

# Boston Private Income Fund

This report has been prepared for financial advisers only



**Favourable**

# INTRODUCTION

## Key Principles

The underlying principles of the assessment process are to:

- identify the long term commercial potential of the Responsible Entity/Investment Manager;
- evaluate management's capabilities, previous performance in the specific industry and the stability of the organisation;
- evaluate identified markets (domestic and international existence, stability and growth potential);
- benchmark key performance assumptions and variables against industry peers;
- weigh up the relevant risks of the Responsible Entity/Investment Manager;
- assess structure and ownership;
- determine if the Responsible Entity/Investment Manager is structured in such a way as to protect investor's interests; and
- allow an opinion to be formed regarding the investment quality of the Responsible Entity/Investment Manager.

## Assessment

SQM Research conducts a detailed site inspection of the projects/properties within the Responsible Entity's/Investment Manager's managed funds.

- The site assessment considers the following areas:
- sustainability of the site for the purpose intended;
- management skills, qualifications, capabilities and experience; and
- associated property risks and their management.

## Star Rating\*

Investment products are awarded a star rating out of a possible five stars and placed on the following websites: [www.sqmresearch.com.au](http://www.sqmresearch.com.au)

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## Fees charged for Report

SQM Research has received a fee from the fund manager for this report and rating.

## General Financial Product Advice

This advice will not take into account your, or your clients, objectives, financial situation or needs and will not be provided in respect of any other financial products. Accordingly, it is up to you and your clients to consider whether specific financial products are suitable for your objectives, financial situations or needs.

**Report Date: 5 February 2019**

Star Rating	Description	Definition	Investment Grading
4½ stars and above	Outstanding	<b>Highly suitable for inclusion on APLs</b> <i>The fund most often outperforms its peers and benchmark. In all cases the fund is operating to its mandate and product disclosure statement (PDS). There are no corporate governance issues. Management is extremely experienced and skilled and has access to significant resources.</i>	High Investment grade rating
4 stars to 4¼ stars	Superior	<b>Suitable for inclusion on most APLs</b> <i>The fund outperforms (or is likely to) its peers and benchmark the majority of the time. The fund most of the time has been operating within its mandate and PDS. There are very little to no corporate governance concerns. Management is of a very high calibre.</i>	High Investment grade rating
3¾ stars	Favourable	<b>Consider for APL inclusion</b> <i>The fund may outperform its peers and benchmark the majority of the time or SQM believes this is a fund that has potential to be an outperforming fund over the medium term. Management is of a quality calibre but may not yet be fully tested. There are no corporate governance concerns or they are of a minor nature.</i>	Approved
3½ stars	Acceptable	<b>Consider for APL inclusion, subject to advice restrictions</b> <i>There is some degree of additional risk attached to the fund by way of performance. The fund may periodically underperform its peers and benchmark or it has not been fully tested. There may be some additional concentration risk. Management is generally experienced and capable. There might be corporate governance issues of a mid-level or concerns over the Responsible Entities/Parent Entities financial position/performance.</i>	Low investment grade rating
3¼ stars	Caution required	<b>Not suitable for most APLs</b> <i>Performance has been significantly under-benchmark and peers. There is a greater than average risk of underperformance over the medium term. There is a risk of the fund not operating to mandate or to its PDS. There could be corporate governance concerns. Management has been operating in an average manner.</i>	Unapproved
3 stars	Strong Caution Required	<b>Not suitable for most APLs</b> <i>The fund is unlikely to perform to its mandate over the near term. There might be some greater than average corporate governance concerns. SQM has a number of concerns of management.</i>	Unapproved
Below 3 stars	Avoid or redeem	<b>Not suitable for most APL inclusion</b>	Unapproved

**Hold** – The rating is currently suspended until SQM Research receives further information. A rating is typically put on hold for a period of two days to four weeks.

**Withdrawn** – The rating is no longer applicable. Significant issues have arisen since the last report was issued, and investors should avoid or redeem units in the fund.

**Not rated** – The fund has not been rated by SQM.

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**SQM Rating** 
*Favourable. Consider for APL inclusion.*

Fund Details	
Fund Name	Boston Private Income Fund
APIR Code	BML5047AU
ISIN Code	AU60BML50473
Manager	Boston Managed Investments Limited
Responsible Entity	Not Applicable
Custodian	Sargon CT Pty Limited
Investment Details	
Fund Inception	31-Aug-16
Fund Size	\$26.3M
Fund Type	Commercial Mortgage-Backed Securities
Return Objective (PDS)	Minimum return to meet benchmark, net of fees
Internal Return Objective	Not Applicable
Risk Level (PDS)	Capital-Low / Income-Low / Risk-Medium
Internal Risk Objective	Low/Medium
Benchmark	4.40% over BBSW30
Number of issuers	One (1)
Gearing (Fund)	No Gearing
Investment Specifications	
Minimum Application	\$50,000.00
Redemption Policy	Best Endeavours Basis- from inflows of newly raised funds
Distribution Frequency	Quarterly
ICR	0.79%
MER	0.70%
Performance Fee	None
Entry / Exit fee	0.50%/0.50%
Currency Hedging	No
Time Horizon for Investment	3 - 5 Years
Other	
Turnover	Not Applicable
Top 10 Holdings Weight	Not Applicable

## Fund Summary

### Description

The **Boston Private Income Fund (BPIF)** is an income style Fund which commenced operations in August 2016. The BPIF is managed by Boston Managed Investments Ltd (Boston) and continues the successful strategy implemented by The Boston Group over the last Ten (10) years. The BPIF will provide professional and institutional investors access to a professionally managed portfolio of high yield income producing assets. The Fund will invest in senior and subordinated debt facilities and is targeting a level of risk commensurate with senior and sub-senior subordinated participation, however, will have the capability to invest at senior levels.

### About the Manager

The appointed manager of the fund is Boston Managed Investments Limited. BMIL Nominees Pty Limited has appointed Sargon CT Pty Limited and Boardroom Pty Limited (Boardroom) to act as Custodian and Registry of the BPIF respectively. The Fund is structured as an open-ended unlisted unregistered managed investment scheme.

The Boston Private Income Fund (BPIF) operates as a Unit Trust governed by its Trust Deed. It is an unlisted fund and an unregistered Managed Investment Scheme. The trustee of the fund is BMIL Nominees Pty Limited. BMIL Nominees Pty Limited was incorporated and operates solely as a corporate trustee for the various Boston Funds.

### Fund Rating

The Fund has achieved the following rating:

Star Rating	Description	Definition	Investment Grading
3.75 stars	Favourable	Consider for APL inclusion	Approved

## SQM Research's Review and Key Observations

### 1. People and Resources

#### Size and Resources of the Fund Management Company

The Boston Private Income Fund is adequately equipped with resources required to support the business in its various areas such as governance, compliance and technical needs. As at financial year ended 30 June 2018 the Boston Private Income Fund reported profit numbers greater than FY17. All Net Operating Revenue is disbursed, proportionately, to all Unit Holders given its role as a Trust.

### Investment Team

The investment team consist of highly experienced individuals, with a senior, "top-heavy" focus on structure. Investment personnel have relevant experience in lending and funds management.

### 2. Investment Process and Philosophy

#### Investable Universe

Boston Private Income Fund is not involved in lending. The Boston Private Income Fund purchases notes that are issued by a Non-Bank Financial Institution (NBFI) called Think Tank Group Pty Ltd.

#### Process / Philosophy / Style

As BPIF purchases notes from Think Tank, the lending process and philosophy is strictly that of Think Tank. BPIF has no input into the lending policies of Think Tank.

The Think Tank business model is focused on providing first registered mortgages secured by income producing commercial property. Loan assessment criteria are solely assessed by Think Tank in line with the credit policies instituted by the Commonwealth Bank of Australia (CBA) in the Banks capacity as the primary funding warehouse provider. Think Tank retains the sole discretion in the approval of mortgage applications.

#### Risk Management

Commercial mortgage loans are originated by Think Tank Group Pty Limited, and the Boston Private Income Fund applies investor funds to purchase notes issued by Think Tank Group Pty Limited managed trusts. Boston Private Income Fund does not have any involvement or influence in the lending criteria of Think Tank Group Pty Limited.

Boston Private Income Fund does not have its own internal proprietary risk management processes embedded in the loan approval procedures employed by Think Tank.

### 3. Performance & Risk

#### Return Objective & Performance

The return objective officially stated is that the Fund aims to record a "minimum return to meet benchmark, net of fees." The formal benchmark is the 30day BBSW Index + 4.40% pa.

***The low volatility nature of mortgage portfolios reduces the meaningfulness of traditional measures of risk and return. Fund metrics such as volatility, Tracking Error, Information Ratio, and Sharpe Ratio have relatively low statistical value given the low volatility of returns.***

### Length of Track Record

Boston Private Income Fund commenced operations in September 2016. Boston Managed Investments Limited commenced operations in August 2013. SQM Research notes that returns, volatility and other risk measures can be “noisy” and less reliable due to the small sample size of observations.

### Risk Objective

Commercial mortgage loans are originated by Think Tank Group Pty Limited, and the Boston Private Income Fund applies investor funds to purchase notes issued by Think Tank Group Pty Limited managed trusts. Boston Private Income Fund does not have any involvement or influence in the lending criteria of Think Tank Group Pty Limited. Accordingly, Boston Private Income Fund does not have risk management processes embedded in the loan approval process.

Boston Managed Investments Limited has an ongoing relationship with Think Tank Group Pty Limited to provide funds in line with the growth of the respective Think Tank trusts.

## 5. Other Features

### Fees

Entry/Exit Fees	
Entry Fee (%)	0.50%
Exit Fee (%)	0.50%
Ongoing Fees	
Management fee (% p.a.)	0.70%
Expense recoveries (% p.a.)	Nil
Cost of Fund (% p.a.)	0.70%
ICR (% p.a.)	0.79%
Performance Fee	None

### FUM (Funds under Management) / Capacity

The Fund currently has FUM of \$26 million as at Dec 2018.

Fund Performance to 31 December 2018 (% p.a.)							
Total Return	1-Month	3-Month	6-Month	1-Year	3-Year	5-Year	Inception
Fund	0.66	2.01	4.00	8.03	n/a	n/a	8.05
Benchmark	0.53	1.61	3.21	6.48	n/a	n/a	6.32
Peer Average	-0.90	-1.28	-0.75	-0.22	n/a	n/a	3.23
Alpha	0.13	0.40	0.78	1.56	n/a	n/a	1.74

1. Assumes dividend reinvestment. Returns one year and longer are annualised. Return history starts Oct-2016
2. Benchmark: BBSW1M +4.40%pa

The annual management fee of the Fund is 0.70% (+ GST & RITC) p.a. of the Fund's net assets. No additional charge is made for expense recoveries. No GST or RITC have been factored into the analysis.

Boston Managed Investments Limited also pays Audit fees from income on an annual basis.

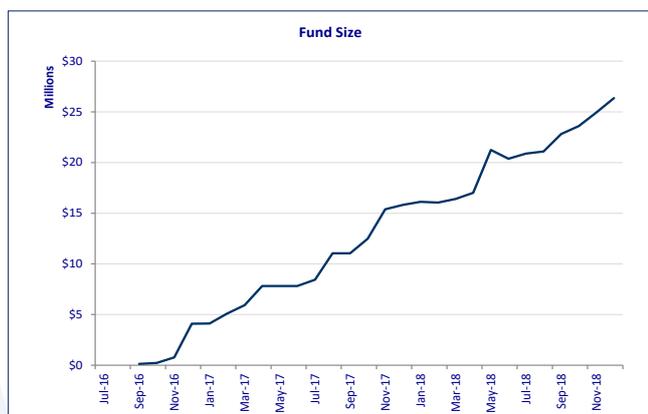
### Governance

Boston Managed Investments Limited is the licensee under AFSL No: 469808. Mr Paul Jones acts as the Fund Manager of the Boston Private Income Fund and is the Responsible Manager (RM) under AFSL No: 469808. Mr Daniel Hoang acts as the Deputy Fund Manager of the Boston Private Income Fund and is also the alternate Responsible Manager (RM) under AFSL No: 469808 issued to Boston Managed Investments Limited. Bradford Gower (a director of Boston Managed Investments Limited) is the Compliance Officer for the fund.

Mr Tim Power is a Non-Executive Director of Boston Managed Investments Limited and sits on the Boston Private Income Fund Investment Committee.

The Boston Private Income Fund (BPIF) operates as a Unit Trust governed by its Trust Deed. It is an unlisted fund and an unregistered Managed Investment Scheme. The trustee of the fund is BMIL Nominees Pty Limited. BMIL Nominees Pty Limited was incorporated and operates solely as a corporate trustee for the various Boston Funds. The appointed manager of the fund is Boston Managed Investments Limited.

BMIL Nominees Pty Limited has appointed Sargon CT Pty Limited and Boardroom Pty Limited (Boardroom) to act as Custodian and Registry of the BPIF respectively.



### Strengths of the Fund

- The investment personnel are experienced, knowledgeable and have relevant experience in the lending sector.
- Having CBA as the primary source for funding for Think Tank is a positive given the reach of resources for CBA.
- The Fund allows investors to access Commercial Mortgage Backed Securitisation (CMBS) markets with limited capital, and that investors capital is fully deployed at all times.
- Boston Managed Investments Limited has sufficient executive and management level to allow for the expansion of both existing, and any proposed new funds at this time.
- All Special Purpose Vehicle (SPV) Trusts have stringent covenants and guidelines within the trust deed in relation to their operations. A breach of those covenants or guidelines may result in the SPV Trust having remedial action taken to repair those breaches, which may result in a disruption to the income distribution, or in extreme cases, may result in the SPV Trust having to liquidate assets

### Weaknesses of the Fund

- Liquidity in the fund is managed through the introduction of additional funds by either new or existing investors.
- The Fund does not have liquid cash holdings, at any point in time.

### Other Considerations

- The commercial mortgage loans are originated by Think Tank Group, not Boston themselves. As such, Boston Private Income Fund does not have any involvement or influence in the lending criteria of Think Tank Group Pty Limited
- The agreement between CBA and Think Tank has a term of 24 months with a 12-month evergreen. The 24-month term with the 12-month evergreen effectively means that should CBA opt to leave the funding agreement and all other note holders approve of CBA leaving the Think Tank is afforded a 24 month period in which to renew the funding structure with another incoming fund provider.
- Distributions will only be made from income that is generated from investments in notes issued by Think Tank.

### Key Changes Since the Last Review

- Australian Finance Group Limited (ASX: AFG) completed a strategic investment of 30.4% (fully diluted) of Think Tank Group Pty Ltd ("Thinktank") in April 2018, for \$10.9 million in cash consideration. The introduction of AFG makes Teltex Pty Limited, a privately held company of which Derryn Harrison (Director of BMIL & Chairman of Investment Committee) is the sole director/secretary and shareholder, the second highest ranked shareholder of Think Tank Group Pty Limited.
- FUM growth has been consistent since the previous review.

## Process Description

### Portfolio Objective

**Portfolio Objective** Boston Private Income Fund is not involved in lending. The Boston Private Income Fund purchases notes that are issued by a Non-Bank Financial Institution (NBFI) called Think Tank Group Pty Ltd.

The objective of the Boston Private Income Fund is stable, regular income returns at a rate which is in excess of the implied risk-weighted return to wholesale investors by taking subordinated positions in First Mortgage warehouses managed by Think Tank Group Pty Ltd.

### Lending Process

#### Top-down or bottom-up

The loans stored in the Think Tank warehouse are assessed on a fundamental basis, providing first registered mortgages secured by income-producing commercial property. The loan assessment criterion is solely assessed by Think Tank in line with the credit policies instituted by the Commonwealth Bank of Australia (CBA) in the Banks capacity as the primary funding warehouse provider. Think Tank retains the sole discretion in the approval of mortgage applications.

With the majority of Think Tank loans funded by CBA, The agreement between CBA and Think Tank has a term of 24 months with a 12-month evergreen. This committed facility is set in place under the initial Master Trust, and then reiterated in each of the Issue Supplement agreements that have been put in place since the trust was established.

The 24-month term with the 12-month evergreen effectively means that, should CBA opt to leave the funding agreement and all other note holders approve of CBA leaving, the Think Tank is afforded a 24 month period in which to renew the funding structure with another incoming fund provider.

### Lending Process

Boston Private Income Fund is not involved in lending. The Boston Private Income Fund purchases notes that are issued by a Non-Bank Financial Institution (NBFI) called Think Tank Group Pty Ltd.

The Think Tank business model is focused on providing first registered mortgages secured by income producing commercial property. Loan assessment criteria are solely assessed by Think Tank in line with the credit policies instituted by the Commonwealth Bank of Australia (CBA) in the Banks capacity as the primary funding warehouse provider. Think Tank retains the sole discretion in the approval of mortgage applications.

Boston does not have any input or direction in to Think Tank's lending procedures, credit assessment criteria or other policies. The policies, procedures and credit assessment guidelines employed by Think Tank were assessed and approved by the Investment Committee of Boston Managed Investments Limited during the initial due diligence program. Any and all variations to lending policies and procedures must be approved by CBA, Challenger Life Company Limited (Challenger) and Boston Managed Investments Limited prior to its implementation.

The Investment Committee is provided with detailed loan book metrics (including arrears management data) on a monthly basis. This allows the Investment Committee to identify and assess any potential deviations from the policies, procedures and credit assessment guidelines. The Investment Committee has not detected any deviations in credit policies, procedures and/or guidelines since the Boston Private Income Fund commenced.

### Loan Origination

Think Tank primarily sources loans from a network of accredited mortgage brokers. To be granted accreditation with Think Tank, brokers must confirm that they are a member of a recognised national mortgage or finance industry body (i.e. Mortgage and Finance Association of Australia (MFAA) or Finance Brokers Association of Australia (FBAA)) and hold current Professional Indemnity insurance with mortgage broking noted on the policy as an activity of the business. The broker network is nationwide as Think Tank have offices in Sydney, Brisbane and Melbourne which allows for natural geographic diversification.

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**Risk Management**

Commercial mortgage loans are originated by Think Tank Group Pty Limited, and the Boston Private Income Fund applies investor funds to purchase notes issued by Think Tank Group Pty Limited managed trusts. Boston Private Income Fund does not have any involvement or influence in the lending criteria of Think Tank Group Pty Limited.

Boston Private Income Fund does not have risk management processes embedded in the loan approval process.

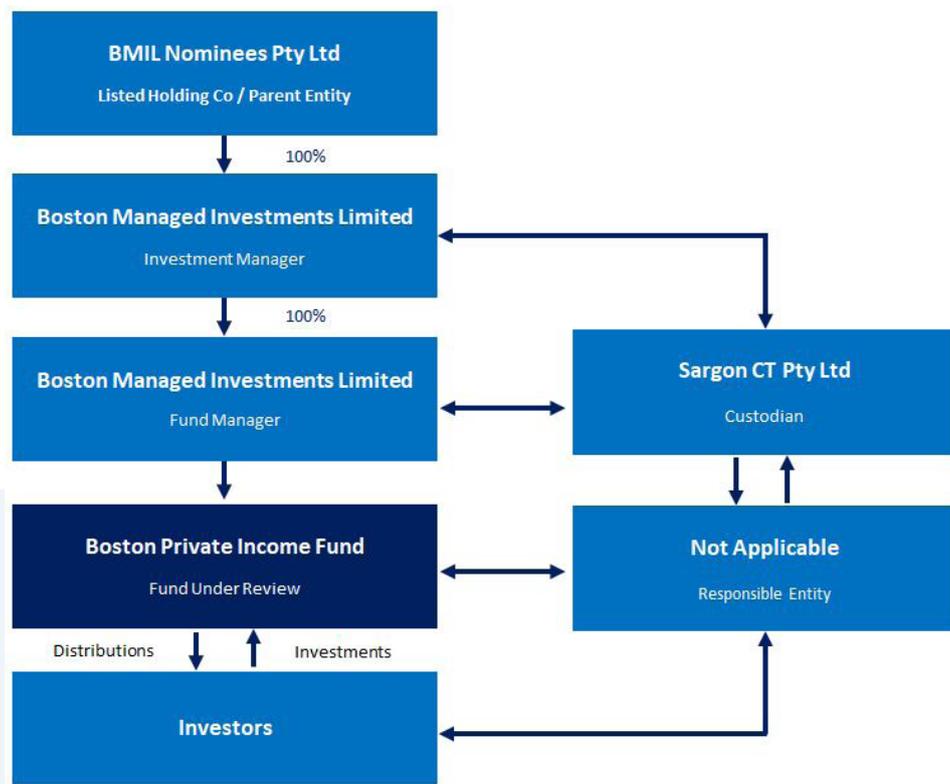
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**Liquidity Management**

Redemption of Boston Private Income Fund units is on a best endeavors basis. Liquidity in the fund is managed through the introduction of additional funds by either new or existing investors. Boston Managed Investments Limited match redemption requests from investors, dollar-for-dollar with incoming funds. New inflows are only used for the purchase of notes or the meeting of a redemption request and for no other purpose. The Boston Private Income Fund also has the availability of Think Tank to assist with liquidity facilities as required. The fund does have the capacity to draw back on and sell back notes to meet redemptions. Best endeavours process using inflows is the primary redemption management response BUT there is the alternative to sell back notes.

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## Key Counterparties



## Parent Company

The Boston Private Income Fund (BPIF) operates as a Unit Trust governed by its Trust Deed. It is an unlisted fund and an un-registered Managed Investment Scheme. The trustee of the fund is BMIL Nominees Pty Limited. BMIL Nominees Pty Limited was incorporated and operates solely as a corporate trustee for the various Boston Funds. The appointed manager of the fund is Boston Managed Investments Limited.

BMIL Nominees Pty Limited has appointed Sargon CT Pty Limited and Boardroom Pty Limited (Boardroom) to act as Custodian and Registry of the BPIF respectively.

## Investment Manager / Fund Manager

Boston Managed Investments Limited is the Fund Manager of BPIF and Responsible Manager (RM) under AFSL No: 469808, headed by Mr Paul Jones. Mr Daniel Hoang acts as the Deputy Fund Manager of the Boston Private Income Fund and is also the alternate Responsible Manager (RM) under AFSL No: 469808 issued to Boston Managed Investments Limited. Bradford Gower (a director of Boston Managed Investments Limited) is the Compliance Officer for the fund.

Mr Tim Power is a Non-Executive Director of Boston Managed Investments Limited and sits on the Boston Private Income Fund Investment Committee.

## Management Risk

Funds management businesses rely on the operational capabilities of key counterparties. A critical element is the corporate ability of the Responsible Entity to monitor operational performance and to meet the regulatory and statutory responsibilities required. For any investment fund, there is a risk that a weak financial position or management performance deterioration of key counterparties could temporarily or permanently compromise their performance and competency. This can adversely affect financial or regulatory outcomes for the Fund or associated entities.

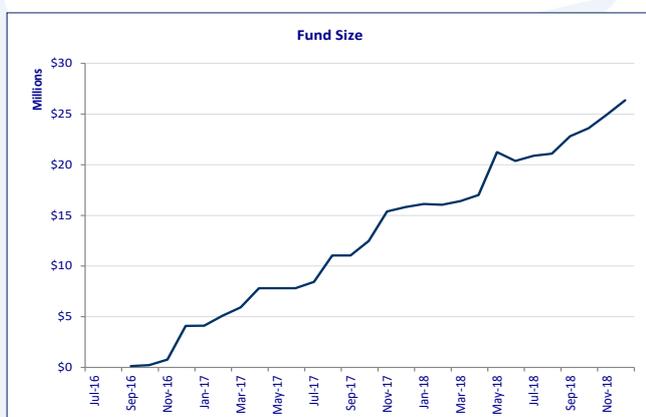
***Based on the materials reviewed, SQM Research believes that Boston and associated key counterparties are highly qualified to carry out their assigned responsibilities. Management risk is rated as being low.***

## Funds under Management (FUM)

The Fund is approximately \$21 million in size at Aug 2018.

FUM	
Dec-16	\$4,095,039.0
Jun-17	\$7,818,157.0
Dec-17	\$15,828,610.0
Jun-18	\$20,371,725.0
Dec-18	\$26,366,503.0

## FUM for Fund under Review (\$mill)



## Distributions

The Fund has discretion in choosing the frequency of distributions. Distributions occur on a quarterly basis. Distributions will only be made from income that is generated from investments in notes issued by Think Tank.

Date	Distribution CPU	Unit Price \$
30-Sep-16	1.94	\$1.0000
31-Dec-16	2.12	\$1.0000
31-Mar-17	2.18	\$1.0000
30-Jun-17	2.19	\$1.0000
30-Sep-17	2.12	\$1.0000
31-Dec-17	2.11	\$1.0000
31-Mar-18	2.12	\$1.0000
30-Jun-18	2.13	\$1.0000
30-Sep-18	2.12	\$1.0000
31-Dec-18	2.18	\$1.0000

## A General Note on Distributions for Managed Funds

The Responsible Entity of a Managed Fund will provide for a regular schedule of distributions, such as monthly/quarterly/semi-annual or annual. This is subject to the Fund having sufficient distributable income. The official total distributable income available to pay to investors is determined for the period of that Fund's financial year. By distributing the net taxable income of the Fund to investors each year, a Fund itself should not be liable for tax on its net earnings.

If a Fund makes distributions more frequently than once over the financial year, those distributions will be based on estimates of the distributable income for that distribution period. The final total amount of distributable income available for passing on to investors can only be calculated after the close of the financial year, based on the Funds taxable income for that year.

If the total distributions a Fund pays out exceeds total tax income for that particular financial year, the excess amount may be treated as a return of capital rather than income. This will possibly have tax implications for the investor.

Due to the considerations outlined above, there may be periods in which no distributions are made, or a Fund may make additional distributions

A Fund's ability to distribute income is determined by the performance of the Fund and general market conditions. Accordingly, there is no guarantee a Fund will make a distribution in any distribution period.

Key Investment Staff		
Name	Responsibility / Position	Location
Derryn Harrison	Director of BMIL & Chairman of Investment Committee	Sydney
Daniel Hoang	Deputy Fund Manager	Sydney
Tim Power	Non-Ex Director	Sydney
Bradford Gower	Director of BMIL & Compliance Officer	Sydney
Paul Jones	Fund Manager	Sydney

### Investment Team

Boston Managed Investments Limited was incorporated in 2013 and the number of years with the company, for all but Tim Power, exceed the life of Boston Managed Investments Ltd. Mr Hoang, Mr Gower and Mr Jones have all have tenures with Boston related entities which have evolved over time as new corporate ventures are established.

In addition to the Fund’s full time employed Fund Manager, Mr Paul Jones, and Deputy Fund Manager, Mr Daniel Hoang, Boston’s dedicated investment officers and debt specialists conduct ongoing industry and market research which complements input from a broad range of industry participants and commentators. Mr Jones has over 15 years’ experience in the commercial finance industry and has been actively involved

in the funding of non-bank financial institutions at the senior and subordinated level. Mr Jones has extensive experience in commercial property, and equipment finance including Commercial Mortgage Backed Securities (CMBS) and Asset-Backed Securities (ABS) markets.

Boston also retains the services of non-executive director, Mr Tim Power.

Tim Power’s expertise in the securitisation markets, particularly the ABS markets, extends from his time as Group Treasurer with CNH Capital Australia. As Head of Treasury for RMB Australia Limited, he was responsible for funding and financial risk management of the Australian operations. Mr Power is a former Director of Non-Bank Financial Institution, Think Tank Group Pty Limited and currently holds a full-time position as Associate Director, Treasury, at Western Sydney University.

### Meeting Schedule

The table below shows meetings that form an important part of the overall process.

Meeting	Purpose	Frequency	Participants
Meeting 1	Review current strategy and changes if required	Every two months	Chairman, Fund Manager, Deputy Fund Manager, Non-Executive director, Director
Meeting 2	Identify, analyse, evaluate, treat, monitor and review investment risks	Every two months	Chairman, Fund Manager, Deputy Fund Manager, Non-Executive director, Director
Meeting 3	Review performance of fund and underlying assets: Covenants, arrears, waterfall, credit enhancement	Every two months	Chairman, Fund Manager, Deputy Fund Manager, Non-Executive director, Director

***SQM Research believes the practice of constant communication and the broad-based inclusion of team members in decision-making is a vital ingredient to the success of the process. Interactive peer review and collaboration across a tightly knit group of experienced investors will likely make the best use of their combined intellectual property and shared history.***

### Staffing Changes

There have been no staff changes in the last year for both Boston Private Income Fund and the manager of the fund, Boston Managed Investments.

***SQM Research observes that the levels of investment experience and company tenure are strong across the entire investment team. The levels and nature of staff turnover are not an issue of concern, in SQM’s view.***

### Remuneration and Incentives

Boston Managed Investments Limited retains two (2) Full Time Employees that are paid wages on a weekly basis. In addition, the directors of Boston Managed Investments Limited are each paid a Directors Fee calculated based upon a fixed rate against Funds under Management at the time of calculation. These fees are paid monthly in arrears and are expensed from revenue derived by the payment of individual Trust Management Fees by the Trusts.

*SQM Research believes the remuneration policies set up at Boston aligns the interest of the Fund and investors.*

**Fees**

Entry/Exit Fees	
Entry Fee (%)	0.50%
Exit Fee (%)	0.50%
Ongoing Fees	
Management fee (% p.a.)	0.70%
Expense recoveries (% p.a.)	Nil
Cost of Fund <sup>1</sup> (% p.a.)	0.70%
ICR <sup>2</sup> (% p.a.)	0.79%
Performance Fee	None

1. Management fee and expected expense recoveries.
2. Indirect costs ratio includes the documented management fee, and other administrative fees such as banking, accounting and audit fees

**Buy/Sell Spread**

An entry and exit fee is applied – 1.00% (0.50%/0.50%).

**Ongoing Fees**

The annual management fee of the Fund is 0.70% (+ GST & RITC) p.a. of the Fund's net assets. No additional charge is made for expense recoveries. No GST or RITC have been factored into the analysis.

Boston Managed Investments Limited also pays Audit fees from income on an annual basis.

**Redemption Policy**

Redemption fees are charged by the Manager in relation to any registered Unit Holder making a request to redeem their allocated investment in the fund, either partially or in its entirety, within 365 days from the allocation date of that investment, and this redemption request being met. This amount will be charged at 4% of the total amount redeemed to the Unit Holder.

**Performance Fees**

No performance fees apply.

***SQM Research observes that the Fund management fee (including expense reimbursement) is 0.70%, which is slightly lower than the peer group average of 0.75%.***

Risk/Return Data to 31 December 2018							
Total Return	1-Month	3-Month	6-Month	1-Year	3-Year	5-Year	Inception
Fund <sup>1</sup>	0.66	2.01	4.00	8.03	n/a	n/a	8.05
Benchmark <sup>2</sup>	0.53	1.61	3.21	6.48	n/a	n/a	6.32
Peer Average	-0.90	-1.28	-0.75	-0.22	n/a	n/a	3.23
Alpha	0.13	0.40	0.78	1.56	n/a	n/a	1.74

Metrics	1-Year	3-Year	5-Year	Inception
Tracking Error (% p.a.) - Fund	0.02	n/a	n/a	0.06
Tracking Error (% p.a.) - Peer Average	2.26	n/a	n/a	1.99
Information Ratio - Fund	62.32	n/a	n/a	30.83
Information Ratio - Peer Average	-4.15	n/a	n/a	-2.01
Sharpe Ratio - Fund	177.53	n/a	n/a	238.71
Sharpe Ratio - Peer Average	0.20	n/a	n/a	1.92
Volatility - Fund (% p.a.)	0.05	n/a	n/a	0.03
Volatility - Peer Average (% p.a.)	2.25	n/a	n/a	1.96
Volatility - Benchmark (% p.a.)	0.03	n/a	n/a	0.05
Beta based on stated Benchmark	1.16	n/a	n/a	0.05

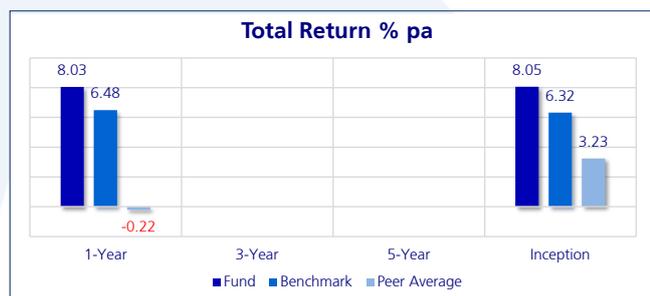
- 1. Assumes dividend reinvestment. Returns one year and longer are annualised. Return history starts Oct-2016.
- 2. Benchmark: BBSW1M +4.40%pa

### Quantitative Insight<sup>1</sup>

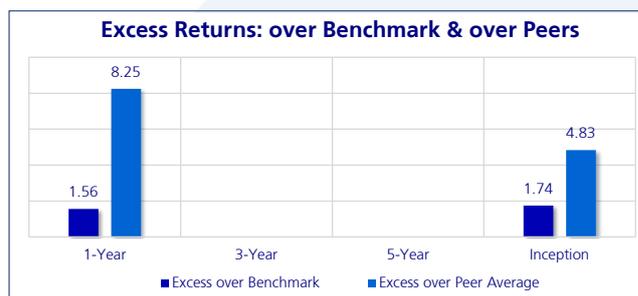
Note: Unless otherwise stated, all return and risk data reported in this section are **after-fees** and for **periods ending Dec-2018**.

***The low volatility nature of mortgage portfolios reduces the meaningfulness of traditional measures of risk and return. Fund metrics such as volatility, Tracking Error, Information Ratio, and Sharpe Ratio have relatively low statistical value given the low volatility of returns.***

#### Returns

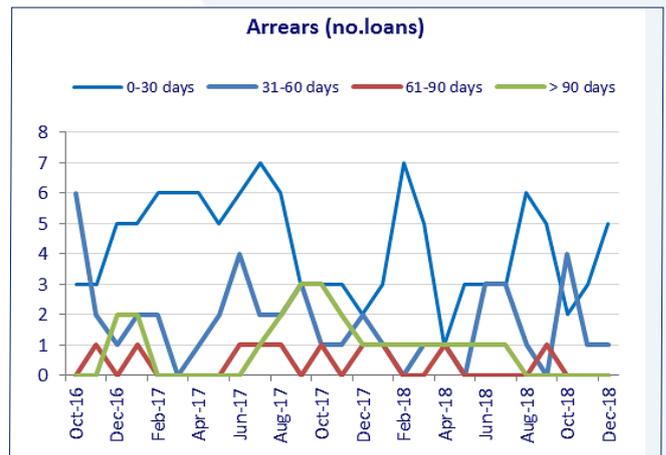
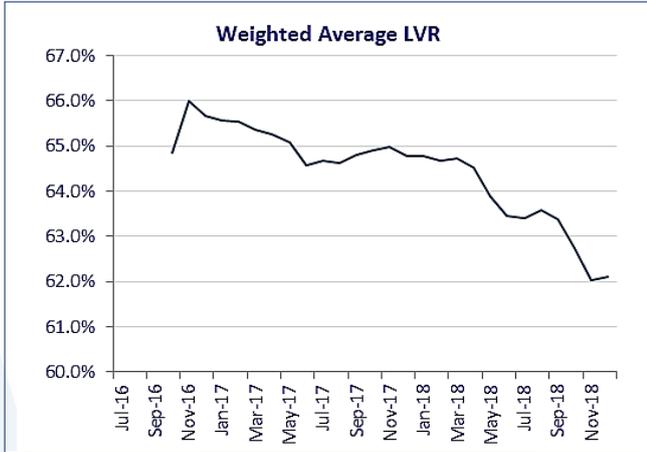


#### Excess Returns (Alpha)



1. Note: Sharpe and Information Ratios are not reliable comparison tools in periods where both the Fund and its peers/benchmark record a negative result

Think Tank Loan Book Analysis – Dec 2018



## Fund Allocations

Oct-2016 to Dec-2018

Mortgage Sector	Average Weight	Max Weight	Min Weight	as at Dec-18
Residential - Investment	0.0%	0.0%	0.0%	0.0%
Residential - Owner Occupied	0.0%	0.0%	0.0%	0.0%
Construction	0.0%	0.0%	0.0%	0.0%
Commercial	20.0%	20.0%	20.0%	20.0%
Industrial	45.0%	45.0%	45.0%	45.0%
Vacant Land	0.0%	0.0%	0.0%	0.0%
Rural	0.0%	0.0%	0.0%	0.0%
Office	15.0%	15.0%	15.0%	15.0%
Retail	20.0%	20.0%	20.0%	20.0%
Cash	0.0%	0.0%	0.0%	0.0%

Geographic	Average Weight	Max Weight	Min Weight	as at Dec-18
NSW	51.1%	54.7%	48.7%	52.2%
QLD	14.0%	15.8%	11.8%	11.8%
VIC	26.2%	28.3%	19.5%	27.3%
WA	2.0%	3.8%	0.8%	3.7%
SA	4.8%	6.5%	3.2%	3.6%
NT	0.0%	0.0%	0.0%	0.0%
TAS	0.8%	1.5%	0.1%	0.1%
ACT	1.1%	2.2%	0.3%	1.4%

Loan Data	Average Weight	Max Weight	Min Weight	as at Dec-18
Full-doc	70.8%	78.4%	62.7%	66.5%
Med-doc	21.7%	29.9%	17.0%	27.3%
Low-doc	7.5%	10.6%	4.4%	6.2%
Conforming	100.0%	100.0%	100.0%	100.0%
First Mortgage	100.0%	100.0%	100.0%	100.0%

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