



ZANK & Co.
RESPECT, RESPONSIBLE, RESPONSIVE



Average Redemp-
tion
1-3 Month



Stable Income
Quarterly



Secured Return
1st/2nd Mortgage



Diversified
Across Australia

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QUARTERLY REPORT

The Zank Income Fund offers investors access to a pooled mortgage fund secured by registered mortgages. This fund is designed to take the out the associated outstanding risks involved in investments and provide stable returns from the Australian property lending market.

8.0% P.A

for the Past 12 Months

2020
Q2

INVESTMENT OBJECTIVES

Key Benefits of the Fund

- ✓ Quarterly distributions
- ✓ No entry or exit fees
- ✓ Actively managed by an experienced team
- ✓ Diversified investments across Australia
- ✓ Exposure to a strong underlying asset class
- ✓ Return performance relative to risk, peers and benchmark
- ✓ Superior portfolio diversification



8.0% Per Annual
FOR THE PAST 12 MONTHS

AT A GLANCE

Type of fund	Mortgage fund
Investment timeframe	At least 12 months
Minimum investment amount	\$100,000
Minimum additional amount	\$10,000
Withdraws	Quarterly, at least 12 months
Distribution	Quarterly
Borrowing	Nil
Entry and Exit fees	Nil
Management costs	1.5% p.a.
Early redemption fee	1.0% of redemption amount
Adviser remuneration	0.5% p.a.
Trustee Fee	0.3% p.a.
Rate of return (after fees)	8.0% p.a.
Benchmark	RBA rate
Indicative Risk Level	Low-Medium
Number of non-performing	3

The primary objectives of the fund are to provide a stable return that outperform bank term deposits.

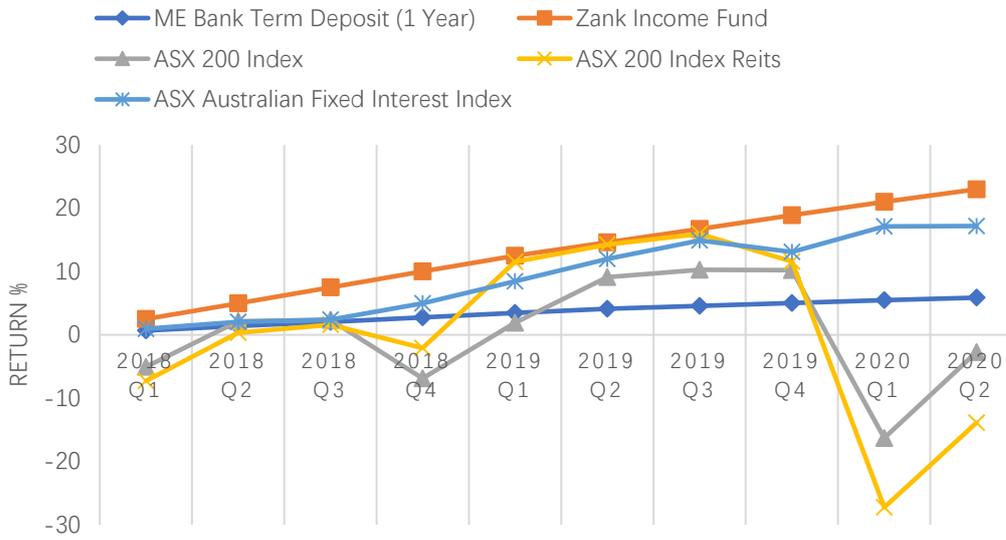
- ✓ Stable and predictable return
- ✓ Capital stability
- ✓ High yield

About the Fund Manager

Zank is a fast-growing asset manager with a mission to create a better financial future for its clients. Its goal is to increase investors' wealth by delivering regular income returns through well structured products.

Net rate paid to investors with Allocated Units calculated daily and paid quarterly in arrears for the quarter ended 30 June 2020. Net rates are net of management fees and costs, including GST (less RITCs) and assuming no reinvestment of distributions. Past performance is not a reliable indicator of future performance.

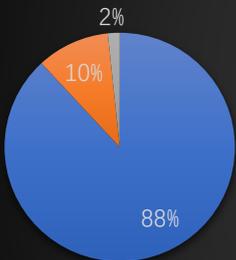
QUARTERLY ACCUMULATION COMPARISON



The objective of our Income Fund has long been to provide investors with a choice of capital-stable and consistent income generating investments. Based on the accumulation comparison between other indicators' performance, we note that the return of ZANK Income fund has continued to rise and it will help you gain around 23% from income fund at Q2 of 2020. Although investing in the Australian share market may obtain a reasonable return in some quarters, however, the fluctuations will cause the loss of all profit. Zank Income fund keep outstanding performance even in times of volatility and depression.

Geographic Allocation

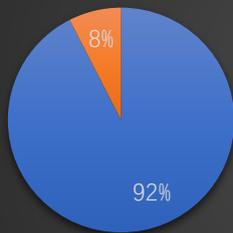
(as at 30/06/2020)



■ VIC ■ NSW ■ SA

Sector Allocation

(as at 30/06/2020)



■ First Mortgage ■ Second Mortgage

Average Loan Size

(as at 30/06/2020)

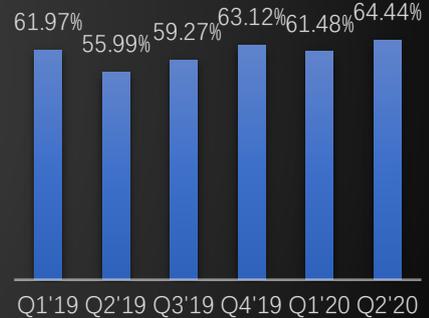
■ Unit (Million)



Loan to Valuation Ratio

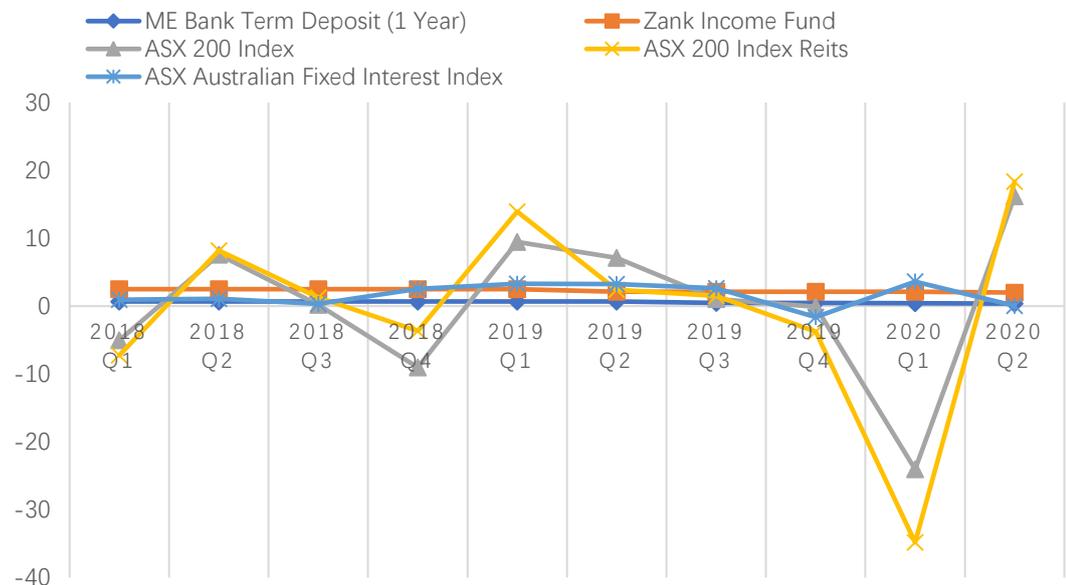
(as at 30/06/2020)

■ LVR%



Per comparison for the quarterly return of Bank deposit and other indicators' performance, Zank Income Fund shows a stable and reasonably high performance. Its return is always higher than the figure of bank deposit. If you invest in the ASX Index or Index Reits, you could gain a profit of 18% in Q2. However, you may experience significant losses in other quarters, such as from January to March 2020. Their performances declined as much as 18% and 34% separately that are much higher than the risk in our income fund.

QUARTERLY PERFORMANCE COMPARISON



PERFORMANCE SUMMARY

As at 30 June 2020, the Fund has about \$35 million of loans under management across 17 different borrowers as follows:

Authorized investments		
Cash	20.53%	\$9,092,109.15
Land - vacant	64.76%	\$28,679,034.15
Commercial	2.37%	\$1,050,000.00
Construction & Development	12.33%	\$5,462,330.70
Total	100.00%	\$44,283,474.00
Mortgage Investment Portfolio Metrics		
Weighted Average LVR	64.29%	-
Largest Mortgage Investment	-	\$8,250,000.00
Pre-paid & capitalized interest loans	-	\$4,553,709.15

Mortgage Investments by State		
NSW	9.87%	\$3,475,000.00
VIC	88.42%	\$31,116,364.85
QLD	0.00%	\$0.00
SA	1.70%	\$600,000.00
WA	0.00%	\$0.00
TAS	0.00%	\$0
Mortgage Investments Interest rate profile		
<8.00%	0.00%	\$0
8.00% - 9.99%	4.89%	\$1,722,566
10.00% - 11.99%	45.09%	\$15,869,400
12.00% - 13.99%	14.96%	\$5,265,000
14.00% - 15.99%	35.05%	\$12,334,399
> OR = 16.00%	0.00%	\$0
Maturity Profile		
0 - 6 months	8.71%	\$3,065,000
7 - 12 months	87.31%	\$30,726,365
13 - 24 months	3.98%	\$1,400,000
25+ months	0.00%	\$0

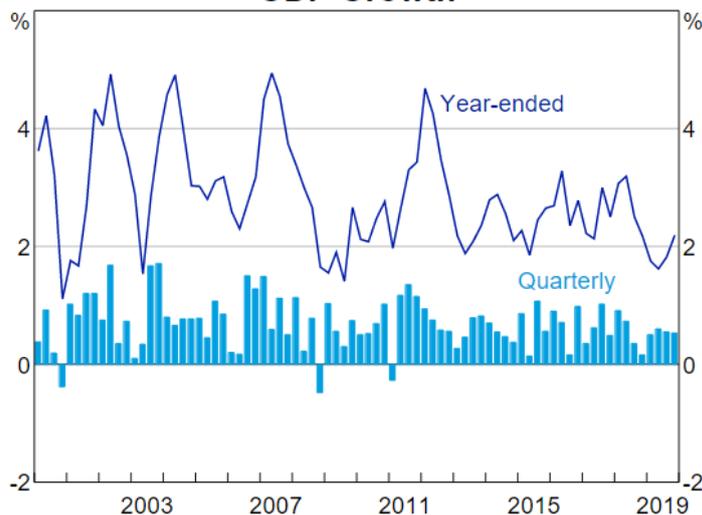
LVR Profile ¹		
<50%	0.23%	\$80,690
50%-59.99%	25.15%	\$8,850,000
60%-69.99%	54.76%	\$19,271,175
= 70%	19.86%	\$6,989,500
> 70%	0.00%	\$0
Security Location		
Metro	89.45%	\$31,476,999.85
Regional	10.55%	\$3,714,365.00
Rural	0.00%	\$0.00
Total Performing Authorized Investment		
Cash	20.53%	\$9,092,109.15
Term Deposit	0.00%	\$0.00
Mortgage	77.40%	\$34,275,408.88
Performing Mortgage past Due ²		
1-30	0.00%	\$0
31-60	0.00%	\$0
61-90	4.8%	\$2,075,000.00
>90	0.00%	\$0
Total	4.8%	\$2,075,000.00
Non-performing Loans ³		
1-30	0.08%	\$33,340.92
31-60	0.16%	\$70,701.76
61-90		\$0
>90	1.36%	\$586,232.00
12 months +	0.48%	\$206,101.00
Total Non-performing	2.07%	
Total Performing	97.93%	

NOTES: All figures shown as percentages are based on dollar values and are reported on loan balances in the Fund. These may differ from figures provided in the statutory accounts which are based on the investment balances in the Fund. The Investment Accounts may invest in the same mortgage. Loan numbers refer to the number of loans only and do not reflect the number of individual securities. 1. Loan to Value Ratio (LVR) represents the value of the security property at the start of the loan compared to the approved loan amount, reflecting the LVR used in the Fund's lending criteria. 2. Performing but past due loans represent expired loans that continue to make required payments (Default). 3. Arrears for the Fund are calculated by dividing the total investment amount of loans in arrears by the total balance of outstanding investments (Arrears).

MANAGER REVIEW

Before the widespread outbreak of the coronavirus, the Australian economy had grown by 0.5 per cent in the December quarter and by 2.2 per cent over 2019. The bushfires had only a limited impact on nationwide economic activity in the December quarter and, at the end of 2019, year-ended growth was ½ percentage point above its mid-2019 trough. Public consumption and exports had been the main sources of expenditure growth over 2019, while private demand had been weak.

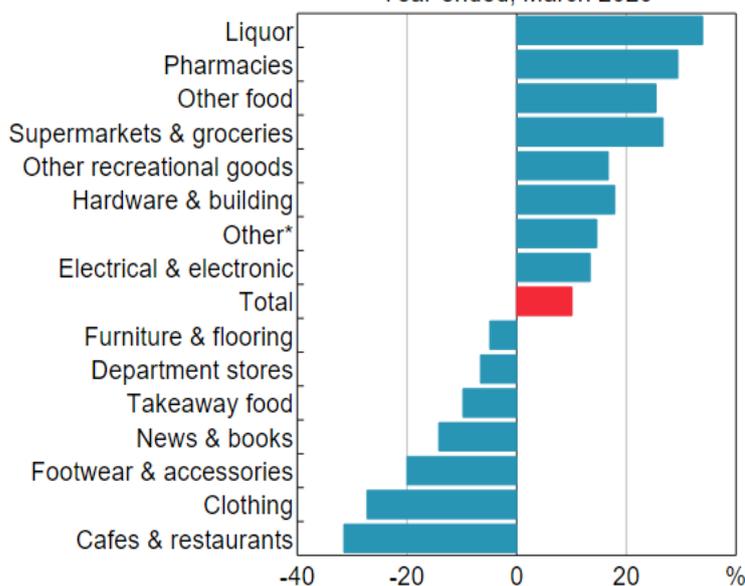
GDP Growth



Source: ABS

Retail Sales Values Growth

Year-ended, March 2020



* Includes stationery, flower and non-store based retailing

Sources: ABS; RBA

The pattern of retail spending has shifted markedly since February

Retail sales volumes grew by 0.7 per cent in the March quarter and by 1.1 per cent over the year. Following relatively weak growth in January and February, retail sales values increased by 8½ per cent in March, the largest increase in the history of the series and similar in size to the increase recorded just prior to the introduction of the goods and services tax. The increase in retail sales values in March was driven by widespread precautionary and preparatory purchases at supermarkets & other grocery stores, liquor retailers and pharmacies. Purchases of home entertainment and other recreational items, and items related to setting up home offices were also strong in the month. By contrast, sales at cafes & restaurants and sales of clothing and footwear fell, consistent with the introduction of social distancing restrictions in mid March. Liaison with retailers suggests that there were further declines in April. Motor vehicle sales fell sharply in April, to be close to their lowest level in 20 years.

Government policies are supporting household incomes

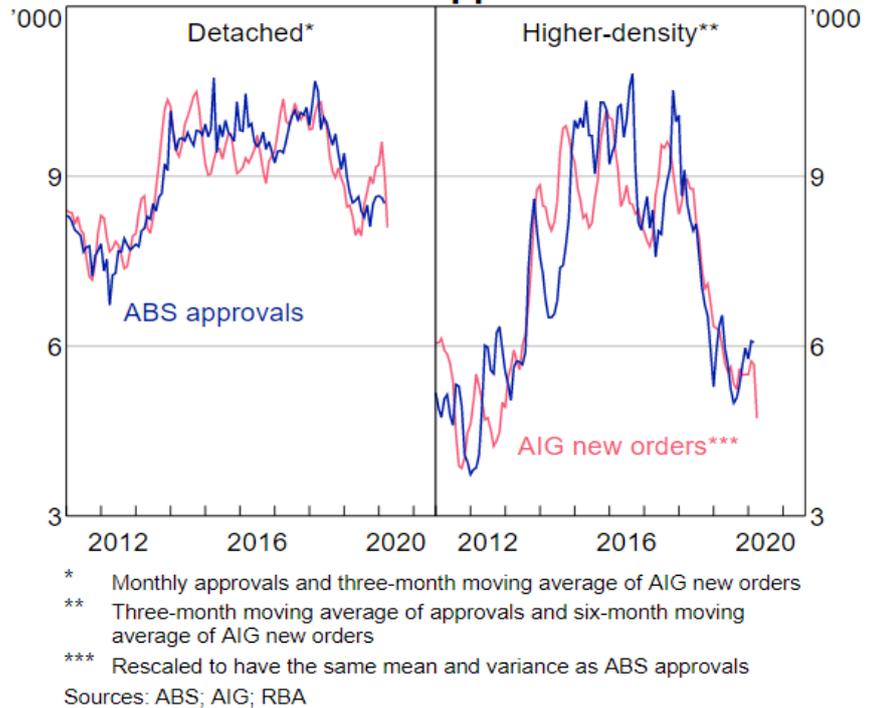
As the number of cases of the virus in Australia increased in March, Australian and state governments imposed social distancing and other containment measures. People were encouraged to stay at home as much as possible, limit contact with people outside of their own household, and only venture out if they needed to.

Government policies will help to offset the effect of the COVID-19 outbreak on household income, for example, through the JobKeeper Payment and the Coronavirus Supplement that is available to most recipients of income support payments, including JobSeeker. Information from the recent household survey conducted by the ABS indicates that around half of households who had received the Economic Support Payment of \$750 had saved most of the payment, while some others had used the payment to pay household bills. Other measures will also provide relief to households by easing pressures around rent and debt obligations and by allowing early access to superannuation. The temporary deferral of mortgage repayments by some households and the decline in interest rates are also expected to provide a small boost to household cash flow. Household income is still expected to decline in the March and June quarters mainly because of expected falls in labour and in unincorporated business income.

which is likely to prolong the downturn in dwelling investment

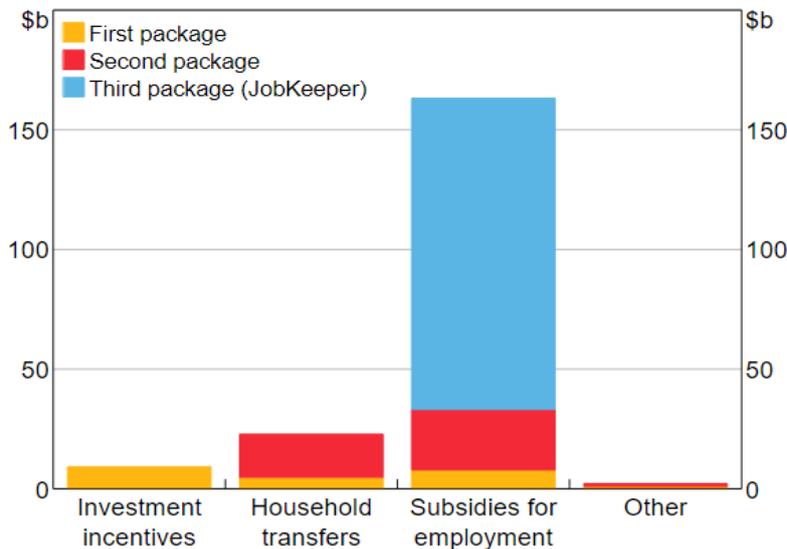
Residential building approvals decreased in March. Information from liaison about the earlier stages in the development process suggests demand for new dwellings has deteriorated significantly (Graph 3.16). Residential construction firms in the AIG Performance of Construction Index indicated that new business had declined sharply over recent months. Greenfield lot sales declined a little in Sydney in the March quarter and remained flat in Melbourne; cancellation rates had also edged up in these cities. Nationally, lot sales increased a little in the March quarter, but remained relatively low and are expected to decline over the year ahead. These indicators suggest continued weakness in dwelling investment in the near term. Liaison contacts have also cited concerns about increased settlement failures. There is also the risk that COVID-19 cases could occur at construction sites and lead to temporary site closures.

Private Residential Approvals Indicators



Announced Fiscal Stimulus

Fiscal cost based on measures for 2019/20 and 2020/21



Source: Australian Treasury

Policy measures will support household and business incomes

Australian and state governments have announced a range of measures to support the economy. These policies should facilitate labour market adjustment, reduce the financial stress of households and businesses and provide a safety net for households, helping them maintain spending on essential items and meet other obligations. However, it is unlikely these policies will boost spending by much in the near term while restrictions on activity are in place to contain the spread of the virus. In addition, in March, the Reserve Bank implemented a comprehensive package of policy measures to support the Australian economy, which is discussed in the 'Domestic Financial Markets' chapter.

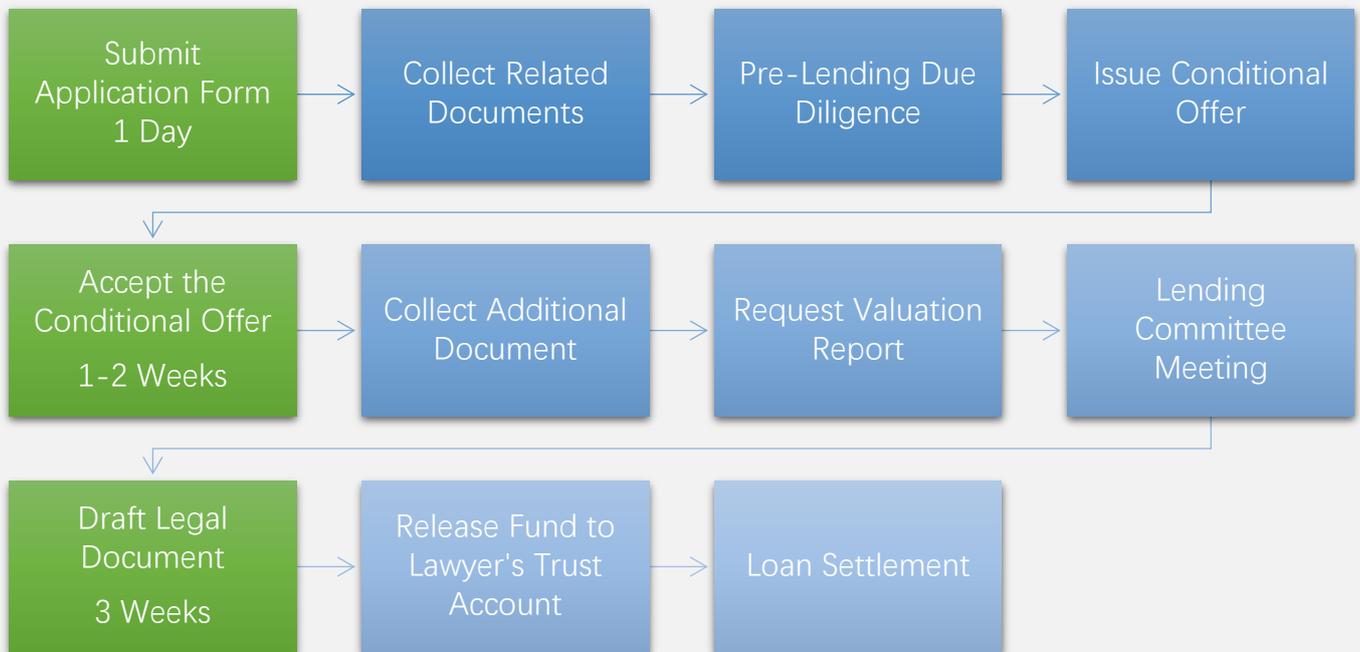
The Australian Government has announced three packages of policies focused on providing support to households and business. When announced, the cost to the budget of these packages was estimated to be \$66 billion in 2019/20 (3.3 per cent of annual GDP) and \$126 billion in 2020/21 (6.3 per cent of annual GDP). The states and territories have also announced a number of spending packages, costed to be at least \$19 billion, just under 1 per cent of annual GDP. These state measures have been predominantly targeted at small- and medium-sized businesses in the form of waivers on payroll tax and government fees and charges. Many states have also included measures to support households and specific industries.

(Source RBA)

The amount of debt outstanding by federal and state governments will increase significantly because of increased spending related to the stimulus measures and health expenditure, increased unemployment benefits and lower revenues. That said, net government debt outstanding is low in Australia relative to other advanced economies. Federal government revenues will be lower because of lower taxes being paid by households and businesses, while state government revenues will be affected by lower stamp duty because of lower turnover in housing markets and the waiver of payroll and land taxes. Lower GST revenues will affect both federal and state governments.

LOAN PROCESS

ZANK normally takes 3 weeks to finalize a commercial loan case. After submission of the application form, you will get a response within 2 days on whether we can or cannot fund this project. Pre-lending Due Diligence work may take 1-2 weeks depends on the complexity of the case. And another week to settle the loan. In some urgent cases, we can push the entire process time to 2 weeks.



How to Invest

