

Unlisted Private Debt Fund Report

The GEMI First Mortgage Fund

March 2022

First ranking mortgage fund targeting 8.0% p.a. distributions

For wholesale and sophisticated investors

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About Core Property Research

Core Property Research Pty Ltd was established in July 2017 to provide market leading and insightful research on the property funds sector for its clients and investors. Our ratings and research cover sector level research, ratings and recommendations on listed and unlisted property funds, and is built upon the extensive research experience of its staff.

The Core Property team collectively, has over 50 years' experience across property, financial services and investment markets. The team has also evaluated over 500 different funds across multiple sectors and a range of investment structures over the last decade.

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The GEMI First Mortgage Fund

March 2022

The GEMI First Mortgage Fund ("the Fund") is an unlisted wholesale unit trust that seeks to invest in a portfolio of first ranking mortgages across Australia and New Zealand.

The Manager, Gemi Investments Pty Ltd ("the Manager") is a subsidiary of the Gemi Group ("Gemi"), a privately owned investment firm that has been facilitating mortgage-backed investments for over 20 years. Gemi enjoys a strong track record of preservation of investors capital over the last 20 years. Notably, the principals of Gemi are substantial investors across Gemi's loans and often assume a subordinated position to Gemi's investors. Core Property believes this provides an important alignment between the Manager and investors.

The Fund was established in November 2021 and provides an opportunity to invest in a portfolio of first ranking loans. Distributions are paid monthly and are targeted to be 8.0% p.a. (net) by the Manager. The Fund is open ended with an entry unit price of \$1.00 per unit and is open to wholesale and sophisticated investors, with a minimum investment of \$25,000 ("the Offer").

The Fund is a pooled investment scheme where investors funds are aggregated and loaned out to borrowers across a portfolio of loans. The loans may range between 3 – 24 months and are secured against first ranking mortgages on real estate across Australia and New Zealand.

The Fund has a set of lending guidelines and targets a portfolio Loan to Valuation Ratio ("LVR") of up to 65%, however a higher LVR will be considered on a case-by-case basis. The current portfolio consists of 33 loans totalling \$45.2M and \$2.9M in cash. The majority of loans are in NSW (75.8%) and VIC (10.0%) with the top five loans representing 50.3% of the portfolio. Loans are typically used to acquire or refinance properties (64.9%), as well as to complete developments, development approvals and for working capital purposes. The Manager expects the portfolio to become more diversified as it increases in size and will look to setting concentration limits to reduce portfolio risks. The loans are short term in nature (2-9 months) and the portfolio has an average loan maturity of 4 months. Given the short-term nature of the loans, investors should expect the portfolio to change over time, and the Fund's performance will depend on the Manager's ability to recycle capital, including cash, in conjunction with managing the loan book.

A unique feature of the Fund is that the Manager provides a form of capital mitigation and distribution support to meet the Target Returns. Entities associated with the principals of Gemi have invested \$5M in Manager Units which provide a first loss position on any capital losses in the Fund, before Ordinary Unitholders are impacted. This means that, based on the current portfolio of \$45.2M, the portfolio can withstand an 11% reduction in capital before ordinary investors are exposed to a capital loss. Additionally, the Manager Units also provide partial support for the Target Returns each month. The Manager Units do not receive a monthly distribution unless the Ordinary Units have received the Target Return (of 8.0% p.a.) for the month, and any excess return above 8.0% p.a. is distributed to the Manager Units.

Core Property considers the Manager Units to provide a strong alignment of interests as it incentivises the Manager to maintain a high level of returns but also puts the Manager at the forefront for any capital losses.

Core Property's rating is based on the Manager's processes and ability to closely manage its loan portfolio to deliver higher returns commensurate with underlying risk. This includes the Manager's ability to fully recover its principal and outstanding interest on any loans in default in order to maintain its track record of capital preservation.

Investor suitability

Core Property considers the Fund would be best suited to wholesale investors who understand the nature of lending into property development and investment projects which provide higher returns with higher risks over a short time-period. Investors should expect an income-only return, with no capital gain in unit price. Investors will also appreciate the Manager Units also provide protection for the first \$5M of capital losses, as well as partial support for the Target Distributions for investors. Investors should be aware that, if the \$5M is fully depleted, the Fund will incur a capital loss if any loan amount is not fully recovered, and lower distributions may also be delivered.

Recommended

See the Appendix for a description of our ratings. The above rating must be viewed in the context of comparable Funds and not across all products.

Fund Details

Offer Open:	Open-ended
Fund Term:	Open
Minimum Initial Investment:	\$25,000
Unit Entry Price:	\$1.00 per unit
Application Frequency:	Weekly
Target Distributions:	8.0% p.a. (net)
Distribution Frequency:	Monthly, within 7 days
Liquidity:	Monthly ¹

Fund Contact Details

Investor Relations
registry@gemi.com.au
 02 9157 0710

Fund Website

www.gemi.com.au/the-gemi-first-mortgage-fund

Note: This report is based on The GEMI First Mortgage Fund Information Memorandum dated 22 November 2021, together with other information provided by Gemi Investments.

Key Considerations

Boutique investment manager: The Gemi Group was established in 2000 and has since invested in excess of \$2.0B of loans with a strong track record of delivering strong risk-adjusted returns and capital preservation. Management provides a strong combination of financial, legal, accounting, property finance and broad business experience. Gemi's principals are also major investors in their loans, providing an alignment of interest for investors.

Fund history: The Fund was established in November 2021 and has delivered an 8.0% p.a. (annualised) distribution for investors with 100% preservation of capital.

Fund structure: The Fund is open ended. Investor funds are pooled by the Fund and invested into an underlying portfolio of Sponsor Loans secured by first ranking property mortgages across Australia and New Zealand. The Fund consists of Ordinary Units issued to ordinary investors, as well as Manager Units, which are only issued to entities associated with the Manager.

Manager Units: Manager Units will assume a first loss position and incur capital losses before incurred by Ordinary Units. In addition, the Manager Units: (1) cannot be withdrawn until all Ordinary Units have been withdrawn, (2) will rank behind Ordinary Units in the event of a winding up, (3) will not receive any return in a month unless the Target Return is achieved by Ordinary Units, and (4) will be entitled to any return in excess of the Target Return on Ordinary Units on a given month.

Loan guidelines and criteria: The key loan guidelines ensure risks are adequately managed for expected returns including: (1) loans are required to be secured by first ranking mortgages on development, investment or other special use properties in Australia or New Zealand, (2) a target portfolio LVR of up to 65%, however, the Manager may opt to consider higher LVRs on a case-by-case basis, (3) loan terms between 3 – 24 months, (4) determine interest rates on a case by case basis that are consistent with or above the prevailing market rate and (5) default interest rate charged at the specified interest rate plus a default margin.

Current portfolio: The current portfolio at 28 February 2022 consists of 33 first mortgage loans totalling \$45.2M with \$2.9M in cash. The loans have an average LVR of 65%, and an average loan term of 4 months. As the loans are short term in nature, investors should expect the portfolio to change over time.

Target Returns: The Fund has a Target Return for distributions of 8.0% p.a. Distributions are paid monthly, in arrears, within 7 business days.

Fees: Core Property considers the fees charged to be at the low-to-mid end of what we have seen in the market for similar private debt funds. We consider the fees to be attractive considering the protective measures currently in place in the Fund.

Investment risks: Core Property is unable to comment on the risks associated with specific loans that the Fund would invest in. The performance of the Fund will depend on, but not be limited to (1) the performance of the Manager, including loan selection and management ability, (2) the solvency and financial position of the Sponsors, (3) risks specific to the property sector in which loans are made, (4) prevailing market conditions specific to the investments, and (5) the cost and availability of debt financing. It is possible that the escalation of any of these risks could affect expected returns.

Liquidity: The Fund offers monthly withdrawals for investors, provided they have invested for a minimum three-month period (lock-up period). Withdrawals are subject to the financial position of the Fund and available liquidity. If the Fund is able to satisfy a Withdrawal Request, the Investor will be paid their withdrawal proceeds within 2 weeks. Any withdrawal requests that are not able to be met within a month, will automatically roll over into the next month.

Investment Scorecard

Management Quality



Governance



Portfolio



Income Return



Total Return



Gearing

NA

Liquidity



Fees



Key Metrics

Fund Structure		Fees Paid	
The Fund is an unlisted unregistered managed investment scheme. The Fund aims to provide investors with a high yielding monthly distribution from the financing of debt via first ranking mortgages on development and investment properties in Australia and New Zealand.		Entry Fees:	Nil
		Exit Fees:	Nil
		Management Fee:	Nil
		Trustee (Administration) Fee:	0.50% p.a. (plus GST) of Net Asset Value.
		The Manager may also be entitled to additional compensation for cost associated with the lending process (eg establishment fees, underwriting fees, legal fees, valuation costs and administration expenses).	
Management		Portfolio Metrics As at 28 Feb 2022	
Boutique investment business which has invested in over \$2.0B of loans with a strong track record of capital preservation and strong risk-adjusted returns. Principals are major investors in the Fund, providing an alignment of interests.		Loan Book:	\$45.2M
Portfolio Guidelines		Cash at Bank:	\$2.9M
Investment Strategy:	The Fund invests in first ranked mortgage loans secured on development and investment properties.	Total Portfolio:	\$48.1M
Location:	Australia and New Zealand	Portfolio Split (by value):	1st Mortgage: 100%
Security:	First ranked mortgages	Weighted Average LVR:	65%
Loan Term:	3 - 24 months	Average Loan Maturity:	4 months
Loan to Valuation Ratio:	Target up to 65%	Loan Expiry (by value):	< 6 months: 83.9% 6 - 12 months: 16.1% 12+ months: 0%
Return Profile		Loan Location (by value):	NSW: 75.8% VIC: 10.0% QLD: 8.1% SA: 6.1%
Target Distribution:	8.0% p.a. (net of fees)	Loan Purpose:	Acquisition: 33.5% Refinance: 31.4% Development Completion: 16.1% Development Application: 8.2% Working Capital: 10.7%
Distribution Frequency:	Monthly, within 7 business days	Loans in Arrears/Default:	0%
Tax:	Tax consequences depend on individual circumstances and investors should seek their own taxation advice.	Legal	
Investment Period:	The Fund is open-ended with an initial lock-up period of three months. Following this, Investors may submit a withdrawal request every month.	Offer Document:	The GEMI First Mortgage Fund Information Memorandum dated 22 November 2021
Risk Profile		Wrapper:	Unlisted Property Debt Fund
Property/Market Risk:	Investors may be exposed to a potential capital loss if a loan is not repaid and cannot be recovered from the underlying property. Manager Units take the first capital losses of \$5M before Ordinary unitholders are exposed.	Investment Manager:	Gemi Investments Pty Ltd (ACN 626 991 213)
Counterparty Risk:	Investors are exposed if any selected borrower fails to perform their contractual obligations, either in whole or in part, which may affect targeted returns.	Trustee:	Gemi Asset Management Pty Ltd (ACN 092 408 627, AFSL No. 231175)
Manager Risk:	The performance of the Fund relies on the ability of the Manager to originate, manage and profitably realise loan investments within a specific period of time.		
Liquidity Risk:	Investors may not be able to recover their investment, if the assets cannot be sold or cannot be converted into cash.		
Valuation Risk:	Valuations of the assets against which loans are provided may not reflect true value, which may impact the manager's ability to recover on any loan in default.		
For a more detailed list of the key risks, refer to Section 4 "Risks" of the Information Memorandum.			

Fund Overview

The GEMI First Mortgage Fund (“the Fund”) is an unregistered managed investment scheme which aims to provide investors with a regular monthly income from investing in loans to real estate located in Australia and New Zealand. The Fund was established in November 2021 and is targeting an annualised return of 8.0% p.a. paid monthly in arrears, net of fees and expenses.

The Fund is open-ended and offers wholesale and sophisticated investors the opportunity to invest in a portfolio of first ranked mortgage loans secured by real assets in Australia and New Zealand. Investors may subscribe for units in the Fund at the current issue price of \$1.00 per unit. The Fund pools investor’s funds which is then lent out to borrowers. The net interest received (after costs and expenses) is paid out to investors by way of distributions.

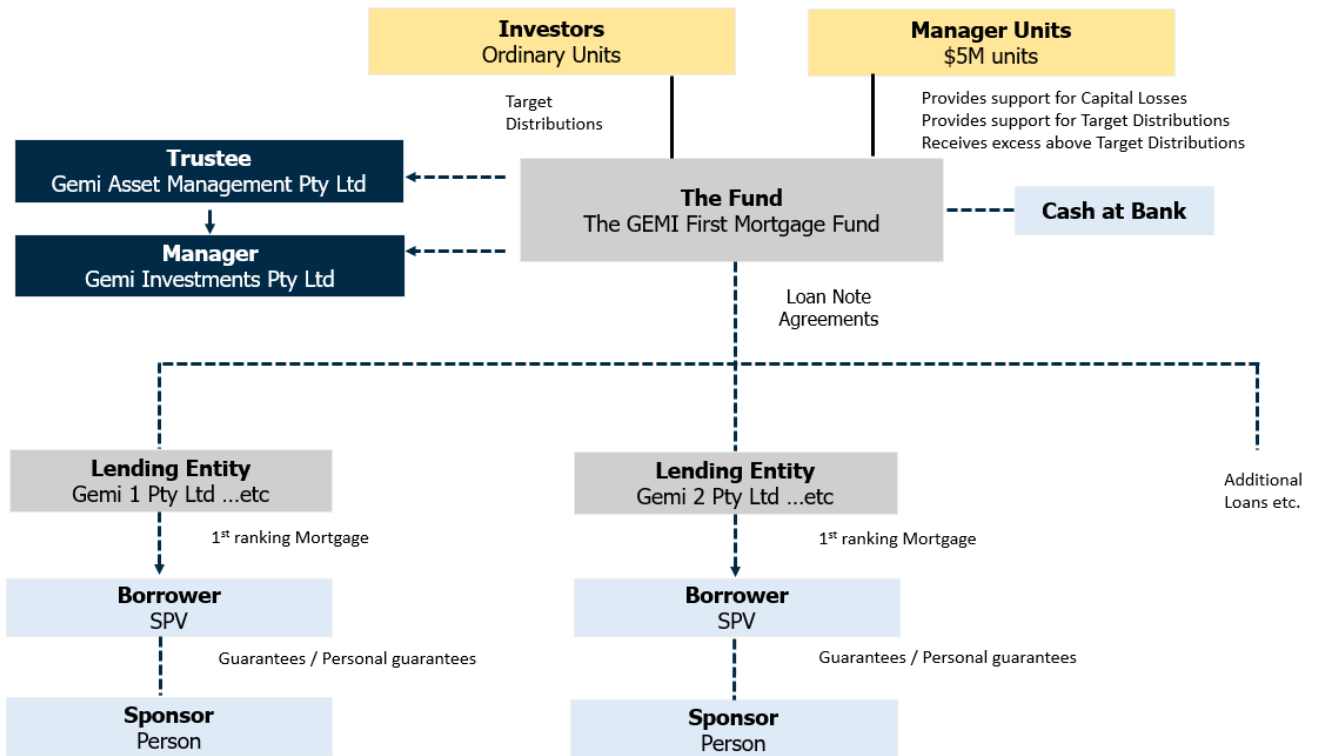
The Fund is available to Qualifying Investors only, with a minimum investment amount of \$25,000. Qualifying investors are defined within the Information Memorandum and includes wholesale and sophisticated investors, and investors who invest \$500,000 or more in the Fund.

The Fund focusses on issuing first ranking mortgages between 3 – 24 months on LVR’s typically up to 65%. Although loans with longer terms reduce the Managers ability to move quickly to secure and sell an asset in the event of default, the security of first ranked mortgages and conservative LVR’s provides the Fund with a greater opportunity to preserve Investor’s capital.

The Fund has a number of measures in place which provide additional protection for investors. Entities associated with the principals of Gemi have invested \$5M in Manager Units, which will take a first loss position in the event of any capital losses incurred by the Fund. In addition, the Manager Units will use their distribution entitlements to partially underwrite the distributions for Ordinary Units – the Manager Units will not receive any distributions in a month unless the Target Return is achieved by Ordinary Units. Manager Units are, however entitled to any excess returns above the Target Return in any given month.

The Fund offers a monthly withdrawal opportunity, however, has a three-month initial lock-up period from the beginning of the Investor’s investment. Since its establishment in November 2021, the Manager has maintained a 100% preservation of capital and has met its target distributions of 8.0% p.a. (annualised).

Figure 1: Fund structure



Source: Core Property

The Offer

Investors may apply for Ordinary Units at a Unit Price of \$1.00 per unit ("the Offer"). The Offer is available only to 'Qualifying Investors' as defined in the Information Memorandum and includes wholesale and sophisticated investors as well as investors with \$500,000 or more in the Fund. The minimum investment is \$25,000.

The Fund also has Manager Units on issue, which consist of \$5M issued to entities associated with the principals of Gemi. The Manager Units essentially provide additional protection for Ordinary investors for both capital and income, as follows:

- Manager Units will assume a first loss position and act as a buffer in the event of any capital losses being incurred by the Fund,
- Manager Units cannot be withdrawn until all Ordinary Units have been withdrawn from the Fund,
- Manager Units will rank behind Ordinary Units in the event of a winding up, so that they can only be redeemed once all Ordinary Units have been redeemed at the prevailing Unit price in accordance with the Constitution,
- Manager Units will not receive any returns in a month unless the Target Return is achieved by Ordinary Units, and
- Manager Units will be entitled to any return in excess of the Target Return on Ordinary Units in a given month.

Core Property considers the Manager Units to be a key feature of the Fund. The Manager Units effectively incentivise the Manager to deliver the Target Return as the Manager Unitholders will be impacted by any shortfall in the Target Return as well as the first \$5M of any capital losses.

Unit Pricing

The Unit Pricing is defined by the Constitution of the Fund and is calculated by taking the underlying value of the Fund's assets adjusted for any transaction costs incurred and subtracting accrued income. The amount is divided by the aggregate number of units in the Fund. Manager Units are excluded from the calculation. The Unit Price does not take into account accrued income which unitholders are entitled to receive as a monthly distribution.

The Fund has a distribution reinvestment facility for investors who wish to reinvest their monthly distributions at the prevailing unit price.

Core Property notes the Unit Price has remained at \$1.00 per unit since the Fund was established in November 2021, with the Manager maintaining a 100% preservation of capital since inception.

The administration of the Fund, including the calculation of Unit Pricing, is conducted by an independent, third party administrator.

Investors should be aware that debt funds, by definition, are exposed to a loss of capital if the Fund is unable to fully recover the principal loan amount. In such instances, the Manager Units are expected to take up the first loss position of up to \$5M on the portfolio before Ordinary Units would be affected. Thereafter, the Unit Price may fall below \$1.00 per unit, which would impact investor returns.

Liquidity / Exit Strategy

The Fund has a minimum investment period of three months (lock-up period). Following this, Investors will be given the opportunity to withdraw from the Fund every month via the submission of a Withdrawal Request at least seven days prior to the last Business Day of a Month.

Provided the Fund is able to satisfy a Withdrawal Request, the Investor will be paid their withdrawal proceeds within 2 weeks of the end of the Month. If the Trustee is unable to accept all Withdrawal requests in a given month, then it may satisfy requests on a pro-rata basis. Any remaining units will rollover into the following month, and subsequent months, and be redeemed in priority to any new withdrawal requests.

Loan Characteristics & Approval Process

The IM sets out the lending guidelines for the Manager and Lending Entity which is summarised in the tables below. The Manager is responsible for overseeing the mortgage lending business carried on by the Lending Entity. The Manager will ensure at all times that the risk-reward profile of each Sponsor Loan is appropriate, with consideration for the quality and value of the loan, underlying security and risk analysis process. All approval decisions will be assessed on the basis of risk-adjusted returns over the term of the Sponsor Loan.

Figure 2: Lending Guidelines & Loan Approval Process

Lending Guidelines	
Loan Amount	The Fund may invest in any loan size for first ranked mortgages.
Location of Security Property	Loans will be supported by real estate located in Australia and New Zealand.
Term	The Term for an individual loan (Sponsor Loan) is expected to be between 3 months and 24 months.
Loan Purpose	Loans will predominantly be used to fund real estate purchases, refinancing and business purposes.
Interest	<ul style="list-style-type: none"> ▪ To be determined between the Manager and the Sponsor on a case-by-case basis, consistent with prevailing market rates. ▪ The default interest payable by borrowers to Gemi will be the agreed interest rate plus a default margin on any amounts not paid when due and payable.
Security	The Lending Entity must be granted a real property mortgage over one or more properties located in Australia or New Zealand owned by the Sponsor (or related party) to secure repayment of the loan. In most instances, the Lender would take additional security such as personal guarantees or director's guarantees.
Loan to Valuation Ratios (LVR)	Sponsor Loans are expected to be advanced at up to 65% LVR. Approvals based on LVRs will be considered on a case-by-case basis.
Valuation	The security property for all Sponsor Loans must be independently valued for suitability and market value.
Loan Approval Process	
Sourcing of loans	Loans will be sourced primarily from brokers, referrers and direct relationships with developers.
Preliminary Assessment	All Sponsor loan investment decisions will be based on risk-adjusted returns over the term of the loan. The assessment takes into account a set of criteria which includes the available security, the precise nature of the security property, loan to valuation ratio and evidence of the capacity to service the loan and repay on time.
Risk Assessment	<p>The Manager assesses the loan across three broad categories:</p> <ul style="list-style-type: none"> ○ <u>Security/Asset Risk</u> – assessment of the character and geographic suitability of the security property, the proposed capital expenditure for the development and a number of extraneous factors such as permissible usage, competition and the appeal and demand for the development asset. ○ <u>Sponsor Risk</u> – the experience and track record of the Sponsor with similar property transactions, the reputation and trustworthiness of the Sponsor, the loan size relative to the Sponsor's net worth and the income and cash flow source of the Sponsor. ○ <u>Saleability</u> – the exit strategy at loan conclusion, including (1) the ability of the Sponsor to sell the property, (2) the end value of the asset, and (3) the ability of the Borrower to refinance the loan.
Approval	Once a formal offer is made and accepted by the prospective borrower, the Manager is responsible for the day-to-day and ongoing management of the loan, providing reports to the Trustee in relation to both individual and portfolio loan performance, including in respect of payment and collection of interest and compliance with loan covenants and conditions.
Documentation	<ul style="list-style-type: none"> ○ Loan agreement (terms and conditions acceptable to Fund/ Manager). ○ Financial documents prepared and reviewed as per lending requirements. ○ In the event of construction funding, normal development funding conditions such as receipt of independent engineers and/or quantity surveyors report confirming costs, expenses and cost of completion will be required before any loans are made. ○ Certified property valuation report by an approved valuer.

Source: Gemi Group

Loan Default: In the event of a default, the Manager will be responsible for default management and commencing recovery action against the defaulting Sponsor. The Manager typically pays a default interest rate of the current interest rate plus a default margin on the loan.

Investors should note the Fund has a Target Return of 8.0% p.a. for Investors. If the Fund achieves a higher return, whether through a default interest rate or otherwise, the Manager Units are entitled to the excess return. Core Property considers this to be appropriate on the basis that the Manager Units also assumes a first loss position of at least \$5M on any capital losses incurred by the Fund. We view the risk of capital loss on Manager Units as a key incentive for the Manager to maintain strong risk management controls on the loan portfolio.

Investors should be aware that in the event that the value of Manager Units have been depleted, any further losses will result in a reduction in the Unit price and a loss in investor's capital.

The Manager has advised that the Fund has maintained a 100% preservation of capital for both Manager Units and Ordinary Units. As such, the full amount of the capital protection from Manager Units remains in place for investors.

Fees Charged by the Fund

The fee structures in the mortgage and property funds industry vary widely depending on the fund style, the underlying structure of a fund, and the complexity of the product. In a few instances, investors are charged no fees, but a fund might disclose just the net return per annum to investors. In such cases, the Manager effectively takes the spread between what the borrower pays and what is paid to investors.

In other instances, Managers charge transactional costs to the investor and in other instances, transactional costs are charged to the borrower. As such, it is difficult to provide a meaningful analysis of the Fund's fee structures in relation to industry averages.

The Fund charges a Trustee Fee of 0.50% p.a. of the Gross Asset Value of the Fund. Any expenses and costs incurred by the Trustee must be reimbursed out of this Trustee Fee. Core Property notes the following:

- The fee structure of the Fund is designed to provide a Target Return of 8.0% p.a. (net) for Investors. The Manager may at times, receive a higher or lower return by way of the Manager Units. Whilst this higher or lower return is not classified as a fee, it nonetheless represents a return that the Manager receives for bearing the risk of the Manager Units.
- Investors should also note that the Manager is entitled to additional compensation by way of costs associated with the lending process (eg. establishment fees, recovery of legal fees and valuation costs and administration expenses). These fees are paid directly by a Borrower and are not an additional cost to Investors in the Fund. The fees also do not include any fees or indirect costs and expenses incurred in the preserving, exercising, protecting or enforcing the Lender's rights under a loan agreement.

Given the range of fee structures, Core Property has attempted to look at an all-in fee payable to the Manager from an industry perspective where we have seen an estimated range of 0% - 5% of net assets being charged. Whilst each loan agreement will have a separate fee structure, we estimate the average all-in fee payable to the Manager (including the Trustee) to be at the low-to-mid point of the industry fee range. Core Property considers the fee structure to be reflective of the returns delivered by the Fund.

Figure 3: Summary of Fees charged by the Fund

Fee Type	Fee Charged	Core Property Comment
Management Fee:	Nil	The Manager is not entitled to a fee payable out of the assets of the Fund.
Trustee (Administration) Fee:	0.50% p.a. of the Fund's Gross Asset Value. Calculated daily and paid monthly.	Core Property considers the fee to be appropriate.
Expenses	Expenses incurred by the Fund will be reimbursed out of the Trustee Fee.	

Note: The Trustee may, by discretion, accept lower fees and expenses than it is entitled to receive, or may defer payment of those fees and expenses for any time. If payment is deferred, then the fee will accrue until paid. **Source:** Gemi Group

Loan Portfolio

The Fund's portfolio at the end of February 2022 was valued at \$48.1M, which includes \$45.2M in loans and \$2.9M held in cash. The portfolio is comprised of 33 loans with a weighted average LVR of 65%.

A key feature of the Loan portfolio is the short duration of the loans, with a current average maturity of 4 months. The current loans were all established with a loan period of between 2 – 9 months. Due to the short-term nature of the loans, investors should expect the portfolio metrics to change frequently. As such, the performance of the Fund will be dependent on the Manager's ability to recycle capital, including cash, in conjunction with managing the loan book.

Core Property notes the portfolio has 14 loans which have an LVR above 65%, including two loans with an LVR above 80%. The Manager actively monitors and manages the loans and currently expects these loans to be fully paid out between March - June 2022. A summary of the current loan portfolio is provided below.

Figure 4: Portfolio Summary – as at 28 February 2022

Loan	State	Loan Amount \$M	LVR ¹	Loan Expiry	Portfolio Weight
Loan 1	VIC	\$0.2M	63.7%	Mar-22	0.4%
Loan 2	SA	\$1.3M	56.1%	Mar-22	2.8%
Loan 3	NSW	\$1.2M	44.7%	Mar-22	2.7%
Loan 4	NSW	\$1.7M	69.8%	Jun-22	3.6%
Loan 5	NSW	\$5.1M	72.9%	Mar-22	11.2%
Loan 6	NSW	\$4.5M	62.0%	Apr-22	10.0%
Loan 7	NSW	\$0.7M	62.2%	Mar-22	1.5%
Loan 8	NSW	\$0.4M	38.7%	Jun-22	0.9%
Loan 9	NSW	\$2.5M	78.5%	May-22	5.4%
Loan 10	NSW	\$0.8M	40.7%	Jun-22	1.8%
Loan 11	VIC	\$0.5M	58.9%	May-22	1.1%
Loan 12	VIC	\$0.1M	70.1%	Apr-22	0.1%
Loan 13	NSW	\$5.8M	64.5%	Oct-22	12.8%
Loan 14	NSW	\$0.6M	70.0%	Mar-22	1.2%
Loan 15	VIC	\$0.6M	50.7%	May-22	1.3%
Loan 16	VIC	\$0.3M	70.9%	May-22	0.7%
Loan 17	NSW	\$0.5M	55.1%	Mar-22	1.1%
Loan 18	NSW	\$0.0M	6.8%	May-22	0.0%
Loan 19	NSW	\$0.5M	55.0%	Mar-22	1.1%
Loan 20	NSW	\$1.1M	58.8%	Mar-22	2.5%
Loan 21	NSW	\$0.0M	58.8%	Mar-22	0.1%
Loan 22	NSW	\$4.3M	79.3%	Mar-22	9.6%
Loan 23	SA	\$1.5M	42.0%	Nov-22	3.3%
Loan 24	NSW	\$0.4M	84.3%	Mar-22	0.9%
Loan 25	NSW	\$3.0M	55.6%	Mar-22	6.7%
Loan 26	VIC	\$0.3M	72.4%	Mar-22	0.8%
Loan 27	VIC	\$0.3M	71.6%	Mar-22	0.7%
Loan 28	NSW	\$0.8M	69.9%	Mar-22	1.7%
Loan 29	NSW	\$0.5M	57.6%	Mar-22	1.1%
Loan 30	QLD	\$2.9M	70.7%	May-22	6.3%
Loan 31	QLD	\$0.4M	58.7%	Mar-22	0.8%
Loan 32	QLD	\$0.4M	91.4%	Apr-22	1.0%
Loan 33	VIC	\$2.2M	70.1%	Mar-22	4.9%
Loan Portfolio		\$45.2M	65.4%		100.0%
Cash & equivalents		\$2.9M			
Total Portfolio		\$48.1M			

Note 1: Based on Total LVR exposure to Gemi. Source: Gemi investments

Diversification

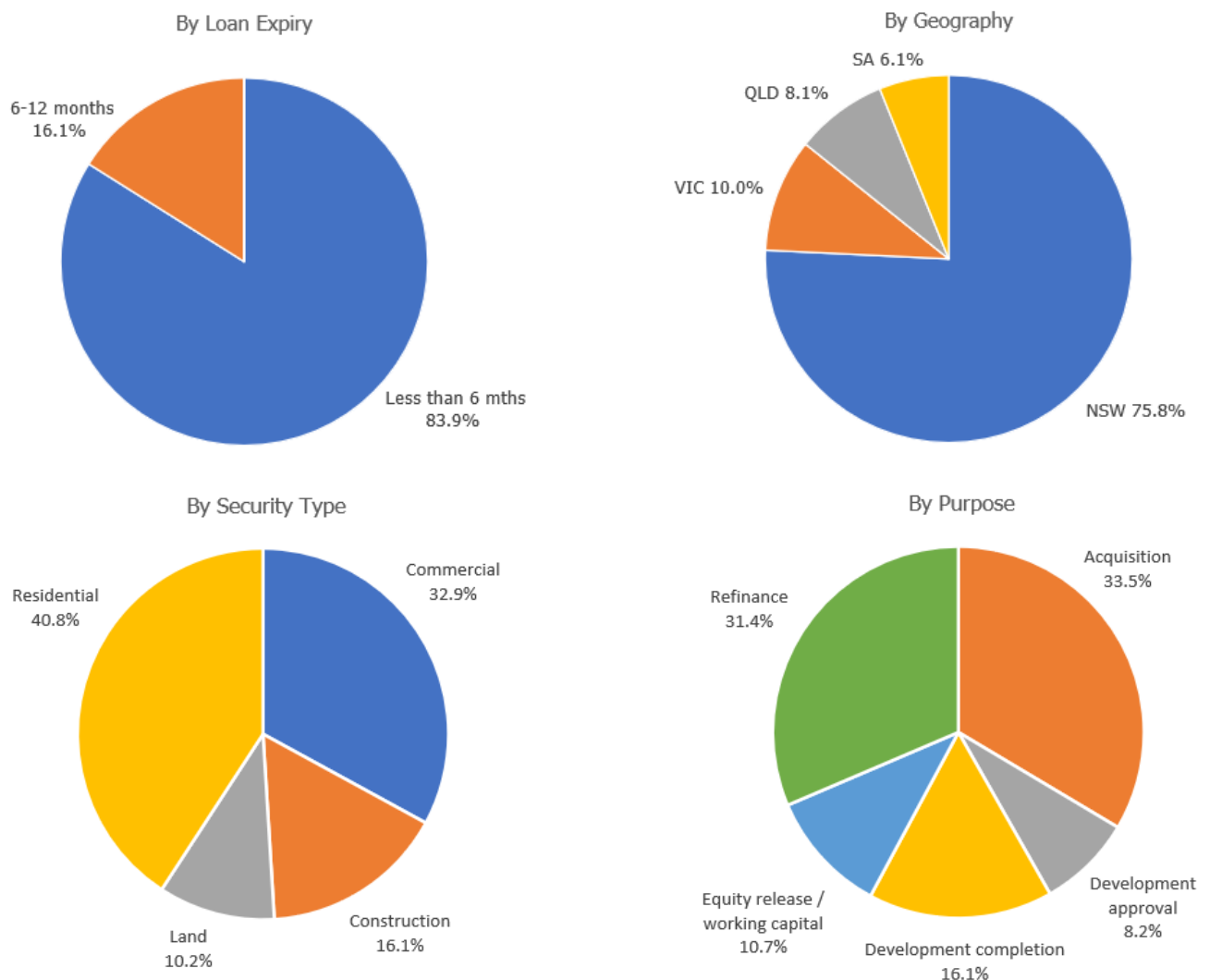
Due to the short profile of the current loan book, 83.9% of the portfolio's loans are forecasted to expire within six months, while the remaining 16.1% is comprised of loans between 6 – 12 months.

The majority of the loans are secured by assets along the eastern seaboard of Australia – NSW (75.8%), VIC (10.0%) and QLD (8.1%) while SA has a lower exposure (6.1%). Loans are primarily used to acquire properties (33.5%) or to refinance existing properties (31.4%) with a smaller portion for development completions (16.3%), development approvals (8.2%) or for working capital (10.7%).

The current loans are also diversified across the portfolios weighting, with the largest loan representing 12.8% and the top ten loans representing 73.8%. The top five loans represent 50.3% of the portfolio. Core Property notes the Fund was only established in November 2021 and expects the diversification metrics to improve as the portfolio size increases over time. Core Property further notes that the Manager intends to have a clearly defined mandate which will be used as a guide to manage exposure limits to any one borrower and exposure to any one loan.

The following figures provide a summary of the split of loans across the current portfolio.

Figure 5: Portfolio Diversification – as February 2022



Source: Gemi Group

Management & Corporate Governance

The Trustee, Gemi Asset Management Pty Ltd, and Manager, Gemi Investments Pty Ltd are subsidiaries of boutique investment firm, Gemi Group. Since inception in 2000, Gemi Group has been involved in over \$2.0B of private debt investments in real property mortgages. Over this time, Gemi has built a strong track record of returns and capital preservation. Management of the Fund is undertaken by a team with complementary experience in financial services, auditing, property finance, property development and construction as well as broad business experience. A summary of key management personnel is provided in the table below.

Figure 6: Gemi Group Management team

Name & Role	Experience
Michael Cooper Principal	Michael holds extensive experience in business management and operations, having been the CEO of The Athlete's Foot for 15 years, prior to joining Gemi Group. Under his leadership, the company expanded into the leading footwear-only retailer in Australia, achieving over \$200M in revenue, 1,500 in employed staff and 140 operating stores. The company listed on the ASX in 2004 with Michael occupying a seat on the parent board. Michael holds an MBA from the Macquarie Graduate School of Management.
Justin Epstein Principal	Justin was a founder of One Investment Group, which provides fiduciary and administration services to fund managers. Since inception in 2009, Justin built the business to be the third largest provider in the Australian market, servicing over 300 funds and \$40B in assets under management. Justin has also accrued experience as an Investment Director at LJCB Investment Group, Head of Corporate Finance for Global Aviation Asset Management as well as strategy and corporate finance roles at a major Australian investment bank and EY. Justin holds a Bachelor of Commerce (Distinction) from the University of NSW and is a fellow of the Financial Services Institute of Australia.
George Fleming Principal & Founder	George founded Gemi Group in 2000 to focus on investing his clients' and his own wealth in debt opportunities. Prior to this, he operated his own accounting practice called George Fleming and Associates, and later Fleming and Moynihhan which he built up to 30 staff before selling the business in 2000. George is a Fellow of the Institute of Chartered Accountants.
Hamish Tweedy Head of Credit	Hamish has over 20 years' experience in property finance and funds management. Prior to joining Gemi Group, he established and managed the Indigenous Real Estate Investment Trust on behalf of Indigenous Business Australia, where he was responsible for all aspects of running the Fund. Hamish has also held roles involved with loan portfolios at Westpac, ANZ, non-bank lender Ashe Morgan, NAB and Monte Paschi Australia.
Brendan Bond Investment Director	Brendan has over 20 years' experience in banking and restructuring. Prior to joining Gemi Group, he spent 10 years in banking originating senior and mezzanine real estate loans as a Director for Westpac and Varde Partners. Before working in banking, Brendan was formerly a Senior Manager at McGrathNicol focusing on restructuring and Advisory. He is a Chartered Accountant and holds a Bachelor of Commerce from the Australian National University.
Reegan Piper Investment Manager	Prior to joining Gemi Group, Reegan spent 3 years in Toronto, Canada, working within the Development Finance Group for MCAP, one of Canada's largest independent mortgage finance companies with in excess of \$100B of assets under management. At MCAP, Reegan was responsible for the analysis, underwriting and ongoing management of residential development and construction loans for deal sizes up to \$150M. He has also held roles as an Analyst for Balmain Commercial, a commercial and residential property mortgage broker, and Deloitte Brisbane. Reegan holds both a Bachelor of Commerce and Economics from the University of Queensland.
Danielle Paterson Operations Manager	Danielle joined Gemi Group in 2004 where she is responsible for the operations of the Group, assisting in the management of the business and the growth of its loans under management from \$20M to today. Prior to joining Gemi Group, she worked at Wizard Home Loans as their Marketing Manager for 4 years and has worked at a number of banks including Commonwealth Bank of Australia, SBC Brinson and ING. Danielle holds a Bachelor of Commerce from Macquarie University and a Masters of Marketing from the University of Technology Sydney.
Vanessa Liew Financial Controller	Vanessa is a Chartered Accountant with over 20 years' finance and accounting experience. Prior to joining Gemi Group, Vanessa held financial management roles at several financial services organisations including Credit Corp, JP Morgan, Challenger, Macquarie and Deutsche Bank. Vanessa commenced her career with Pricewaterhouse Coopers. Vanessa holds a Bachelor of Commerce from the University of NSW and is a member of Chartered Accountants Australia & New Zealand and FINSIA.
Michael Glatter Head of Investor Relations	Prior to joining Gemi Group, Michael worked at One Investment Group for 10 years as one of the key persons responsible for the delivery of premium services to clients and investors. He has previously held a number of senior management roles in SME businesses with a focus on key account management and product and service delivery. Michael holds a Bachelor of Business Administration from the Australian Catholic University and has completed his RG 146 accreditation.
Elly Salbini Head of Registry	Elly has over 20 years' experience across registry, funds management and administration. Prior to joining Gemi Group, Elly held registry management roles at organisations including Balmain, One Investment Group, OneVue, Equity Trustees and Macquarie. Elly holds a degree in engineering from Monash University.
Sylvie Partridge Registry Manager	Sylvie has over 20 years' experience in the financial services industry, predominantly within funds management. Prior to joining Gemi Group, Sylvie spent 7 years at LINK Market Services where she managed a range of operations relating to unit registry. Following this, she joined Certitude Global Investments with a diverse exposure to legal, compliance and operational business components. Sylvie holds a degree in Accounting from Monash University.

Source: Gemi Investments

Compliance and Governance

The Fund is governed by a Constitution which sets out the rights, liabilities and responsibilities of the Trustee and Investors. An Investment Management Agreement is also in place to govern the investment decisions of the Fund.

The Trustee has a Conflicts of Interests Policy that works in conjunction with the Fund Constitution, ASIC policy and the law. Entities associated with the Trustee and Manager have invested in Manager Units in the Fund.

Past Performance

The Manager has advised that, since inception in November 2021, the GEMI First Mortgage Fund has consistently delivered a Target Return of 8.0% p.a. (annualised), with distributions paid monthly. Investors have maintained 100% capital preservation with no investors having experienced a capital loss.

The Fund is the Manager's second fund product. The first fund, the Gemi Fund, was established in April 2019 has close to \$200M under management and is closed for new investment. The Gemi Fund has maintained 100% capital preservation and consistently delivered on its target investment return.

Investors should note that that past performance is not a reliable indicator of future performance as each fund, and its respective underlying property, has its own specific risks and attributes.

Appendix – Ratings Process

Core Property has developed a framework for rating property and property related investment product offerings in Australia. The methodology gives consideration to a number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: product and underlying portfolio construction; strength and depth of management team, product structure, risk management, financial analysis, and likely outcomes.

It is important for financial planners and investors to view the recommendation and rating in the context of comparable products only and not across all products rated by Core Property.

The Ratings

Financial Advisers and investors should note that for all ratings categories, the product may not suit the risk/return profiles of all investors.

Rating	Definition
Highly Recommended	This is the highest rating provided by Core Property and is indicative of the product exceeding the requirements of our review process across a number of parameters.
Recommended	Indicates that the product has an above average grade profile across a number of Core Property's parameters and has the potential to deliver above average risk adjusted total returns.
Approved	Indicates that the product has met the aggregate requirements of Core Property's criteria. The product has an acceptable risk/return trade-off and is potentially able to generate risk-adjusted returns in line with stated investment objectives.
Speculative	Core Property believes this is a product that has a number of positive attributes; however, there are a number of risks that make investing in this product a speculative proposal. While Core Property does not rule out investing in this product, investors should be very aware of, and be comfortable with the specific risks. The product may provide unique diversification opportunities, although concerns over one or more features mean that it may not be suitable for most investors.
Not Approved	Indicates that the product has failed to meet the minimum aggregate requirements of Core Property's criteria. While the product may have some positive attributes, Trusts in this category are considered high risk.

This report has been commissioned, and, as such, Core Property has received a fee for its publication. Under no circumstances has Core Property been influenced, either directly or indirectly, in making statements and / or recommendations contained in this report.

Ratings History

The following is a summary of the ratings provided by Core Property since the establishment of the Fund.

Date	Core Property rating
November 2021	Fund commencement
March 2022	The Fund is rated as "Recommended"

Disclaimer & Disclosure

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