRP Available	Yes

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 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 by Securities Type*



- Residential #
- Industrial
- Commercial Office
- Retail

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

*Data as at 30 September 2018

Quarterly Report Video

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