

IPARTNERS CORE INCOME FUND



APRIL 2023

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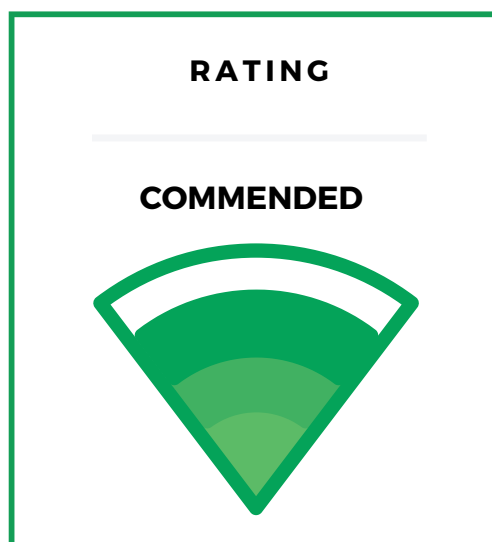
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RATING OVERVIEW

SUMMARY & CONCLUSION

Evergreen Ratings Pty Ltd (Evergreen Ratings) initially reviewed the iPartners Core Income Fund (“CIF”, or “the Fund”) in January 2022 and rated the Fund as “Commended”. In that initial rating, Evergreen Ratings stated that the Fund “was a product of the times. It is technology-driven, with innovative use of unit trusts, to meet a pressing market need for self-driven investors to generate income when prevailing bond yields are low.” Since then, cash and bond yields have risen, while net returns to Fund investors have remained steady around the top of the target return range of 6% to 8%. In this review, Evergreen Ratings has rated the Fund as Commended.



*Refer to the final page for a description of the Ratings scale.

STRENGTHS

Past performance has met the target return since inception and since the last Evergreen Ratings review. By prioritising senior credit opportunities that provide exposures with greater subordination in the capital structure, the Manager has reduced the risk profile of the fund, while increasing returns up to and above the top end of its target range. The nominal fees charged to the Fund (0.5% Management Expenses Ratio or MER) and Trustee (0.1%) are relatively low by industry standards (see below for comment on other fees earned by the iPartners group). It is also a benefit that investors are able to invest in alternative assets for as little as \$10,000 through the iPartners Platform, reducing the minimum threshold investment.

WEAKNESSES

As the Reserve Bank of Australia (RBA) has increased the Overnight Cash Rate by over 3% in the past 12 months (while the target rate of return for the Fund has not changed), any return premium earned by investors by investing in alternative investments has reduced (albeit balanced by some risk reduction). This is an issue for all funds targeting a fixed/target rate of return and is not confined to the Core Income Fund. The lack of an appropriate benchmark means there is no independent way to measure Fund performance (as a margin over base rates). Total fees may be understated as iPartners Group earn up-front and/or ongoing fees that are challenging to determine.

DIFFERENTIATING FACTORS

The iPartners Group has a substantial and successful platform business, iPartners, which offers investors an opportunity to invest in deals created and/or sourced by the iPartners group product team. This platform utilises a head trust and sub-trust structure that facilitates transactions, including matching incoming new funds with outgoing repayments. The platform allows approved investors to develop their own portfolio of alternative assets starting from as little as \$10,000 per asset. Investing in the Core Income Fund enables a professional fund manager to manage a portfolio of alternative assets in return for a fee.

ISSUES TO NOTE

As is typical with many funds of this size, many parties related to the iPartners Group are fulfilling roles that would ideally be independent. This raises issues of independence, but also the possibility that total fees paid to invest in the underlying assets are higher than just the Fund Management Expense Ratio (MER). iPartners have recently appointed an independent director to the board of the parent company (iPartners Holdings Pty Ltd) who has also joined the board of the Trustee (iPartners Nominees Pty Ltd). In addition, two non-executive directors have joined the board of the trustee as independent directors. These non-executive directors are named in the key persons section, and their addition is a welcomed improvement in governance for the group. Evergreen Ratings would like to see increased transparency in total fees earned by iPartners Group more generally. We also suggest that underlying alternative assets be described in more detail so investors can more fully understand the underlying portfolio risks.

ABOUT THE PRODUCT

FUND PARTICULARS

Fund name	iPartners Core Income Fund
APIR Code	IPN0040AU
Dominant strategy	To provide investors with a diversified portfolio of secured fixed-income assets, including private credit, asset-backed securities, property debt and private credit funds. All loans are secured against a portfolio of loans, receivables, real estate or cashflows. The Fund is designed to produce an annual yield of 6% to 8% (net of fees and costs)

FUND PARTICULARS

Fund structure	Unregistered managed investment scheme structured as a unit trust. Offered only to wholesale investors
Fund Arranger	iPartners Pty Ltd (ABN 97 616 310 555, AFSL 502 791)
Fund Trustee	iPartners Nominees Pty Ltd (ABN 98 619 036 663). A corporate authorised representative of the Arranger, Corporate Authorised Representative Number 001263857
Investment Manager	iPartners Funds Management Pty Ltd (ABN 86 635 798 846). A corporate authorised representative of the Arranger, Corporate Authorised Representative Number 1278308
Fund Administrator	iPlatforms Pty Ltd (ABN 31 632 918 552)

KEY ELEMENTS

DESCRIPTION

Fund inception	31 May 2021
Domicile	Australia
Legal form	Unregistered managed investment scheme
Geographic mandate	Australia
Open	Yes. Open-ended
Investment timeframe	Fund recommends minimum of nine months
Management fee	0.5%
Trustee fee	0.1%
Performance fee	N/A
Expenses reimbursement	Borne by the Fund
High water mark	N/A

KEY ELEMENTS	DESCRIPTION
Benchmark	To produce an annual yield of 6 to 8% p.a. (net of fees and costs). Measured over an Investment Horizon of 9 months with a low degree of volatility
Distributions	Monthly
Funds under management	C \$52 million as of 28 February 2023
Investment source	Wholesale investors
Minimum investment	\$10,000
Minimal additional investment	\$10,000
Reinvestments	Yes, investors can reinvest distributions
Unit price	\$1.00065 as of 28 February 2023
Entry fee	N/A
Exit fee	N/A
Applications	Monthly, closing three business days before the last business day of the month
Lock-up	N/A
Redemptions	Monthly, closing three business days before the last business day of the month, but this is not guaranteed. The Information Memorandum (IM) states that there is no guarantee that redemption requests can always be met, and will depend (among other things) on the liquidity of the asset portfolio at the time of the redemption request
Address	Level 8 Aurora Place, 88 Phillip St, Sydney, NSW 2000
Website	iPartners.com.au

ABOUT THE MANAGER

iPartners Pty Ltd was established in 2017 by Rob Nankivell and Travis Miller, who had extensive capital markets experience in Australia and overseas. Mr Nankivell and Mr Miller sought to establish a company that provided wholesale investors access to institutional-grade alternative investments. Crucial to this strategy was to develop their in-house technology platform.

The technology solution became a success in its own right, and is now operated by a subsidiary company iPlatforms Pty Ltd, trading under the business name iPlatforms. iPlatforms now offers a white-label solution to borrowers using the technology to raise capital, identify investors and settle payments under one platform. iPlatforms assets under administration have grown to over \$4 billion since early 2023.

The following organisational chart illustrates iPartners Group corporate structure:



In response to investor demand, iPartners Funds Management Pty Ltd was formed, and four funds were created, allowing wholesale investors to invest in a pool of private assets that are managed professionally. Investors are now able to invest in one of the four funds managed by iPartners Funds Management:

- 1. Conservative Fund, targeting a return of 3% - 4% pa;
- **2. Core Income Fund, targeting a return of 6% - 8% pa;**
- 3. Investment Fund, targeting a return of 8% - 10% pa; and/or
- 4. Growth Fund, targeting a return of over 10% pa.

The table on the following page summarises how the target asset allocation varies for the four funds, noting that funds targeting higher returns expect to hold a mix of higher-risk investments.

ASSET ALLOCATION	CONSERVATIVE FUND	CORE INCOME FUND	INVESTMENT FUND	GROWTH FUND
Cash	Medium	Low	Low	Low
Asset-Backed Senior Debt	Medium	Medium	Medium	Low
Asset Back Junior Debt	Low	Low	Medium	Medium
Property Senior Debt	Medium	Medium	Medium	Low
Property Junior Debt	Low	Low	Medium	Medium
Corporate Credit	Medium	Medium	Medium	Medium
Other Alternative Assets	Low	Low	Low	Medium
Private Equity	Nil	Nil	Nil	Low

Source: iPartners Funds Management Information Memorandum

PRODUCT OVERVIEW

The Fund is an unlisted and unregistered, managed investment scheme. It is only available to wholesale clients as defined in section 761G of the Corporations Act 2001 (Cth). The legal structure is a sub-trust of a master trust, as outlined later in this review.

HOW IS THE PRODUCT MANAGED

OBJECTIVES

The Fund targets total annual returns of 6% - 8% (after fees and taxes) measured over a recommended minimum investment period of nine months.

INVESTMENT GOVERNANCE AND PROCESS

The Board of iPartners Holdings Pty Ltd is responsible for, among other things, setting the overall strategy for the business and ensuring that appropriate policies and procedures are in place for effective risk management and corporate governance. Co-Founders Travis Miller (CEO) and Rob Nankivell (Managing Director) sit on the Board. There is a Risk Committee appointed by the Board that is responsible for overseeing and implementing a risk management programme. At least two Directors of the Board sit on the Risk Committee. The Board remains responsible for the final approval of the risk policy and ongoing risk management.

INVESTMENT COMMITTEE

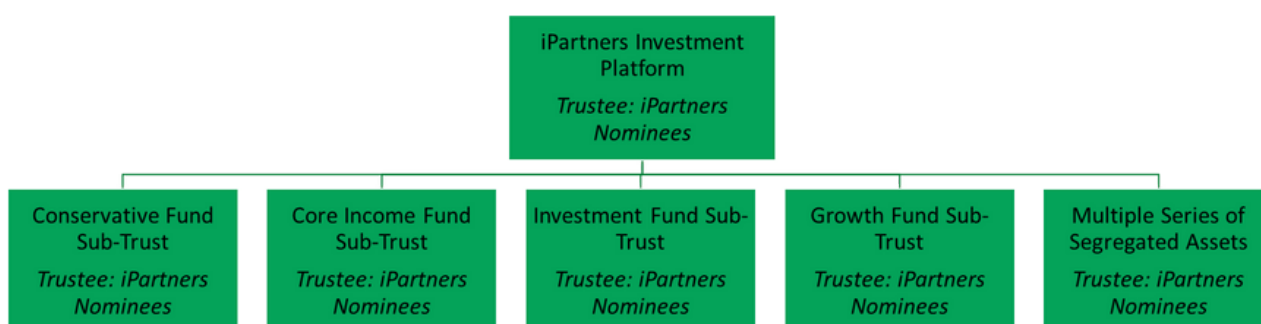
The iPartners Investment Committee (IC) oversees and monitors the investment management framework, ensuring that investment strategies and processes are appropriate for the activities undertaken on behalf of clients.

The IC typically sits weekly and reviews all major transactions for the platform and the funds managed by iPartners Funds Management, including the Core Income Fund.

Travis Miller not only sits on the Investment Committee, but is also Co-Portfolio Manager of the Fund. Each member of the Investment Committee is experienced in investments and financial markets. As can be seen from the biographies of the key persons, there is extensive experience in the Group for structuring transactions and maximising credit protections in deal documents.

Each of the four funds arranged by iPartners is a sub-trust of the iPartners Investment Platform (Head Fund). The Trustee of the Head Fund and the sub-trusts is iPartners Nominees Pty Ltd. Each fund sub-trust is segregated from the other sub-fund trusts and other series of segregated assets held by the iPartners Investment Platform, with the intention being that there is no cross-liability between the sub-trusts (although each is permitted to invest in the other Funds). (Source: iPartners Funds Management Information Memorandum).

The following diagram illustrates the legal structure, showing the sub-trusts. (See below on “Trust Merger Risk” in the Risks Faced by Investors section of this review).



FUNDS INVESTMENT (SUB) COMMITTEE

There is also a Funds sub-committee comprising of iPartners group employees. Dan Steen (Head of Product) chairs the Funds Sub-Committee and is joined by Travis Miller (Co-Founder and CEO) and William Wong (Head of Funds Management and Co-Portfolio Manager for the Core Income Fund). Most fund investments are reviewed by the full IC.

The Co-Portfolio Managers are immediately responsible for the Fund's investments and are not restricted to only investing in products sourced and distributed by iPartners. It is apparent that by far the majority of Fund investments are available via iPartners. There is a degree of overlap between the iPartners product team and Mr Wong as Chief Investment Officer (CIO) for iPartners Funds Management. Mr Wong's credit assessment expertise is valuable in assessing new opportunities offered to iPartners group clients more generally and is also valuable to the Core Income Fund as his personal due diligence ensures he is familiar with the opportunity and suitability for inclusion in the Fund.

Applications and redemptions are offered monthly, although redemptions are not guaranteed under the IM. Internal cash flows from principal and interest payments by borrowers provide a prime source of liquidity for redemptions. In addition, the Fund Manager ensures a spread of maturities of underlying assets, monitored through a cash flow liquidity model. Applications and redemption requests can and are used to manage liquidity, whereby bids for assets via the Platform can be offset by offers for assets through the same platform.

The Fund Manager considers the outlook for markets, and the mix of possible assets that can best achieve the target rate of return with lowest risk. The average term to maturity of the Fund's assets is 0.75 years, or say nine months, with the longest term to maturity about two years. Thus, the Fund Manager can rotate out of less attractive assets as they mature, or earlier if early redemption clauses allow. In the past year, the Fund Manager has reduced the allocation to subordinated debt, increased the allocation to asset-backed securities and substituted fixed rate investments for floating rate investments. While markets are orderly and the Fund is attracting net inflows, net new funds can be used to invest in preferred assets, thus more quickly changing investment profile than during periods of net outflows. If inflows match outflows then it would take several months to meaningfully change asset allocation.

The Fund to date has tended to invest in underlying investments such as loans, via specialist lenders who are responsible for selecting borrowers and managing the loans/assets. Where investments are via a specialist intermediary, the iPartners Funds Management do not need to interact directly with underlying borrowers but must have experience in due diligence and documentation including legal skills, and in choosing strong partners who manage the underlying loans/assets. iPartners Funds Management and iPartners Group more generally do have relevant experience in due diligence and legal skills across asset classes, often gained through investment banking. See pages 12-13 for more detail on the underlying assets of the Fund, including whether direct loans or through intermediaries.

KEY PEOPLE

Rob Nankivell **Managing Director**

Rob has been active in financial markets for more than 25 years with a primary focus on building investments across a range of asset classes. He has worked in Melbourne, Sydney and London with Macquarie Bank, CBA and JPMorgan before holding senior roles at Longreach Global Capital and VentureCrowd. Rob has first-hand experience across equity, credit and property markets and has a passion for originating and completing successful transactions for investors. Rob is a member of the iPartners Investment Committee.

Travis Miller CFA **CEO and Co-Portfolio Manager**

Through the early years of the business Travis primarily led the evolution of the iPartners private credit, private securitisations and funds management businesses, with a constant eye to the broader strategic direction and emerging opportunities. Travis has worked in financial markets for more than 20 years, most recently as Managing Director at UBS Investment Bank, previously as a Director at Deutsche and ANZ Bank. He has pioneered the evolution of alternative investments and products in Australia having priced, structured and offered assets giving investors exposure to credit, rates, equities, FX, derivatives, ETF's, funds, property, infrastructure and agriculture.

William Wong **Co-Portfolio Manager**

Will is the Head of Funds Management and Chief Investment Officer of iPartners Funds Management.

Will is a corporate finance and investments specialist with extensive and diverse experience in credit, equity and derivatives having worked in capital markets across Sydney, London, Hong Kong and Manila.

Doris Zhou **Investment Analyst**

Prior to joining iPartners Fund Management, Doris was an Audit Analyst at Deloitte Sydney covering financial modelling, compliance monitoring and regulatory reporting for ASX listed companies. Doris has gained extensive investment and risk management knowledge during her tenure as a consultant at KPMG Sydney. Doris holds a Master of Commerce majoring in Banking and Business Analytics, and a Bachelor of Commerce majoring in Accounting and Finance, from University of Sydney. Doris speaks fluent English and Mandarin.

Dan Steen **Co-Head of Capital Markets**

Dan is Chair of the Investment Committee and Funds sub-Committee at iPartners. Dan is a Director at iPartners and has nearly 20 years of experience in financial markets. Largely working in sales and business development roles across interest rate, FX, and credit/debt markets, Dan was most recently a Director at Deutsche Bank in Sydney. He has previously worked for a number of other organisations, including Bankers Trust, Goldman Sachs, Goldman Sachs JB Were, AIG Financial Products and RBS, with a significant part of his career based in Asia.

Chris Reade
Chief Operating Officer

Chris has more than 20 years experience in Australian financial markets, having worked at UBS Investment Bank, Commonwealth Bank and Nikko Asset Management in senior product structuring and transaction execution roles. Chris is an expert in designing, building and operating best of breed investment products, services and transactions. He has experience across a very broad range of asset classes and product types including derivatives, structured products, investment lending, unlisted funds, exchange traded funds and property syndicates.

Jen Dalitz
Independent Director (iPartners Holdings and iPartners Nominees)

Jen Dalitz is a Corporate Advisor, Executive Coach and Board Director specialising in resilience with a focus on business strategy, transformation, inclusion and diversity. She helps individuals & organisations to thrive and survive. A champion of diversity and inclusion, Jen is the former CEO of Women in Banking and Finance and an experienced non executive director currently serving on the boards of Qudos Bank where she is also Chair of the Risk Committee, iPartners and iPlatforms, and as a Trustee of the Australian Museum. Jen's executive and professional experience spans three decades primarily within the banking and finance sector, where she developed a strong operational and consulting track record within leading financial services providers and a top-tier management consulting firm. Jen is an Independent Director of the parent company, and also of the Trustee.

Astrid Raetze
Non-Executive Trustee Director
(iPartners Nominees)

Astrid Raetze is a financial services lawyer with more than 25 years experience in the financial services industry. At Baker McKenzie, a global law firm, she was a partner in financial services law for over 15 years, as well as serving as Global Head of FinTech, and on the Global Innovation Group (mandated with innovating the practice of law at Baker McKenzie). Astrid then moved to KPMG, where she headed the financial services law division and served as the Australian Head of FinTech. Astrid also led KPMG's response to the Banking Royal Commission. Astrid has deep expertise in FinTech, financial services, financial products, including funds, structured financial products, and regulatory advice. Her clients include FinTechs, venture capital and PE funds who invest in FinTech, product issuers, funds, fund managers, ETF issuers, responsible entities and trustees. Astrid is a non-executive director of the Trustee.

RISK MANAGEMENT & COMPLIANCE

SYSTEMS AND PROCESSES

iPartners Group and related parties follow a "three lines of defence" risk management model.

The first line of defence relies on business management identifying, assessing, mitigating, managing and reporting all risks.

The second line of defence relies on iPartners Group risk and compliance functions, led by the iPartners Chief Operating Officer, providing advice and oversight across all risk types, including legal, reputational, licensing and conflicts of interest. The third line of defence relies on an internal audit, led by the iPartners Chief Financial Officer, providing effective internal controls and providing internal assurance. The Group and the Fund's annual results are reviewed by an independent, professional external auditor.

Noticeably, all key roles are performed by iPartners staff and associated companies. Evergreen Ratings note that since initial review of the Fund, that two non-executive and independent directors have been appointed to the board of the Trustee (iPartners Nominees) which is an improvement in governance.

One of these directors has also joined the board of the parent company (iPartners Holdings) as an independent director. Governance could be improved further by outsourcing some roles to independent entities, and for the moment welcome the addition of independent directors. There are potential benefits and drawbacks to investors to have all functions controlled by the Fund Arranger. On the one hand, it is a benefit to have all these roles performed by iPartners staff as the Group will collectively handle any absences and reduce key person risk. On the other hand, all iPartners staff depend on the principals of iPartners for their livelihood, which tends to reduce the likelihood of strong, independent reviews of risks in the business and/or policing compliance breaches.

ASSET CLASS LIMITS

The four iPartners funds invest in various alternative assets as previously outlined. Asset allocation in these funds reflects the varying risk/return objectives. iPartners outline maximum asset class exposure in the four funds as follows:

ASSET CLASS	CONSERVATIVE	CORE INCOME	INVESTMENT	GROWTH
Cash	Up to 60%	Up to 20%	Up to 20%	Up to 20%
Asset-Backed Debt	Up to 50%	Up to 80%	Up to 80%	Up to 50%
Property Debt	Up to 50%	Up to 50%	Up to 50%	Up to 50%
Corporate Credit	Up to 50%	Up to 50%	Up to 50%	Up to 50%

ASSET CLASS	CONSERVATIVE	CORE INCOME	INVESTMENT	GROWTH
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Other Alternatives	-	Up to 10%	Up to 10%	Up to 20%
Hybrid Securities	-	-	Up to 15%	Up to 100%
Private Equity	-	-	-	Up to 100%

Source: iPartners Information Memorandum

Asset-backed securities (ABS) are financial securities backed by income-generating assets such as auto loans, credit card receivables, home loans, student loans, and loans to purchase livestock. ABS are created when a company sells its loans or other debts to a financial institution that then packages them into a portfolio to sell to investors. Investors might buy a senior/subordinated/equity tranche of the ABS, so underlying risk is varied depending on the underlying loans and/or seniority of the tranche. Investors in the most senior tranche enjoy loss protection to the degree that subordinated or equity tranches are obliged to absorb first losses.

Property debt are loans used to finance property, which might be a high-risk development or a lower risk loan to purchase a home. Risk in this class of asset can thus vary depending on seniority of the loan/tranche and the type of underlying property, as well as the repayment ability of the borrower(s). The Fund might invest in tranches of securities that finance property, earning a return but not having to administer the underlying loans. Property loans can face general market risks, as well as specific risks depending on the underlying assets.

Commercial loans are loans to businesses and can be as varied as the nature of the borrower.

As in ABS and property loans, it is possible for the Fund and other investors to invest in tranches of funding that ultimately is lent to businesses, or directly. It is simpler administratively and in credit approval to invest in a tranche, with a specialist lender/bank administering loans, enforcing loan terms and even enforcing security in the event of default. Commercial loans can face general market risks, and specific risks that are as varied as the underlying borrowers.

CURRENT ASSET CLASS EXPOSURE FOR THE CORE INCOME FUND

ASSET CLASS	ALLOCATION
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Cash	9%
Asset-Backed Debt	44%
Property Debt	21%
Corporate Credit	23%
Other Funds	3%
Hybrid Securities	0%
Private Equity	0%

Source: iPartners Funds Management

TOP FIVE HOLDINGS IN THE CORE INCOME FUND

ASSET	ALLOCATION	COUPON	ASSET CLASS	DESCRIPTION
Cash	9%	3%	Cash	Bank deposits
Diversified portfolio of corporate loans supported by a government guarantee scheme	11%	c 10%	Corporate credit	Senior tranche of warehouse funding, supported by a portfolio of SME loans in which 80% of loan principal is covered under a government guarantee scheme. The senior tranche enjoys 20% first loss protection in addition to the underlying loans being 80% guaranteed.
Senior secured loan backed by a diversified portfolio of SME business loans	10%	c 8%	Corporate credit	Senior tranche of warehouse funding, supported by a diversified portfolio of SME business loans. The senior tranche has an LVR of 75%, with 25% subordinated protection.
Highly diversified portfolio of consumer loans	8%	c 9%	Asset backed securities (ABS)	Participation in an institutional warehouse provided by an international bank. The warehouse is supported by a highly diversified portfolio of consumer loans.
Diversified portfolio of agriculture related loans, senior secured over livestock	8%	c 9%	Asset backed securities (ABS)	Senior tranche of a warehouse financing, supported by loans to stock agents with additional security provided by livestock. The senior tranche benefits from 35% first loss protection, and the benefit of security over an asset that is appreciating in value over time as the livestock grows.

ASSET	ALLOCATION	COUPON	ASSET CLASS	DESCRIPTION
Senior secured construction loan for a premium project in Elsternwick, VIC	7%	c 8%	Property	A senior secured construction loan, for a premium project approaching completion and an LVR of 60%. A co-investment with leading Group DEXUS (ASX: DXS).

Source: iPartners Funds Management CIF Monthly Report, February 2023

RISKS FACED BY INVESTORS

Investors face several risks when investing in the Core Income Fund. These include:

- Market risk:** Fund investments such as loans and asset-backed securities (of various descriptions) all face certain market risks. These include general exposure to Australian economic conditions and/or unique risks associated with the underlying business activity.
- Liquidity risk:** While the Fund offers monthly liquidity, the trust deed does not guarantee this. In the event of a major run on the Fund, investors may find they cannot redeem units at the current price and/or in a timely manner. Alternative investments are not as liquid as those listed for trading on an active market. This illiquidity is a key feature of alternative assets and is explicitly pointed out by the Fund Manager as a source of increased return, the so-called “illiquidity premium”.
- Investment strategy risk:** In making investment decisions for the Fund, the Fund Manager will apply the Fund’s investment strategy, but there is no guarantee this will deliver expected returns.
- Credit default risk:** The Fund will invest in debt instruments, subject to the credit risk of the issuer or the borrower. The Fund Manager seeks to reduce credit default risk by diversifying borrowers and using structural protections such as security over cash flows and assets, “first loss” protections, loan conditions such as debt/equity maximums and more.
- Interest rate risk:** The Fund invests in a range of interest-earning assets that may be priced with a fixed rate of interest. In a period of rising market rates, such as the past year, “old” investments might be locked into a less favourable light in comparison to alternatives. The Fund Manager has reduced the average life of assets in the Fund, and therefore the period of fixed interest rates, and shifted to floating rate assets so this risk is much reduced compared to a year or so ago.
- Lack of diversification risk:** Generally, the more diversified a portfolio, the lower the impact that an adverse event affecting one investment will have on the income or value of the overall portfolio.

The Fund Manager seeks to have a diversified portfolio of assets in the Fund. The Core Income Fund can invest in other sub-trusts managed by iPartners Funds Management and other investments on the iPlatforms master trust, concentrating sub-trust investments within the iPartners investment platform.

- **Conflict of interest risk:** There is a risk that conflicts of interest may arise for the Fund Manager and/or Trustee, given their relationship and roles with other funds, investors and the broader iPartners Group. Other parts of the iPartners Group may receive fees in relation to deals that the Fund invests in.
- **Platform and trustee risk:** Payments in relation to the Fund are dependent on the continuing performance of the iPartners investment platform, the intellectual property of which is controlled by the parent and group companies. Similarly, successful and compliant operation of the Fund depends on the continuing successful performance of the Trustee, itself a subsidiary company of the iPartners Group.
- **Trust merger risk:** The trustee is the trustee of both the Head Trust and each of the Sub Trusts. In the event that the same person is both the sole trustee and the sole beneficiary of a trust, there is a risk that Sub Trust may be deemed to have terminated with the result that the beneficiary owns the trust property outright. In that case, there would be no segregation of assets in the Sub Trusts and investors in particular classes of units in the Head Trust could be exposed to losses from trust property referable to other classes of units in the Head Trust. (Source: iPartners Secured Loan Series 1D term sheet).
- **Key person risk:** Investors face a risk that management and staff changes may impact the operation of not only the Core Income Fund, but all funds managed by the Fund Manager. In particular, the Fund Manager may not be able to replace key persons such as the CEO Travis Miller. It is evident that the two co-founders remain key individuals in the Group, and both remain actively engaged with the Group. It is worth noting that these two key persons have high ownership shares in the company so risk of departure is minimised. In addition, staff turnover has been low (only one transaction staff member has left in the past 12 months, and that was on a friendly release).
- **Valuation risk:** iPartners Group has been explicitly established to enable wholesale investors to access institutional investments, particularly alternative investments that are unlisted. Unlisted assets cannot be priced by reference to a market price of identical assets in a liquid market and are usually priced by estimation, albeit concerning more liquid assets where possible. In the case of assets in the Core Income Fund, valuation is performed monthly by staff of the parent company, illustrating again the risks in having so many roles performed by iPartners Group employees. It is often claimed by managers of unlisted assets that assessed valuations are more stable than market prices for listed assets, aiding investors through reduced price volatility. That may be so, but it is a risk for investors in the Fund that unlisted assets are subjectively valued and such valuation can be wrong. There is a clear conflict of interest that Fund assets are being valued by a related party of the Fund Manager.

COMPLIANCE

Compliance responsibilities are delegated to the iPartners Chief Operating Officer, who receives monthly portfolio reports on the Fund and attends the regular Investment Committee and iPartners Funds Management Pty Ltd board meetings, together with the Group General Counsel. Evergreen Ratings notes that the Trust Deed refers to the Trustee being responsible for compliance. The Trustee has delegated management of the fund to iPartners Funds Management and compliance follows the iPartners Corporate Governance Policies and Procedures Handbook.

Wayland Cheung Head of Operational Risk and Compliance

Wayland has over 13 years' experience in the financial services industry. With extensive risk & compliance experience in superannuation, insurance and investment management, Wayland has recently held senior management positions at Westpac BT Group and PwC. Wayland is also admitted as a legal practitioner in NSW and holds a law degree from UNSW. As Head of Operational Risk and Compliance, Wayland is responsible for managing ongoing compliance obligations for iPartners Funds Management as well as the broader iPartners Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) ISSUES

The Fund Manager has recently initiated its ESG initiative.

As touched on in this report, the overall governance arrangements for the Core Income Fund are sub-optimal given every key player from Trustee to Fund Manager to internal audit and compliance are run by iPartners group companies and/or staff. Evergreen Ratings notes the recent appointment of independent persons to the trustee role, and while it is not uncommon for relatively new funds to internalise many functions for reasons of cost and simplicity, we would like to see some/all of these roles to be independent once this becomes cost-effective.

The Trust Deed lists a range of expenses that are able to be expensed to the Fund. Evergreen Ratings notes the potential conflict of interest created when several iPartners entities perform roles for which expenses may be charged. While so many roles are performed by related parties, Evergreen Ratings would like to see greater disclosure of fees earned by the iPartners Group generally so investors can make a judgement that overall fees are reasonable.

TRACK RECORD ANALYSIS

PERFORMANCE ANALYSIS

Total Fund Return (% Net of Fees)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2023	0.66	0.59										
2022	0.54	0.54	0.51	0.56	0.68	0.61	0.67	0.64	0.61	0.64	0.63	0.66
2021						0.71	0.57	0.60	0.57	0.57	0.60	0.63

(Source: iPartners Core Income Fund Monthly Performance Report, February 2023)

Since-inception annualised return (% pa after fees) have been as follows:

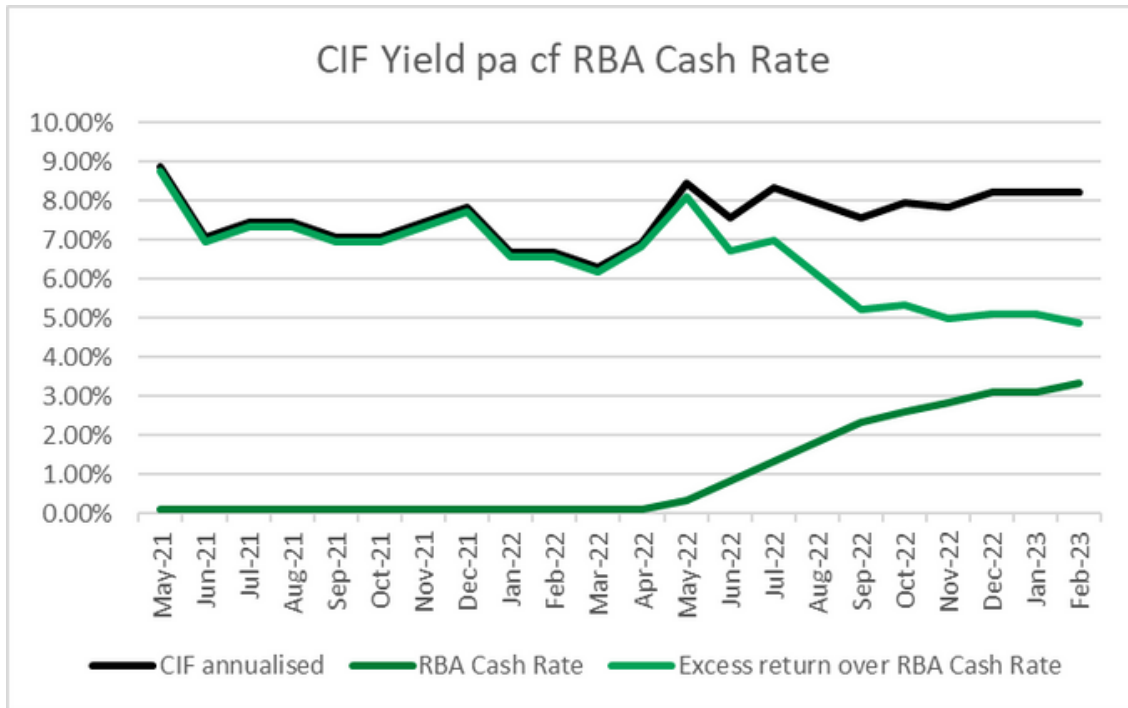
- 1 Month 8.02%
- 3 Months 8.03%
- 6 Months 7.91%
- 1 Year 7.72%
- Since Inception 7.56% pa.

(Source: Core Income Fund Monthly Performance Report, February 2023).

BENCHMARK

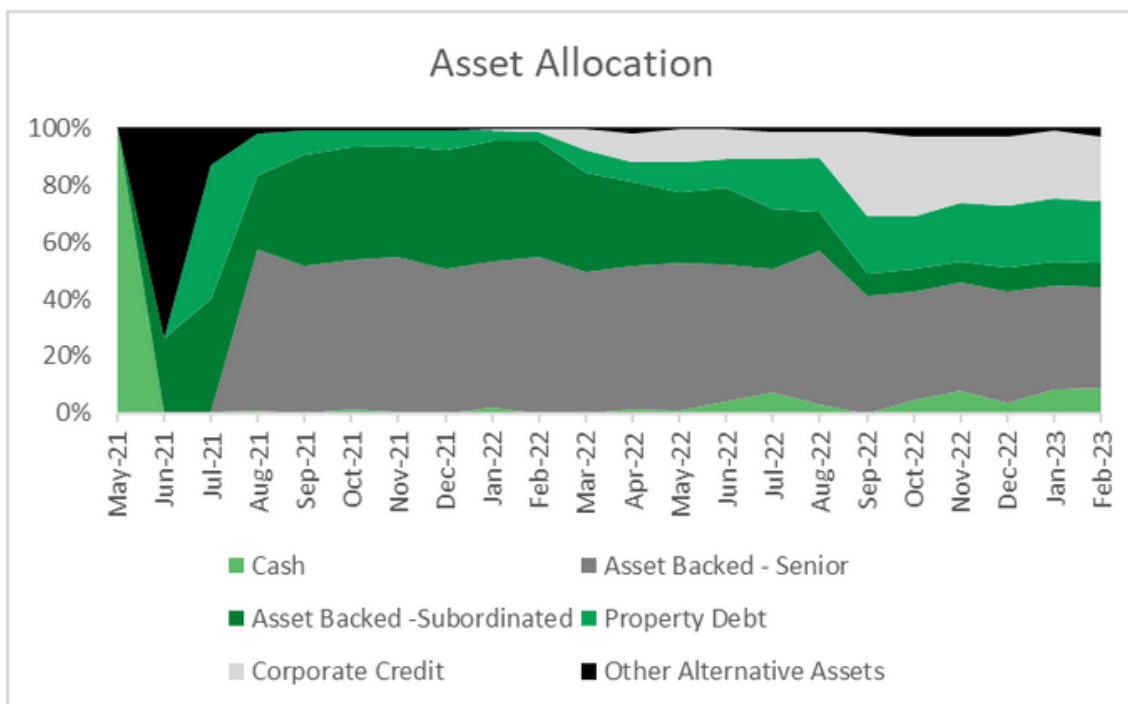
The Fund (like many in this sector) quotes not a margin over the risk-free rate, but a fixed return (in this case a range between 6% and 8% pa). It can be seen that while the Fund's returns have been quite stable, the excess return delivered by the Fund over the RBA Cash Rate has fallen since mid-2022 when the RBA started to increase the Official Cash Rate.

To the degree that the risk-free rate has increased (by 3% over the past year), the value-added return over the risk-free rate must have declined by a similar amount, with some of the benefit of the rate rises balanced with some reduction in risk profile. This decline in the return over the risk-free rate is not restricted to the Core Income Fund alone, but is worth consideration by investors. Absolute returns have been increasing recently as new assets are taken on with floating rates and the running yield on assets is currently at 8.4% p.a.

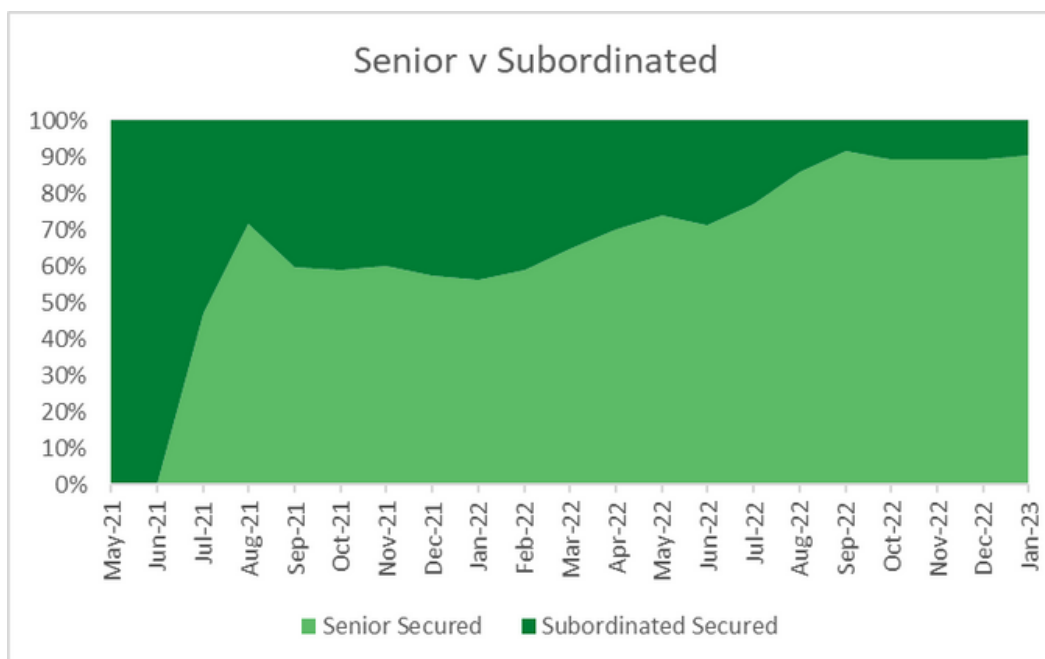


The following table shows how the asset allocation of the Fund has changed over time, and since inception. It is apparent that the asset allocation of the Fund's assets has changed significantly in the past 12 months, with less subordinated ABS and more senior secured assets, including corporate credit exposure.

The Fund Manager explained that fund assets were largely fixed rate assets one year ago, and are now almost all floating rate assets, which has reduced interest rate risk and resulted in higher running yield for the Fund.



The overall risk profile of the Fund has reduced in the past 12 months, as seen by the increased proportion of Fund assets that are senior compared to subordinated loans. (See below).



In the words of the Fund Manager “Returns of the Core Income Fund have been steadily increasing towards 8.0% pa, the top end of the target range. This reflects the benefit of rising interest rates as well as an improvement in credit margins. Some of the rate increase benefits have been balanced by an improved risk profile in the portfolio, together with some higher cash holdings to optimise deal selection. The stronger risk profile can be seen with over 90% of the investment portfolio held in senior secured holdings”. (Source: *iPartners Private Market Insights*, January 2023).

Investment advisers typically determine an investor's risk appetite and return objective, and then select suitable investments to suit. In the past year, the CIF Fund Manager has reduced the risk profile of the Fund, and maintained the target return. This shifting risk profile is thus managed by the Fund Manager, and requires periodic review by investors to ensure investment in the Fund remains consistent with their own risk tolerance and return objectives over time.

FUNDS UNDER MANAGEMENT (FUM) AND SCALABILITY

iPartners was the original business started by Mr Nankivell and Mr Miller, with the technology business iPlatforms following, and currently has in excess of A\$4 billion in funds under administration. The iPartners Group is profitable and sustainable, and has allowed the Group to start iPartners Funds Management Pty Ltd.

iPartners Funds Management Pty Ltd was established in response to investor requests and since inception in 2020 Funds Under Management (FUM) has grown to \$250 million, which includes the four iPartners funds plus separately managed accounts. Of this, the Core Income Fund balance was c \$52 million as at the end of February 2023.

iPartners Funds Management believe this level of FUM is already sufficient to profitably support management of the funds in the long term, and the Manager is confident FUM will improve over time.

The Fund Manager believes the investable universe is very large compared to existing FUM, and believes that the Core Income Fund could increase to \$300 million providing inflows were steady and deployment of new funds not rushed. Evergreen Ratings cannot comment on this level of AUM, but note this would require deep, liquid pools of suitable alternative assets such that the Fund Manager could not only increase allocation to attractive assets, but exit unsuitable assets in a timely manner. Current Fund weighted average maturity suggests major changes in asset allocation will take months to implement, which investors in alternative asset funds must accept.

FEES

The Manager charges 0.5% as a management fee, and the Trustee charges 0.1%, with administration expenses being borne by the Fund. On face value these are relatively low fees, and are an attraction for investors. Evergreen Ratings has cited term sheets relating to a number of underlying Fund assets, which indicate iPartners earn up-front and/or ongoing fees of over 2% pa, so add significantly to total fees. It is certainly reasonable that iPlatforms and iPartners be reimbursed for reasonable work done in not only ongoing administration but also due diligence and structuring. Evergreen Ratings would like to see more transparency in relation to total fees earned by the iPartners Group, given the potential for conflicts of interest from deal origination to final distribution to Fund investors.

iPartners have a written Conflict of Interest Policy which specifically states that iPartners must comply with its fiduciary duty to act in investors' best interests. Nonetheless, best practice would be to separate functions such as Trustee and custodian to independent entities when cost-effective and more clearly in the interests of unit holders.

TRANSPARENCY & REPORTING

The Manager has provided Evergreen Ratings with the required information on which to write this report, and in a transparent fashion. Evergreen Ratings has cross-checked this information with other sources where possible.

Evergreen Ratings would like to see increased transparency in assets owned by the Fund, in order to more fully understand underlying exposures and how these may change over time.

REPORTING TO CLIENTS

Investors receive a Monthly Performance Report, have access to their holdings and other information online via the iPlatforms portal.

THIRD PARTY ADVISORS & SERVICE PROVIDERS

SERVICE	COMPANY
Investment Manager	iPartners Funds Management Pty Ltd
Compliance	iPartners Pty Ltd
Fund auditor	Ernst & Young
Legal adviser	Baker & McKenzie
Fund administrator	iPlatforms Pty Ltd
Registry	iPlatforms Pty Ltd
Trustee	iPartners Nominees Pty Ltd
Custodian	N/A
Valuer	N/A

RATINGS SCALE

HIGHLY COMMENDED We have **high confidence** in this investment product.



This is a Fund or Investment Product that has scored consistently very well across all areas of Evergreen Ratings' research and analysis framework. As a result, we believe the Fund has a very high probability of meeting its objectives.

It is appropriately designed, with appropriate fees and has sufficient, high quality systems and resources, including risk management and corporate governance, to manage an appropriate outcome.

COMMENDED

We have **confidence** in this fund manager or investment product.



This is a Fund or Investment Product that has scored consistently well across most areas of Evergreen Ratings' research and analysis framework. As a result, we believe the Fund has a high probability of meeting its objectives.

It is reasonably well designed, with fees more or less in line with the nature of the product and its peers. The Manager has sufficient, quality systems and resources, including risk management and corporate governance, to manage an appropriate outcome.

SATISFACTORY

We have **some confidence** in this investment product.



While this is a Fund or Investment Product that has scored well in some areas of Evergreen Ratings' research and analysis framework, it did not score as well in other areas important to achieving a good investment outcome.

As a result, Evergreen Ratings believes it has a reasonable chance of meeting its investment objectives.

NOT APPROVED

We have **little confidence** in the investment product



This is a Fund or Investment product that did not score well across most areas of Evergreen Ratings' research and analysis framework. There is a lack of identifiable strengths across some or all of product design, fees, systems and governance, therefore placing doubt on the likelihood of the fund or product achieving its investment objectives.

NOT RATED

This fund manager or investment product has been **screened out**. Evergreen Ratings has either (i) conducted a preliminary review of the investment product and has identified material or structural flaws or (ii) the Manager has elected to not confirm some elements of the research process requisite in the ratings protocol to release the research report.



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