



## Investment Rating Report

Foresight Investment Rating: **VERY STRONG**

Foresight Complexity Indicator: **Relatively Simple**

Fund Details
<b>Investment Manager:</b> Trilogy Financing Pty Ltd, ABN 16 615 429 386
<b>Investment Structure:</b> Australian Unit Trust
<b>Wholesale/Retail:</b> Retail & Wholesale
<b>Category:</b> Enhanced cash fund
<b>Investment Style:</b> Active management of cash, cash-style investments, and other financial assets, enhanced by investment in a mortgage fund.
<b>Inception:</b> Nov 2016
<b>Management Fee:</b> 0.35% retail
<b>Indirect Fees:</b> 0.52%
<b>Responsible Entity:</b> Trilogy Funds Management Ltd ABN 59080383679, AFSL 261425
<b>Investment Objective:</b> To invest directly or indirectly in a portfolio of cash, cash-style investments, and other financial assets and to enhance returns via exposure to the pooled mortgage portfolio of the Trilogy Monthly Income Trust. The Trust aims to outperform a benchmark of Official Cash Rate plus 1.5%.

### Review Summary

The Trilogy Enhanced Income Fund (the Fund) is an open-ended, registered investment scheme, which was established in November 2016. The underlying investments are targeted at 65% for cash, cash-style investments, and other financial assets, including underlying enhanced cash funds and mandates, and 35% investment in the Trilogy Monthly Income Trust; a mortgage trust investing in loans secured by first mortgages over property development, construction, and refinancing of completed stock.

Trilogy aims to hold the unit price of the Fund at \$1.00, by calculating, allocating, and distributing interest and other income at the end of each month.

Trilogy Funds Management Limited had its origins in 1998 when a Brisbane law firm, of which Philip Ryan was a partner, commenced an investment company managing mortgages and property assets. This company was acquired in 2004 by interests associated with the present management when Rodger Bacon and John Barry left their positions at Challenger Financial, where they were Executive Directors of either Challenger or its subsidiaries.

The team at Trilogy is very experienced, with multiple checks and balances contributing to the ability of the Trust to achieve its objectives.

### Foresight Investment Rating & Foresight Complexity Indicator

A **VERY STRONG** rating indicates a very strong level of confidence that the Trust can deliver a risk-adjusted return in line with its investment objectives. The Investment Manager support for this strategy is employs a rigorous process.

Designation as a **RELATIVELY SIMPLE** product indicates that, while the Trust is expected to move fairly closely in line with mainstream markets, there may be periods where it outperforms or underperforms.

### Performance

#### NET RETURNS (annualised) as at 30 September 2020

	Return
<b>1 month</b>	3.01%
<b>3 months</b>	3.02%
<b>6 months</b>	2.87%
<b>1 year</b>	3.28%
<b>Since Inception</b>	3.88%

Source: Trilogy  
Benchmark: Official Cash rate plus 1.5%

**Fund Details**

<b>Fund Name</b>	Trilogy Enhanced Income Fund
<b>Dominant Strategy</b>	Enhanced Cash
<b>Investment Structure</b>	Australian Unit Trust
<b>Investment Manager</b>	Trilogy Financing Pty Ltd
<b>Responsible Entity</b>	Trilogy Funds Management Ltd
<b>KEY FEATURES</b>	<b>DESCRIPTION</b>
<b>Fund Inception</b>	November 2016
<b>Domicile</b>	Australia
<b>Legal Form</b>	Registered Managed Investment Scheme
<b>Geographic Mandate</b>	Australia
<b>Open</b>	Yes
<b>Lock-up</b>	N/A
<b>Management Costs: Direct</b>	0.35% of total FUM
<b>Indirect Costs</b>	0.52% of total FUM
<b>Performance Fee</b>	Nil
<b>Target Return</b>	Official Cash Rate plus 1.5% p.a. (before fees).
<b>Distributions</b>	Distributions are paid monthly in arrears.
<b>FUM</b>	\$58.7m as at September 2020
<b>Minimum Subscription</b>	A\$5,000
<b>Subsequent Subscription</b>	\$1,000
<b>Withdrawals</b>	Accepted each day. 30 days' notice period is required for withdrawals, but they may be processed and paid in a shorter time at the discretion of Trilogy (while the Fund is liquid). Up to six months is allowed under the Constitution.
<b>Liquidity</b>	For the Fund to meet withdrawal requests from Investors, the Fund must be a 'liquid' scheme. To be a 'liquid' scheme, not less than 80% of the assets of the Fund must be able to be realised within the period specified in the Constitution, which is six months.
<b>Entry Fee</b>	Nil
<b>Exit Fee</b>	Nil
<b>PRIMARY CONTACT</b>	
<b>Name and Title</b>	Alison Lancaster – Head of Investor Relations & Distribution
<b>Email Address</b>	<a href="mailto:a.lancaster@trilogyfunds.com.au">a.lancaster@trilogyfunds.com.au</a>
<b>Telephone Number</b>	07 3039 2828
<b>Address</b>	Level 23, 10 Eagle Street, Brisbane Queensland 4001
<b>Website</b>	trilogyfunds.com.au

## Investment Profile

### HISTORY/BACKGROUND

Trilogy Funds Management Limited had its origins in 1998 when a Brisbane law firm, of which Philip Ryan was a partner, commenced an investment company managing mortgages and property assets. This company was acquired in 2004 by interests associated with the present management when Rodger Bacon, John Barry, and David Hogan left their positions at Challenger Financial in 2004, where they were Executive Directors of either Challenger and its subsidiaries.

Trilogy launched the Trilogy Monthly Income Trust, a pooled mortgage trust, in February 2007.

The five years following the Global Financial Crisis (GFC) were difficult for pooled mortgage funds, with almost all pooled mortgage funds closing and/or in distress. During this time, Trilogy - at the request of investors - became Responsible Entity (RE) of an external fund, the Pacific First Mortgage Fund. It also acted as RE for a further external pooled mortgage-related fund.

Trilogy launched Trilogy Enhanced Cash in 2016 to complement the mortgage trust and provide an investment with enhanced liquidity. As of July 2020, the name of the Trilogy Enhanced Cash Trust changed to the Trilogy Enhanced Income Fund (TEIF). A new PDS was released, with some changes to redemption liquidity guidelines.

### OBJECTIVE

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. The objective of the Fund is to provide a stable unit value of \$1.00, to provide cash plus returns and to enhance the liquidity compared to investment solely in a mortgage-type fund.

### FUNDS UNDER MANAGEMENT

The Fund has funds under management of circa \$58.7m, as at 30 September 2020. In total, Trilogy manages over \$660million across the mortgage trust, an enhanced income fund, and property syndicates.

### INVESTMENT UNIVERSE

The Fund targets a 65% allocation to cash, cash-style investments, and other financial assets and a 35% allocation to the Trilogy Monthly Income Trust.

Cash and cash-style products can include:

- cash at banks
- short to medium-term bank term deposits
- bank bills
- promissory notes
- bonds
- fixed or floating rate securities
- income securities

These securities can be accessed directly or indirectly through investment in listed or unlisted managed investment schemes. The current investment portfolio is a mix of cash, term deposits, investment in two external funds and a direct security mandate through FIIG.

The Trilogy Monthly Income Trust invests primarily in commercial real estate debt secured by first mortgages. The underlying loans can be up to \$25m, with property located within the eastern seaboard of Australia, located within capital cities, regional cities, and significant towns and areas. The type of property may be residential, commercial, development, retail, or industrial.

## Investment Philosophy & Strategy

Trilogy's investment philosophy is to provide a regular monthly income stream with returns greater than traditional cash products. Trilogy therefore enhances the Fund returns through investment in the diverse portfolio of relatively short-term property loans, secured by registered first mortgages, and available through the Trilogy Monthly Income Trust.

## Investment Process

The investment process for Trilogy Enhanced Income Fund combines the following key functions:

1. Selection of cash, cash-style investments, and other financial assets
2. Due diligence and selection of external cash managers
3. Portfolio asset allocation
4. Fund reporting and monitoring

Trilogy uses a combination of direct cash deposits to ADIs, investment mandates to cash and fixed-interest managers, and investment in cash-style funds. Investments are differentiated as core or non-core holdings to assist with redemption liquidity.

<b>Investment mandates</b>	The Portfolio Manager works with the Treasury Committee to define the mandate including requirements for liquidity, volatility risk, credit risk, and asset class ranges.
<b>Investment funds</b>	Due diligence of cash/FI managers includes full research of the offer and the investment provider, including direct meetings.

Interaction with the Treasury Committee occurs at all steps, with approval for new managers or cessation of existing managers needing approval through the Committee.

### Portfolio Asset Allocation

This includes allocation to the various cash assets and underlying managers, with particular emphasis on tracking and projections of liquidity requirements and maintenance of the \$1.00 unit value.

### COVID Response

The underlying investments of the Fund have performed well over this period. Trilogy has maintained its investment fund managers. The direct securities mandate through FIIG was partially 'derisked' over the April to August period by lowering exposure to subordinated major bank debt from 80% to 50% of mandate.

### Cash Flow Management

Trilogy has engaged an external IT resource – Adaptive Insights – to build a customised loan and portfolio forecasting system, which would replace the current internal systems. This project is expected to be operating by the end of 2020.

**Investment Team**

The Portfolio Manager for the Fund is Henry Elgood. He works closely with Trilogy's finance team and interacts closely with the Treasury Committee in the asset allocation of the Trust.

**Portfolio Manager and Treasury Committee**

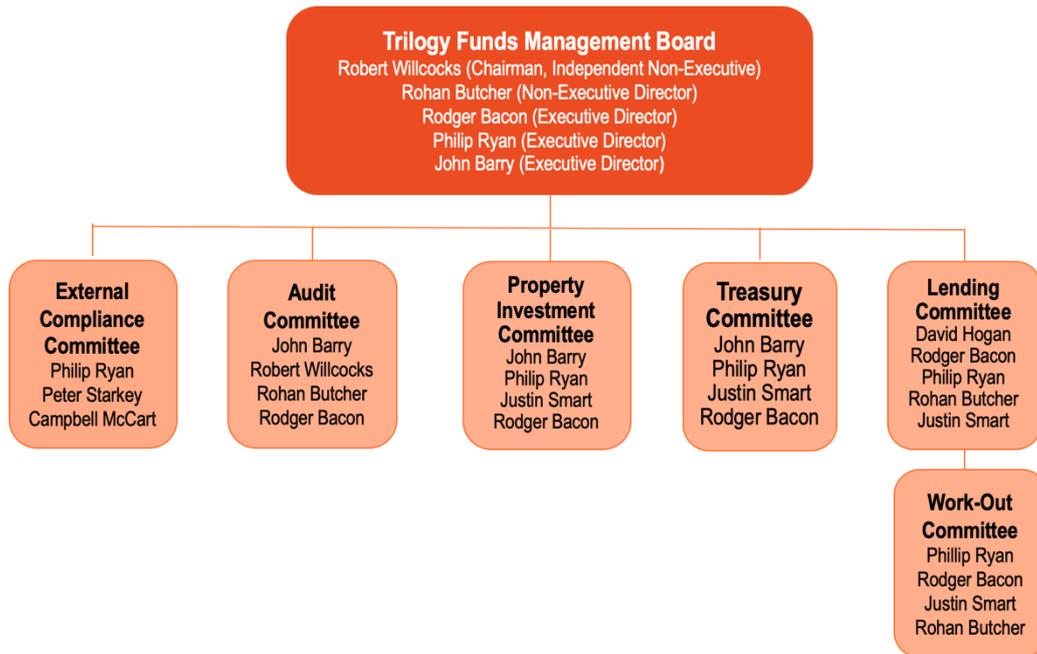
Experience	
<b>Henry Elgood</b> <b>Portfolio Manager &amp; Treasury Committee</b>	<p>Henry Elgood combines his role as Portfolio Manager with that of Head of Governance and Risk. Henry has years of experience in the financial services industry and as a director across several private companies.</p> <p>Henry is responsible for daily asset allocation, ensuring the portfolio aligns with the current investment strategy while reporting to the Board on performance-based metrics.</p>
<b>John Barry</b> <b>Treasury Committee</b>	<p>In addition to his role in the Treasury Committee, John Barry is an Executive Director on Trilogy's Board. John has nearly 40 years' experience guiding the strategic product operations of several of Australia's leading financial services providers.</p> <p>Previously, John headed up ABN AMRO's reverse mortgage and social infrastructure divisions. He was a board member and Head of Property for Challenger where he was instrumental in its growth as a broad-based financial services company. He was responsible for the establishment of the Endowment Warrants and the structure and establishment of Challenger's long-term annuities.</p> <p>Prior to Challenger, John worked in the corporate finance area of Morgan Grenfell Australia and Rothschilds Australia, and was a board member of Rothschilds Australia. John is also the Independent Non-Executive Chairman of Westpac RE Limited, wholly owned subsidiary of Westpac Banking Corporation.</p>
<b>Philip Ryan</b> <b>Treasury Committee</b>	<p>Philip Ryan is a founder and the Managing Director of Trilogy and was instrumental in the formation of the company. He is also a member of Trilogy's Treasury Committee, Compliance Committee, and Investment Committee, and acts as General Counsel for Trilogy. Philip has been a solicitor of the Supreme Court of Queensland and of the High Court of Australia for 30 years, specialising in corporate and commercial law.</p> <p>Philip was a partner in a Brisbane law firm for 20 years and was a founding director of the funds management entity which evolved into Trilogy. In addition to qualifications in law, he has qualifications in mortgage lending (Diploma of Mortgage Lending) and financial services and investment, and is a Fellow of the Financial Services Institute of Australasia.</p>
<b>Justin Smart</b> <b>Treasury Committee</b>	<p>Justin 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, Justin 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. He commenced his career with a multinational Chartered Accounting firm, specialising in audit.</p> <p>Justin's 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.</p>
<b>Rodger Bacon</b> <b>Treasury Committee</b>	<p>Rodger Bacon is a co-founder of Trilogy and is now Executive Deputy-Chairman. Prior to forming Trilogy, Rodger served as an Executive Director at Challenger International where assisted in the establishment of Challenger Annuities and the development of a property portfolio worth more than \$2.6b. Rodger also worked for 15 years at Schroder Merchant Banking group where he gained experience in all aspects of funds management. He is a Senior Fellow of FINSIA, the Financial Services Institute of Australasia.</p>



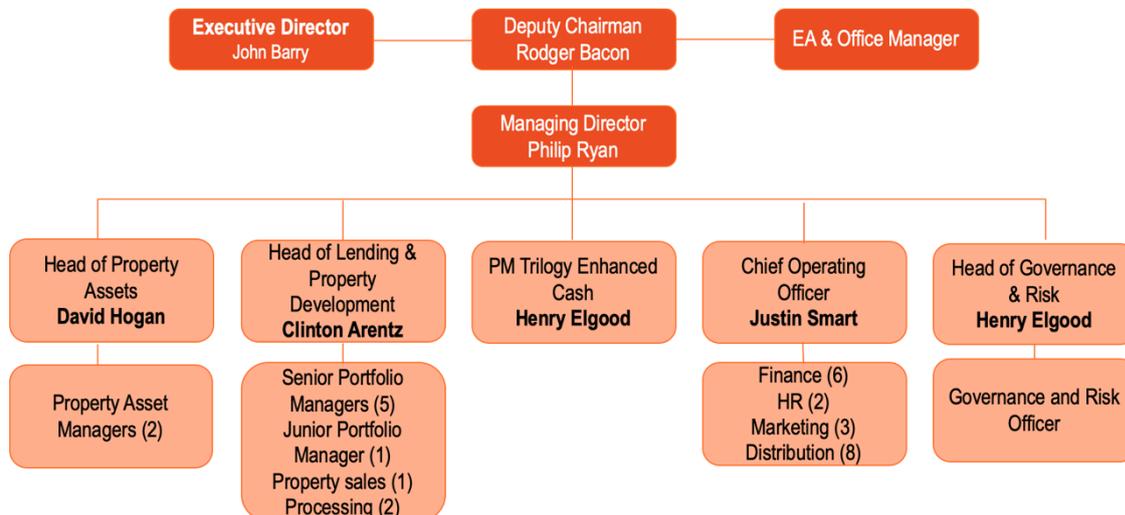
Business Management

The key executives of Trilogy Funds Management are involved at all levels of management and compliance. There are six functional committees reporting to the Board. There is also monthly management reporting to the Board. The Treasury Committee, Property Investment Committee, and the Lending Committee meet weekly. The Executive Risk Committee meets monthly and monthly updates are provided to the Board by the Head of Governance & Risk.

Board and Committees



Operations and Investment



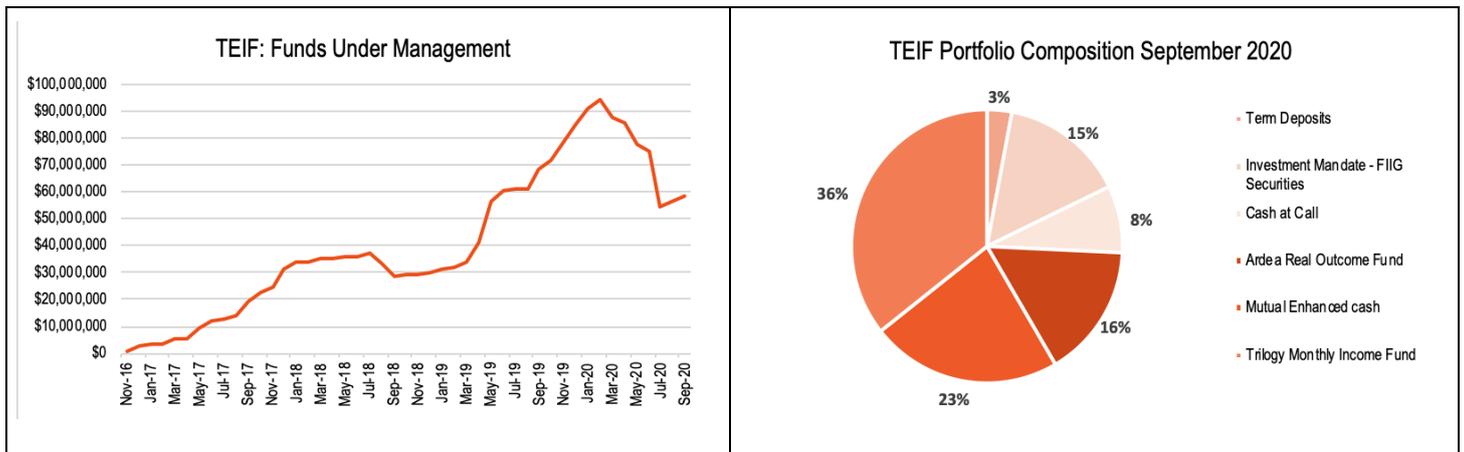
The compliance function is overseen by the Managing Director and Head of Governance and Risk. In total, there are 30 staff in the Brisbane office, 12 in Sydney and one staff member in Melbourne.

## Performance

Trilogy Enhanced Income Fund has outperformed its benchmark of Official Cash Rate plus 1.5% over all periods on a net distribution basis.

**NET RETURNS (annualised) as at 30 September 2020**

	Return
<b>1 month</b>	3.01%
<b>3 months</b>	3.02%
<b>6 months</b>	2.87%
<b>1 year</b>	3.28%
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Source: Trilogy

## Transparency & Reporting

Investors receive monthly reports showing one-month, one-year, and five-year net distributions.

In addition, they receive:

- a receipt of funds notification;
- annual tax statements; and
- annual periodic (transaction) statements, and an annual financial report, when requested.

There is an investor portal that enables the autonomous collection and review of these documents by investors.

## Compliance & Risk

Risk management for the Fund is embedded throughout the due diligence process and ongoing monitoring. It is reported through the various committees, including the Lending Committee and the Treasury Committee

Trilogy's compliance management system comprises a framework of policies and procedures which set out roles, responsibilities, and tools for identifying and managing compliance obligations. The Compliance Plan for the Fund addresses compliance with the legal framework and Trilogy's ethical standards. The Compliance Plan includes provisions to be adopted for:

- management of the Fund;
- custody of the assets of the Fund;
- valuations;

**TRILOGY ENHANCED INCOME FUND**

- methods for the handling of application money;
- Fund assets, income and payments;
- complaints handling and dispute resolution;
- audits;
- conflict of interests;
- monitoring, resolving, and reporting suspected breaches of the Corporations Act; and
- formation and operation of the Compliance Committee.

The compliance function is overseen by the Managing Director and Head of Governance & Risk. Internal policy review is driven by Head of Governance & Risk and Governance & Risk Officer.

**THIRD PARTY & SERVICE ADVISORS**

<b>Fund Administrator</b>	In-house
<b>Custodian</b>	The Trust Company (Australia) Limited
<b>Taxation Advisor</b>	PwC Australia (various) & BDO (statutory and compliance audit)
<b>External Auditor</b>	BDO Australia
<b>Fund Research</b>	In-house
<b>IT Consultant</b>	Wyntec and REDD Digital

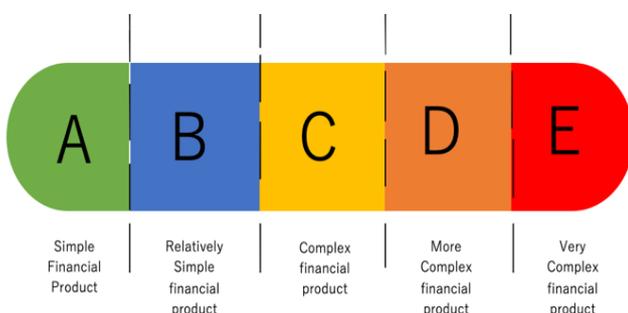
### Investment Rating Scale

The Foresight Analytics and Ratings' investment rating is an opinion on how well we believe a fund will perform against a range of risks.

Rating	Definition
<b>Superior</b>	Indicates the highest level of confidence that the fund can deliver a risk adjusted return in line with the investment objectives of the fund.
<b>Very Strong</b>	Indicates a very strong conviction that the fund can deliver a risk adjusted return line with the investment objective of the fund.
<b>Strong</b>	Indicates a strong conviction that the fund can deliver a risk adjusted return in line with the investment objective of the fund.
<b>Competent</b>	Indicates that the fund may deliver a return in line with the funds relevant benchmark.
<b>Weak</b>	Indicates a view that the fund is unlikely to deliver a return in line with the investment objective of the fund and or meet the return of its benchmark.

### Foresight Complexity Indicator

A Foresight Complexity Indicator (FCI) highlights the complexity of an investment by its terms and conditions' structure and transparency that may affect the investor's return.



### Foresight Investment Rating & Foresight Complexity Methodology

Foresight Analytics and Ratings' methodology for its investment rating and research can be downloaded from its website.

### Contact details

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