

Trilogy Enhanced Cash (Trust)

This report has been prepared for financial advisers only



Superior

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

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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: 6 November 2018

Star Rating	Description	Definition	Investment Grading
4½ stars and above	Outstanding	Highly suitable for inclusion on APLs <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	Suitable for inclusion on most APLs <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	Consider for APL inclusion <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	Consider for APL inclusion, subject to advice restrictions <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	Not suitable for most APLs <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	Not suitable for most APLs <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	Not suitable for most APL inclusion	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 
Superior. Suitable for inclusion on most APLs

Fund Details	
Fund Name	Trilogy Enhanced Cash (Trust)
APIR Code	TGY9789AU
Manager	Trilogy Funds Management Limited (Responsible Entity) (TFM) and Trilogy Financing Pty Ltd (Investment Manager)
Responsible Entity	Trilogy Funds Management Limited
Custodian	The Trust Company Limited (ACN 004 027 749)
Investment Details	
Fund Inception	Nov-2016
Fund Size	\$36.19 mill as at Jun-2018
Fund Type	Cash
Return Objective (PDS)	To provide returns which are above the average returns of traditional cash products after fees and costs
Internal Return Objective	Not Applicable
Risk Level (PDS)	Low
Internal Risk Objective	Not Applicable
Benchmark	Official cash rate plus 1.50%p.a. with net distributions reinvested but before expenses and taxes, over a rolling 12 month period.
No. of stocks/positions	-
Gearing (Fund)	Not Applicable
Fund Specifications	
Minimum Application	\$5,000
Redemption Policy	7 days from notice via email or fax
Distribution Frequency	Monthly
ICR	0.37%
MER	0.37%
Performance Fee	None
Buy/Sell Spread	Not Applicable
Currency Hedging	Not Applicable
Fund Time Horizon	None, but suggested short to medium term (3 months to 3 years)
Other	
Turnover	-
Top 10 Holdings Weight	-

Fund Summary

Description

The **Trilogy Enhanced Cash Trust (the Trust)** is a registered managed investment scheme which is a collective investment in which investors are beneficiaries and are entitled to participate in accordance with the provisions of the constitution of the Trust, the Corporations Act 2001 (Cth) (Corporations Act), and any other applicable law. The Trust is structured as a unit trust. Investors must acquire units in order to invest in the Trust. Each unit that an investor holds in the Trust gives them a beneficial interest in the Trust as a whole, but not in any particular asset of the Trust. Holding units in the Trust does not give an investor the right to participate in the management or operation of the Trust.

The Fund is structured as an open-ended unlisted registered managed investment scheme.

About the Manager

Trilogy Funds is the responsible entity of the Trust. Trilogy Funds was founded in 1998, and holds an Australian Financial Services Licence number 261 425 that authorises it to operate the Trust. Its principal business is to act as the responsible entity and manager of various registered schemes, the investments consist of mortgages, direct real property, and financial assets (which include cash assets).

As the responsible entity of the Trust, Trilogy Funds are the issuer of the units and are responsible for its operation in accordance with the Trust's constitution, the Corporations Act and trust law. In carrying out the duties, Trilogy Funds:

- Acts honestly
- Exercises care and diligence to properly perform their duties
- Treats unit holders in the Trust equally.

Trilogy Funds has appointed The Trust Company Limited to act as an independent custodian and hold the assets of the Trust. Trilogy Funds has also appointed Trilogy Financing Pty Ltd to manage the dealing functions of the Trust, and pays its fees from the fees that it collects as the responsible entity.

Fund Rating

The Fund has achieved the following rating:

Star Rating	Description	Definition	Investment Grading
4.00 stars	Superior	Suitable for inclusion on most APLs	High Investment Grade Rating

SQM Research's Review and Key Observations

1. People and Resources

Size and Resources of the Fund Management Company

Established in 1998, Trilogy Funds boasts an expert team of investment professionals with considerable market knowledge and experience, investing primarily into mortgages, property trusts and financial assets (including cash). As of June 2018, Trilogy Funds has an FUM of \$355.2 million.

Investment Team

Mr Justin Smart, Chief Operations Officer and financial controller, Josh Crotty drives the investment team to fulfil the investment mandate, with responsibility for the day to day dealing and asset management functions as well as overseeing the registry and administration work. Group Managing Director Mr Philip Ryan is an integral member of the investment team. Additionally, Executive Director John Barry is responsible for the development of Trilogy Funds' products and ultimately leads the day-to-day operations of the Trust and the strategic direction of the Trust via his role on the Investment Committee. Group Executive Deputy Chairman, Rodger Bacon works in close collaboration with Mr Ryan and Mr Barry by making a significant contribution to the Trust's management.

2. Investment Process and Philosophy

Investable Universe

The investable universe consists of two sections.

70% of the investable universe is allocated to cash, direct investments in short to medium term bank deposit products and indirect investments via registered funds which invest in cash-style products. Allocations of the 70% cash portion of the Trust are determined by the management group and approved by the Investment Committee. These investments into the cash funds provide a high level of liquidity and security to investors.

The remaining 30% of the Trusts funds are invested into Trilogy's Monthly Income Trust (TMIT) which provides an enhancement to the cash returns.

Process / Philosophy / Style

The Investment Manager aims to provide investors with regular monthly income and returns in excess of the returns of traditional cash products, via an investment in a pooled mortgage fund. Ultimately, this delivers strong liquidity and a stable investment.

3. Portfolio Characteristics

Portfolio Turnover

Portfolio turnover is expected to be low given investments are in cash units and in the TMIT.

Liquidity

Portfolio provides a high level of liquidity as investments are allocated to cash, bank deposits and other funds which invest in similar cash-style products. The manager estimates that at least 80% of the portfolio could be converted to cash in 10 days.

Leverage

This Fund employs neither actual leverage (through borrowing by the Fund) or economic leverage (through the use of derivatives).

4. Performance & Risk

Return Objective & Performance

The return objective stated in the PDS is that the Fund aims to “provide returns which are above the average returns of traditional cash products after fees and costs”.

The Fund’s target benchmark is the official cash rate plus 1.50%p.a. with net distributions reinvested but before expenses and taxes, over a rolling 12 month period.

Risk Objective

The Fund’s PDS states that the risk level of the Fund is considered to be “Very low, based on the FSC/ASFA Standard Risk Measure, meaning that the estimated number of negative annual returns over any 20 year period is expected to be less than 0.5”.

5. Other Features

Fees

Fees and Costs	Fund	Peer Avg	Difference
Management Fee (% p.a.)	0.37%	0.38%	-0.01%
Expense Recovery (% p.a.)	Nil	-	-
Performance Fee (%)		0.00%	-
Indirect Cost Ratio ICR (% p.a.)	0.37%	0.34%	-
Buy Spread (%)	0.00%	0.00%	+0.00%
Sell Spread (%)	0.00%	0.00%	+0.00%

Management Fee

- Expressed as a percentage rate per annum of the Fund’s Net Asset Value (“NAV”).
- Calculated daily and paid monthly.
- Including GST and impact of RITC (Reduced Input Tax Credit).
- This management costs figure is the indirect cost ratio of the Trust which includes the indirect costs and the management fees charged by the Responsible Entity (0.35%p.a. which may be waived or deferred at the Fund’s discretion and may be negotiated for wholesale clients).

Performance Fee:

The Fund does not charge a performance fee.

Governance

Trilogy Funds is the responsible entity of the Trust and has appointed an in-house team to act as investment manager, via the related entity, Trilogy Financing Pty Ltd. Trilogy Funds was founded in 1998, and holds an Australian Financial Services Licence number 261 425 that authorises it to operate the Trust. Trilogy Funds has appointed The Trust Company of Australia Limited to act as an independent custodian and hold the assets of the Trust. Trilogy Funds has a governance structure for the Trust that leverages from the existing structure for the operation of its other funds, with an investment committee, treasury committee, audit committee and PDS due diligence committees. Trilogy Funds has also appointed a compliance committee for the Trust with majority external members.

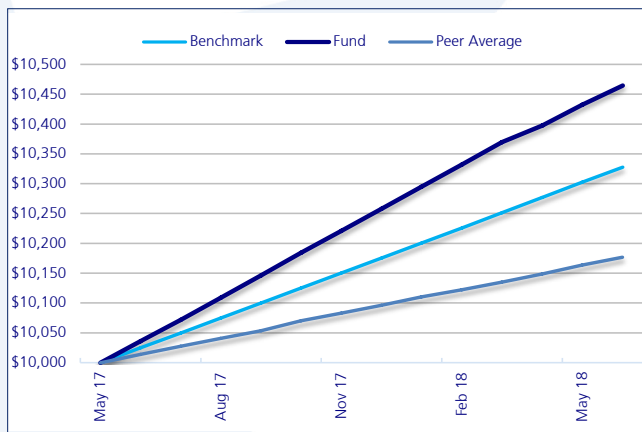
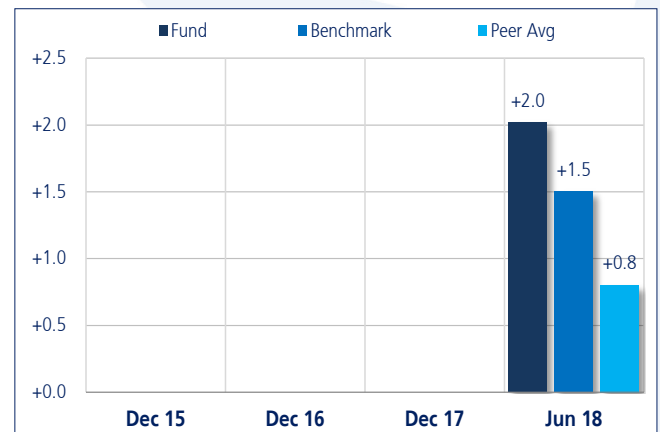
SUMMARY

FUM (Funds Under Management) / Capacity

The Fund currently has FUM of \$36.19 million (July 2018).

Fund Performance to 30 June 2018 (%)					
Total Return	1-Month	3-Month	6-Month	1-Year	Inception
Fund ¹	0.31	0.92	2.02	4.27	4.28
Benchmark ²	0.25	0.75	1.50	3.02	3.02
Peer Average	0.13	0.42	0.80	1.64	1.64
Alpha	0.06	0.17	0.52	1.25	1.26

1. Assumes dividend reinvestment. Returns one year and longer are annualised. Return history starts Jun-2017
2. Benchmark: RBA Cash Rate plus 1.50%

Growth of \$10,000**Annual Returns****Strengths of the Fund**

- The Trust is managed by an experienced, knowledgeable and professional team that has experience in managing registered managed investment schemes and has particular expertise in cash flow and liquidity management in the context of managed funds.
- The Trust's focus on compliance and disclosure are positive features.
- The Trust provides a low risk investment.
- Investments are generally short-term in nature and intended to be liquid.

Weaknesses of the Fund

- The investment strategy may not suit investors seeking higher risk.

Other Considerations

- The investment strategy has accumulated a short track record thus far.

Key Changes Since the Last Review

- No changes to investment process since the previous review.

Process Description

Universe

Investable Universe The investable universe consists of cash, short to medium term bank deposits, units in managed funds investing in cash style products and units in the Trilogy Monthly Income Trust.

The Trilogy management team has sourced “best of breed” managers of cash and cash like securities. These managers are chosen and approved by the Trilogy Funds Investment Committee, which is comprised of executive directors, John Barry, Rodger Bacon and Philip Ryan.

Allocations of the 70% cash portion of the Trust between term deposits and these approved fund managers are determined by the management group and approved by the Investment Committee. Those two Committees meet weekly to review the performance and allocations. These investments into the cash funds provide a high level of liquidity and security to investors.

The remaining 30% of the Trusts funds are invested into Trilogy’s Monthly Income trust which provides an enhancement to the cash returns.

Overall the cash investments provide capital stability and liquidity while the investment in the Monthly Income Trust provides an enhanced return to investors as well as stability through its 1st mortgage securities.

Investment Process

Research and Portfolio Construction Process

Portfolio Construction

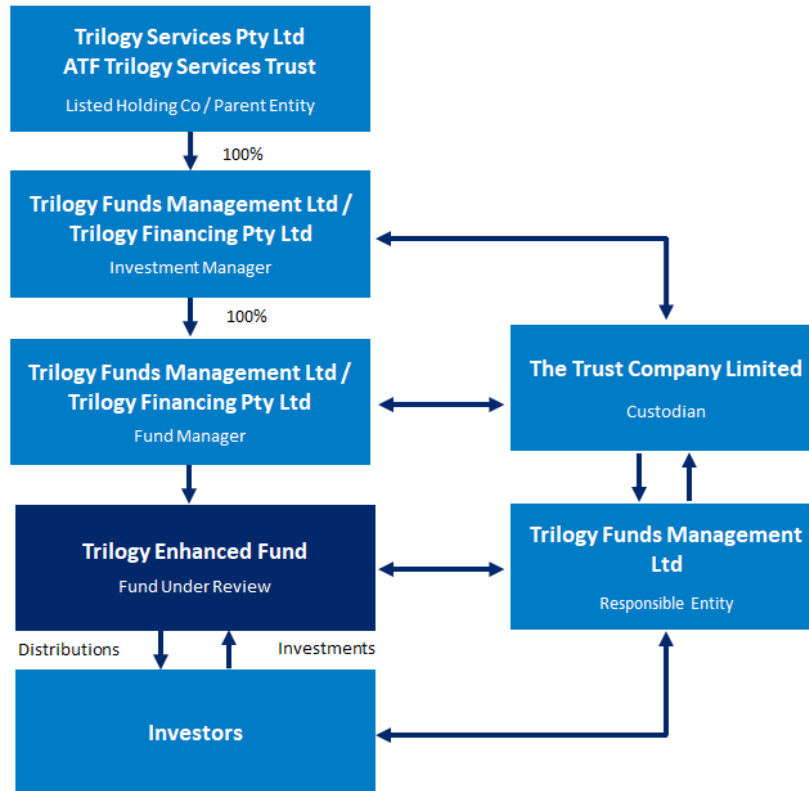
The Trust aims to take advantage of investment opportunities within the Australian cash market and managed investment schemes and invests in cash and cash style assets. The Trust provides diversity across cash style investments through managed funds and loans secured by registered first mortgages over Australian real estate.

Money invested in the Trust is pooled with that of other investors. Of this pool approximately 70% of the funds are invested in cash and a range of short to medium term bank deposits, or in registered managed investment schemes that invest in similar cash or cash like assets. Approximately 30% of the Trust’s funds are invested in another registered managed investment scheme operated by Trilogy Funds, the Trilogy Monthly Income Trust ARSN 121 846 722, the principal assets of which are loans secured by first registered mortgages. There are no borrowings, and there is no intention to borrow, on behalf of the Trust.

Risk Management

The Fund has developed protocols and policies for managing risks. This is governed by the constitution of the investments which mandates how the investments will be operated and audited in line with the law. The Investment Committee defines what an acceptable level of risk is. This fund is a low risk investment and this is reflected in the risk profile.

Key Counterparties



Parent Company

Trilogies Group Holdings Trust, is a newly formed holding trust for the Trilogies Funds Group (TFG), a private group formed by ex-Challenger International Limited (Challenger) directors Rodger Bacon and John Barry. The formation of TFG occurred in 2004, when Mr Bacon, Mr Barry and Mr Hogan resigned from their senior positions at Challenger following the merger of Challenger and CPH Investment Corporations. As part of the formation process, TFG acquired boutique property manager MDRN Investments Limited (MDRN) from a Brisbane-based legal firm.

MDRN's history dates back to 1998. MDRN was formed by current Trilogies Group Holdings' Managing Director Philip Ryan to undertake property syndications and syndicated mortgage investments. TFG is headquartered in Brisbane, with an office also in Sydney.

Responsible Entity and Trust Manager

Trilogies Funds Management Limited is the responsible entity and trust manager. Trilogies Funds was founded in 1998, and holds an Australian Financial Services Licence number 261 425 that authorises it to operate the Trust. Its principal business is to act as the responsible entity and manager of various registered

schemes. The investments consist of mortgages, direct real property, and financial assets (which include cash assets).

Trilogies Funds has appointed Trilogies Financing Pty Ltd to manage the dealing functions of the Trust, and pays it fees from the fees that it collects as the responsible entity.

The Board of Directors of the RE is comprised of five directors, including an Independent Non-Executive Chairman (Robert M Willcocks), three Executive Directors (Rodger Bacon, Philip Ryan and John Barry) and one Non-Executive Director (Rohan Butcher).

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 Trilogy Funds Management Limited 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 \$36.19 million in size at Jun-2018.

	FUM	Net Flows \$m*
Sep-17	\$19.6	n/a
Dec-17	\$32.0	\$12.15
Mar-18	\$35.3	\$2.93
Jun-18	\$36.2	\$0.88

*estimated

Distributions

The Fund has discretion in choosing the frequency of distributions. Distributions occur on a monthly basis, subject to the availability of distributable income. In a scenario where the Fund's realised losses and expenses exceed income in a distribution period, the Fund may elect not to make a distribution during that time.

Distribution Date	Distribution CPU	Unit Price \$	Distribution %
31-Oct-17	0.3600	\$0.99640	0.36
30-Nov-17	0.3600	\$0.99640	0.36
31-Dec-17	0.3600	\$0.99640	0.36
31-Jan-18	0.3600	\$0.99640	0.36
28-Feb-18	0.3600	\$0.99640	0.36
31-Mar-18	0.2700	\$0.99730	0.27
30-Apr-18	0.3300	\$0.99670	0.33
31-May-18	0.3100	\$0.99690	0.31
30-Jun-18	0.3000	\$0.99700	0.30

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 distribution 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	Years with Company	Years with Industry
Rodger Bacon	Executive Deputy Chairman	Sydney	14	47
Philip Ryan	Managing Director – Product Manager	Brisbane	14	33
John Barry	Executive Director	Sydney	14	40
David Hogan	Head of Property Assets	Sydney	14	46
Nicole Singer	Legal, Compliance and Risk Manager	Brisbane	2.5	14
Justin Smart	Chief Operating Officer	Brisbane	11	12
David Somerville	Financial Controller	Brisbane	1	8

Investment Team

Justin Smart, Chief Operations Officer and financial controller, David Somerville drive the investment team to fulfil the investment mandate, with responsibility for the day to day dealing and asset management functions as well as overseeing the registry and administration work. Group Managing Director Mr Philip Ryan is an integral member of the investment team. Additionally, Executive Director John Barry is responsible

for the development of Trilogy Funds' products and ultimately leads the day-to-day operations of the Trust and the strategic direction of the Trust via his role on the Investment Committee. Group Executive Deputy Chairman, Rodger Bacon works in close collaboration with Mr Ryan and Mr Barry by making a significant contribution to the Trust's management.

Meeting Schedule

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

Meeting	Agenda / Issues	Frequency	Participants
Bank Loan Meeting	Review market events, new research, and any changes in analyst recommendations.	Daily	Entire Team
Portfolio/Top Down Macro Meeting	Establish macroeconomic forecasts and broad portfolio strategy.	Monthly	Investment Committee, Portfolio Managers, Traders
Credit/Investment Committee Meetings	Establish macroeconomic forecasts and broad portfolio strategy. Review primary & secondary market opportunities. Discuss material changes to issuer's credit profile. Establish exposure limits based on portfolio objectives and style.	As Needed	Investment Committee, Portfolio Managers, Team Leaders, Credit Analysts, Traders

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

Departures			
Date	Name	Responsibility	Reason for Departure
Jun18	Josh Crotty	Financial Controller	New Opportunities

Additions / Hires			
Date	Name	Position / Responsibility	Previous Position / Employer
Aug18	David Somerville	Financial Controller	Finance Manager/Tactical Global Management

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.

Key Investment Staff

Rodger Bacon: Executive Deputy Chairman

Mr Bacon is an experienced financial services executive with a successful career, spanning over 40 years, establishing and growing high performing businesses. Before commencing at Trilogy, he was an Executive Director at Challenger and worked on the establishment of ASX listed companies, development of a property portfolio worth more than \$2.7 billion, and was instrumental in establishing and growing Challenger Annuities to capture 30% of annuities sales in Australia. Today, Mr Bacon is responsible for the overall management and oversight of Trilogy's strategic goals.

Philip Ryan: Managing Director

Mr Ryan is the Managing Director of Trilogy and the Fund Manager for Trilogy's Trusts. He has been a solicitor for more than 30 years and was a partner in a Brisbane law firm for 19 years. His experience in the financial services industry dates back to 1986 in both financial planning and funds management. As Founding Director in 1998 of the funds management entity that has evolved into Trilogy, Mr Ryan's focus is on the mortgage and property sectors which he sees as primary drivers for producing attractive income to investors.

John Barry: Executive Director

Mr Barry is a strategic thinker with nearly 40 years of experience guiding the strategic production operations of several of Australia's leading financial services providers. Previously, he headed up ABN AMRO's reverse mortgage and social infrastructure divisions and was also Head of Property for Challenger where he was instrumental in its growth as a broad based financial services company. Today, Mr Barry is responsible for product strategy at Trilogy and identifying opportunities to provide new investment solutions to investors.

Justin Smart: Chief Operating Officer

Mr Smart has been the Chief Operating Officer for Trilogy and Director of Relm since 2007. He is also a Certified Practising Accountant. Prior to joining Trilogy Funds, Mr Smart held various senior management roles within the financial services sector. He worked with Aussie Home Loans and QBE Insurance.

He also acted as the Financial Controller for the Australian Commonwealth Government's HHH Insurance Relief Scheme and was the Financial Controller for Charles Taylor Consulting's (UK listed Mutual Insurance Manager) Australian operations.

Mr Smart commenced his career with a multinational Chartered Accounting firm, specialising in audit. He was seconded across various Australian offices as well as their New York office. His expertise encompasses technology, strategic planning and program delivery, and reviewing existing systems and processes to improve operational efficiencies. This combined with his experience across audit, insurance, home loans and funds management gives him a unique understanding of driving efficiencies within the industry.

Remuneration and Incentives

Trilogy's remuneration structure is based on a fixed base salary, with certain staff paid bonuses for performance on a balanced scorecard approach, or as grandfathered under the FOFA legislation. Additionally, there is an intention to put a staff incentive plan in place.

Trilogy Funds encourages long-term staff development through regular training and development, including interdepartmental training that is designed to give staff members a broad overview of the business and exposure to wider career opportunities within the business. Training is supplemented by annual staff reviews to ensure ongoing monitoring and assessment.

SQM Research believes access to firm equity, and client-focused performance bonuses act as strong incentives for optimising staff engagement, retention and productivity. The intention (and SQM believes, the effect) is to align staff performance with client and shareholder objectives. It focuses on the customers' needs and medium to long-term results.

Fees

Fees and Costs	Fund	Peer Avg	Difference
Management Fee (% p.a.)	0.37%	0.38%	-0.35%
Expense Recovery (% p.a.)	Nil	-	-
Performance Fee (%)	Nil	0.00%	-
Indirect Cost Ratio ICR (% p.a.)	0.37%	0.34%	-
ICR Date: no data			
Buy Spread (%)	0.00%	0.00%	+0.00%
Sell Spread (%)	0.00%	0.00%	+0.00%

Other Features	Fund	Peer Avg
Redemptions	Monthly	-
Distributions	Monthly	-
Minimum Investment	\$5,000	\$78,500
1 year Investment: Round Trip Cost	0.37%	0.38%

Buy/Sell Spread

The Fund does not charge a buy/sell spread.

Ongoing Fees

Management fee includes GST and is net of any applicable Reduced Input Tax Credits (RITC). This management costs figure is the indirect cost ratio of the Trust which includes the indirect costs and the management fees charged by the Responsible Entity (0.35%p.a.).

Management fee is calculated daily and paid monthly in arrears.

Performance Fees

The Fund does not charge a performance fee.

Overall Fees

1-year Investment: Round Trip Cost.

If held and redeemed within 12 months, total costs would amount to **0.37%** of investment in the Fund. This figure includes the management fee, expense recovery (when disclosed) and the buy/sell spread. It does **not** consider rebates or negotiations or any potential **performance fee**.

SQM Research observes that:

- **The Fund management fee is 0.37% p.a., which is 1 basis point lower than the peer group average of 0.38% p.a.**

Risk / Return Data to 30 June 2018 (%)							
Total Return	1-Month	3-Month	6-Month	1-Year	3-Year	5-Year	Inception
Fund ¹	0.31	0.92	2.02	4.27	n/a	n/a	4.28
Benchmark ²	0.25	0.75	1.50	3.02	n/a	n/a	3.02
Peer Average	0.13	0.42	0.80	1.64	n/a	n/a	1.64
Alpha	0.06	0.17	0.52	1.25	n/a	n/a	1.26

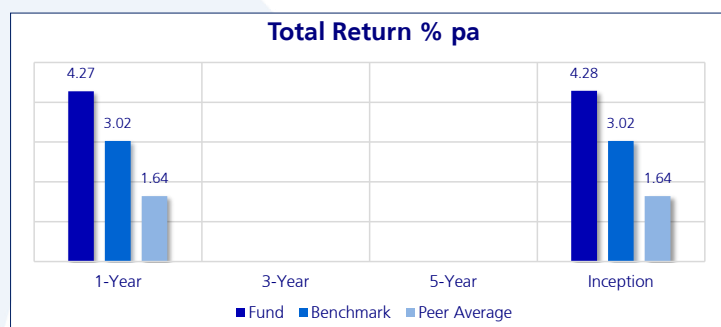
Metrics	1-Year	3-Year	5-Year	Inception
Tracking Error (% p.a.) - Fund	0.10	n/a	n/a	0.10
Tracking Error (% p.a.) - Peer Average	0.06	n/a	n/a	0.06
Information Ratio - Fund	11.92	n/a	n/a	12.48
Information Ratio - Peer Average	-60.54	n/a	n/a	-62.32
Sharpe Ratio - Fund	40.77	n/a	n/a	42.42
Sharpe Ratio - Peer Average	54.75	n/a	n/a	56.42
Volatility - Fund (% p.a.)	0.10	n/a	n/a	0.10
Volatility - Peer Average (% p.a.)	0.06	n/a	n/a	0.06
Volatility - Benchmark (% p.a.)	0.00	n/a	n/a	0.00
Beta based on stated Benchmark	n/a	n/a	n/a	n/a

1. Assumes dividend reinvestment. Returns one year and longer are annualised. Return history starts Jun-2017
2. Benchmark: RBA Cash Rate plus 1.50%

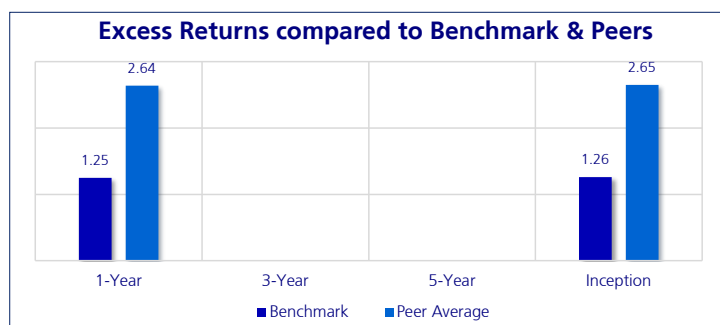
Quantitative Insight¹

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

Returns



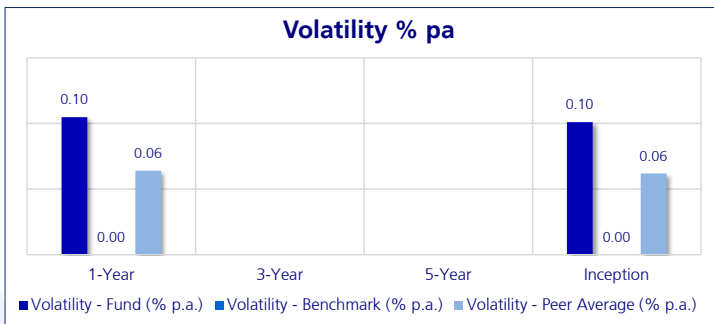
Excess Returns (Alpha)



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

The Fund has displayed strong performance in its first year against both benchmark and peers. These returns exceed the PDS objective and are impressive relative to the Manager’s internal targets and SQM’s expectations for the Fund relative to its fee level and volatility.

Risk



The Fund’s **volatility** (standard deviation of monthly returns) has been significantly higher than the benchmark and slightly higher than the peers. It is important to note that the volatility of the benchmark is expected to be zero, with the benchmark being the official cash rate plus 1.5%.

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