



QUALITAS REAL ESTATE INCOME FUND (ASX: QRI)

The Qualitas Real Estate Income Fund (“Trust” or “QRI”) will offer investors an alternative source of income and aims to deliver 7.5–8.0% p.a. (net) with distributions paid monthly. It is expected to be the first dedicated commercial real estate finance Trust to be ASX listed, providing investors the opportunity to invest alongside institutional investors to diversify their portfolios.

QRI will provide investors with exposure to a diversified secured real estate loan portfolio. Qualitas has a proven track record spanning a decade and has delivered its investors superior risk adjusted double digit returns every year since inception^[1].

Investment Objective

1. Achieve an annual Target Return ranging between 7.5–8.0% (net of fees and expenses)^[2], and
2. Provide monthly cash income, with a focus on capital preservation and portfolio diversification.

Benefits to Investors

Monthly Cash Income	<ul style="list-style-type: none"> Target Return 7.5–8.0% p.a. (net) with monthly cash distributions.
Investor Diversification	<ul style="list-style-type: none"> Offers exposure to the Commercial Real Estate (CRE) debt market, largely inaccessible to retail investors to date; Portfolio to comprise Qualitas’ wholesale debt funds and direct secured real estate loans; Focused on senior, and to a lesser extent mezzanine loans secured by a first or second ranking real property mortgages, respectively; Diversified geographic exposure to Australia and New Zealand (capped at 20%); investment type, counterparty and real estate sector.
Experienced Active Management Team	<ul style="list-style-type: none"> Qualitas has extensive experience encompassing all aspects of loan origination, structuring, execution and asset management.
Track Record	<ul style="list-style-type: none"> 10 year track record of strong returns and management of institutional and wholesale investor capital, both internationally and domestically.
Proven Institutional-Grade Risk Management & Corporate Governance	<ul style="list-style-type: none"> QRI provides investors the opportunity to invest alongside wholesale and institutional investors. High-calibre independent advisory Board, comprised of Australian business leaders with extensive experience in real estate, private equity, investment management, superannuation, risk management, governance, law and finance.
ASX Listed	<ul style="list-style-type: none"> A unique investment not currently offered on the ASX.
Strong Investor Alignment	<ul style="list-style-type: none"> Qualitas will invest \$10 million alongside QRI investors for a guaranteed minimum of five years, providing alignment of interest.

^[1] Past performance is not a reliable indicator of future performance.

^[2] This is a targeted return only. There is no guarantee that the Trust will achieve its investment objectives.

The Manager will seek to invest the Trust's capital in a portfolio of investments that provide unitholders with direct and indirect exposure to predominantly Australian secured real estate loans. The Trust may also invest in New Zealand secured real estate loans from time to time.

The investment strategy uses four key investment principles to assess opportunities:

- **Quantum of returns:** seek to forecast returns from an investment and components that form those returns – i.e. payment or capitalisation of interest and fees, early repayment fees and other components based on contractual agreements.
- **Timing of returns:** seek to forecast the timing of interest payments and the expected timing of loan repayment. This will be predicated by way of contractual arrangements and investment monitoring.
- **Assessment of known risks:** diligently assess material risks that may influence an investment. The manager will seek to mitigate and manage all identified risks.
- **Ability to exert influence over known risks:** having considered and analysed an investment's known risks, the manager will then seek to invest in a secured real estate loan that is structured such that known risks are reasonably mitigated, thereby exerting a degree of influence over investment risks.

The Market Opportunity

The Manager believes there is a growing funding gap in the Australian real estate sector as Australia's major banks are experiencing regulatory pressure to rebalance loan portfolios away from CRE lending. This may be a permanent structural shift in the CRE lending landscape which, combined with a supportive macroeconomic environment, could present a widening opportunity for Qualitas to continue to build on its disciplined lending track record.

\$276 billion Commercial Real Estate Debt Market	Bank Withdrawal	Supportive Macroeconomic Environment and Real Estate Fundamentals	Market Opportunity for Private Debt
			
<ul style="list-style-type: none"> • Market grows at ~ 3% p.a. • 4 major banks have historically dominated the CRE debt market with limited participation from non-bank capital providers 	<ul style="list-style-type: none"> • Increased regulation (APRA, Basel III) has reduced bank lending • Rigid lending criteria • Banking Royal Commission scrutiny 	<ul style="list-style-type: none"> • Low rental vacancy • Population growth (including net overseas migration) • Job creation and income growth 	<ul style="list-style-type: none"> • Capital constrained • Borrowers seeking flexible financiers • Established alternative finance market offshore, yet to fully develop in Australia

Investment Fees

Management Fee	<ul style="list-style-type: none"> • 1.50% p.a. of portfolio Net Asset Value (NAV), paid monthly.
Performance Fee	<ul style="list-style-type: none"> • Performance fee of 20.0%, calculated and accrued monthly and paid annually in arrears, for outperformance over a 7.5% p.a. (net).
Other Fees	<ul style="list-style-type: none"> • Loan Origination Fees for direct loans. • Fund Services Fees 0.15% p.a. of NAV. • All IPO related costs will be paid by the Manager.

About the Manager

Qualitas is a real estate investment management firm that was established in 2008 and specialises in commercial real estate investing with approximately \$2.0 billion^[3] in funds under management. Qualitas is active in the major capital cities of Australia deploying institutional and high net worth investor capital, as well as investing from its own principal balance sheet. The investment philosophy is to seek deep value-based opportunities across the entire capital structure with a focus on risk mitigation and management via its institutional grade risk management, governance and operations platforms.

The Qualitas Group capitalises on its strong local market knowledge, deep industry contacts and “on-ground” infrastructure spanning origination, execution and active asset and loan management to deliver on this strategy achieving a gross realised IRR of 28.2%^[5] across all debt and equity investments. Qualitas has 69 staff, with primary offices in Melbourne and Sydney, and is active across the east coast of Australia^[4].

The Qualitas Group’s investment strategies span senior debt, mezzanine debt, preferred equity and ordinary equity investments in real estate development, value-add, repositioning, special situations and other opportunistic transactions since inception.

The Manager

Tim Johansen, Managing Director, Real Estate Finance and Yossi Kraemer, Head of Institutional Capital and Portfolio Management are jointly responsible for the investment portfolio and are supported by 20 investment professionals of whom 12 are dedicated to the debt sector. The senior executive team has an average of over 20 years of relevant experience with backgrounds across real estate lending, principal investment, investment banking, construction, development, structured finance, mortgage loan servicing, investment management, finance, risk, investment operations, funds management, compliance and law.



Tim Johansen
*Managing Director,
Real Estate Finance*

Tim joined Qualitas in 2012 where he established the firm’s presence in Sydney and is responsible for the real estate finance activities. Tim has extensive experience across real estate financing markets over 20 years including senior debt, mezzanine debt, equity co-investments and financing advice.



Yossi Kraemer
*Head of Institutional Capital
and Portfolio Management*

Yossi joined Qualitas in 2012 and is responsible for the institutional capital relationships, general investor relations strategy and portfolio management across the firm. Yossi has over 20 years’ experience in global real estate finance, capital markets, real estate structured products and capital raising.



Andrew Schwartz
*Group Managing
Director & Founder*

Andrew is a co-founder of Qualitas and has over 32 years’ experience in financial services with a track record across real estate investment. He is responsible for overseeing the firm’s activities, setting the strategic direction of the business, transaction origination as well as building and enhancing client relationships.



Gerd Mayer
*Chief Risk
Officer*

Gerd joined Qualitas in 2010 as the Chief Risk Officer, responsible for the management of the firm’s financial and compliance risks. Gerd’s experience spans over 30 years in banking, specialising in credit risk management, project financing, structured lending and financial advisory.



Kathleen Yeung
*CFO & Head
of Strategy*

Kathleen joined Qualitas in 2014 and is responsible for corporate strategy, finance and operations. Kathleen has over 18 years’ experience in financial services spanning debt and equity advisory for major infrastructure projects, the development and financing of renewable energy and power generation assets for both listed and unlisted funds.

[3] As at 30 June 2018.

[4] As at 31 July 2018.

[5] As at 30 June 2018. Gross IRRs verified by independent auditor. Past performance is not a reliable indicator of future performance.

Important Information

The information contained in this document is for information purposes only and should be read in that context. The information contained in this document is not investment or financial product advice and is not intended to be used as the basis for making an investment decision. Please note that, in providing this document, QRI has not considered the objectives, financial position or needs of any particular recipient. QRI strongly suggests that investors consult a financial advisor prior to making an investment decision.

This document is strictly confidential and is intended for the exclusive benefit of the institution to which it is presented. It may not be reproduced, disseminated, quoted or referred to, in whole or in part, without the express consent of QRI.

No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this document. To the maximum extent permitted by law, none of QRI, its related bodies corporate, shareholders or respective directors, officers, employees, agents or advisors, nor any other person accepts any liability, including, without limitation, any liability arising out of fault or negligence for any loss arising from the use of information contained in this document.

This document includes "forward looking statements". Such forward- looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of QRI and its officers, employees, agents or associates that may cause actual results to differ materially from those expressed or implied in such statement. Actual results, performance or achievements may vary materially from any projections and forward looking statements and the assumptions on which those statements are based. Past performance is not a reliable indicator of future performance. QRI assumes no obligation to update such information.

This document is not, and does not constitute, an offer to sell or the solicitation, invitation or recommendation to purchase any securities and neither this document nor anything contained in it forms the basis of any contract or commitment. Any offer of securities will be made pursuant to a product disclosure statement issued by the responsible entity of QRI, which will describe the terms of the offer (Offer Document). This Offer Document will be available once it has been finalised. Prospective investors should consider the Offer Document in deciding whether to acquire securities. Prospective investors who want to acquire securities under the offer will need to complete an application form that is in or will accompany the Offer Document.

United States

This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States. The securities of QRI have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (Securities Act) or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold in the United States except in compliance with the registration requirements of the Securities Act and any other applicable securities laws or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any other applicable securities laws.

New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act"). This document does not constitute an offer of financial products for the purposes of the FMC Act.

Hong Kong

WARNING: This document is only to be made available to professional investors as defined in the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO") and any rules made under that ordinance.

The contents of this document and the proposed Offer Document have not been, and will not be, reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to any offer. No action has been or will be taken in Hong Kong to authorize, or to permit the distribution of, this document or any documents issued in connection with it. Accordingly, any units in the Trust will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO). If you are in doubt about any contents of this document, you should obtain independent professional advice.

Singapore

This document and the proposed Offer Document will not be registered as a prospectus with the Monetary Authority of Singapore ("MAS") and, accordingly, statutory liability under the Securities and Futures Act, Chapter 289 (the "SFA") in relation to the content of prospectuses will not apply, and you should consider carefully whether the investment is suitable for you. The Fund will not be a collective investment scheme authorised under Section 286 of the SFA or recognised by the MAS under Section 287 of the SFA and the Units are not allowed to be offered to the retail public.

This document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase of any units may not be circulated or distributed, nor may the units be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except to "institutional investors" (as defined in the SFA), or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

This document has been given to you on the basis that you are an "institutional investor" (as defined under the SFA). In the event that you are not an "institutional investor", please return this document immediately. You may not forward or circulate this document to any other person in Singapore.