



ZANK & Co.
RESPECT, RESPONSIBLE, RESPONSIVE



Average Redemption
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 provide investors with stable income by investing in Australian commercial mortgages.

8% P.A

for the Past 12 Months

**2021
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
- ✓ Portfolio diversification



8% P.A.

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 loans | 2 |

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

- ✓ Stable and predictable return
- ✓ Capital stability-- the Fund invests in development Loans
- ✓ 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.

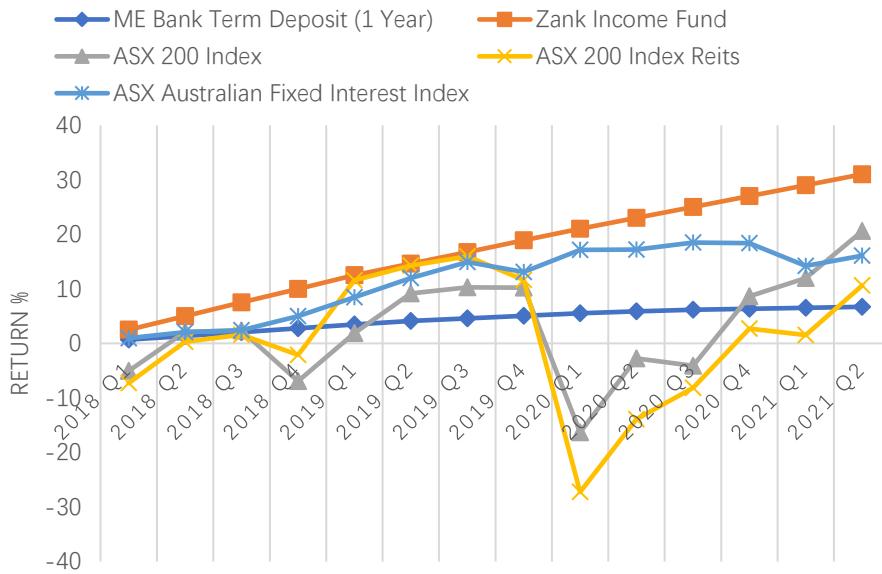
Net rate paid to investors with Allocated Units calculated daily and paid quarterly in arrears for the quarter ended 31 March 2020.

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.

PERFORMANCE SUMMARY

QUARTERLY ACCUMULATION COMPARISON



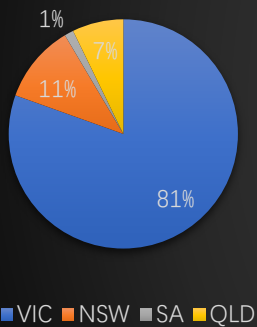
The objective of our Income Fund has long been to provide investors with a choice of capital stable and consistent income generating investments. Based on the accumulation comparison between other indicators' performance, we find that the return of ASX Australian Fixed Interest Index is noticeable increased annually in most of time and the performance of ME Bank term Deposit (1 Year) is maintain in a slight growth.

Whilst past performance is no guarantee of future performance, Zank Income Fund has outperformed most fixed income fund products as shown in the Quarterly Accumulation Comparison.

Although the mortgage fund is normally illiquid compare with stock market trading. It also brings less volatility to investors.

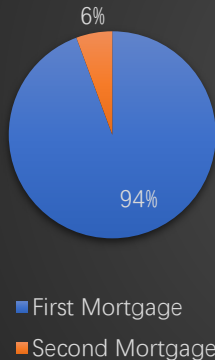
Geographic Allocation

(as at 30/06/2021)



Sector Allocation

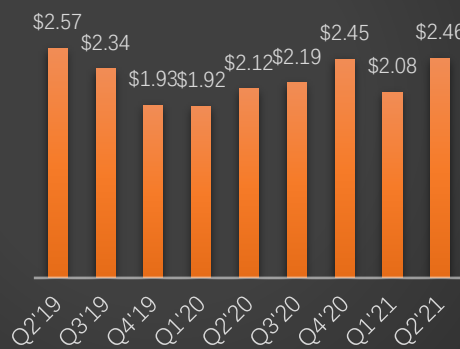
(as at 30/06/2021)



Average Loan Size

(as at 30/06/2021)

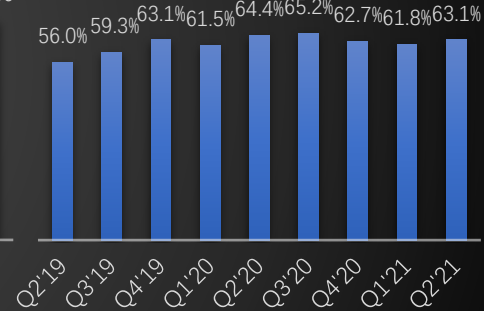
Unit (Million)



Loan to Valuation Ratio

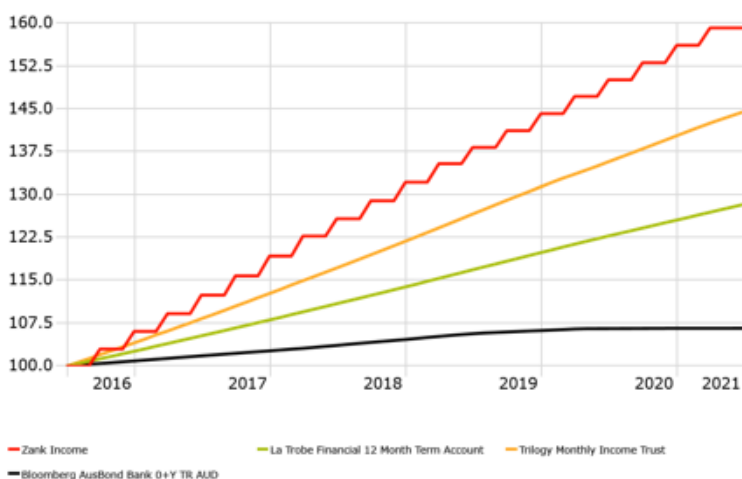
(as at 30/06/2021)

LVR%



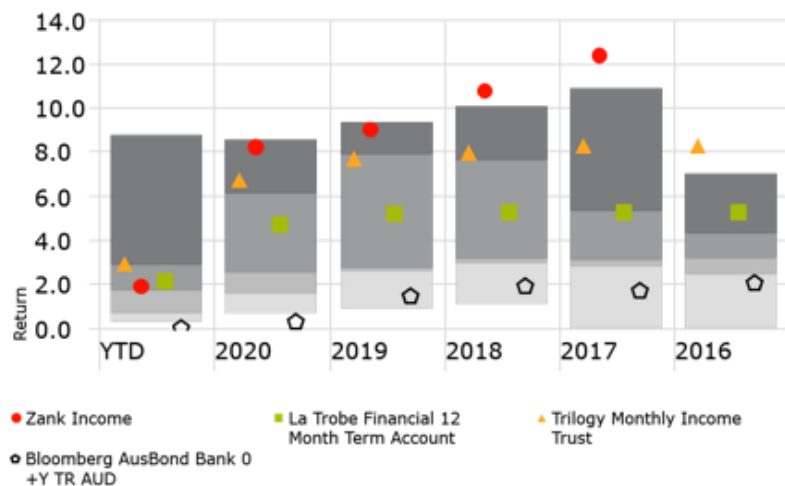
Investment Growth

Time Period: 2/07/2016 to 30/06/2021



Performance Relative to Peer Group

Top Quartile, 2nd Quartile, 3rd Quartile, Bottom Quartile



From the two graphs above, we can see the Investment Growth of these four parameters (Bloomberg AusBond Bank, La Trobe Financial 12 Month Term Account, Trilogy Monthly Income trust, and Zank Income Fund) increased to a varied extent since 2016. By the last day of the second quarter in 2021(30 June 2021), the Investment Growth of Zank Income Fund main-tains this first, with an increased rate of around 160% from July 2016 to the end of the second quarter in 2021, 31 June 2021.

In the meantime, we can notice that compared with the other three peer groups, Zank Income Fund is in the top quartile state since its establishment.

PERFORMANCE SUMMARY

Zank Income - Snapshot

| | |
|---------------------------------|--------------------------|
| Ticker | 43813 |
| Base Currency | Australian Dollar |
| Registration Company | Vasco Trustees Limited |
| Management Company | Zank & Company Pty Ltd |
| Morningstar Category | Australia Fund Mortgages |
| Inception Date | 1/07/2016 |
| Max Management Fee | 1.50 |
| Performance Fee | 25.00 |
| Dividend Distribution Frequency | Quarterly |
| Minimum Additional Purchase | 100,000 |

Historical Performance

Time Period: 1/10/2017 to 30/06/2021

| | |
|---------------------------|-------|
| Morningstar Risk | 1.14 |
| Morningstar Return | 6.19 |
| Std Dev | 1.36 |
| Information Ratio (arith) | 6.77 |
| R2 | 99.08 |
| Tracking Error | 1.14 |
| Sharpe Ratio | 0.46 |
| Sortino Ratio | 0.78 |
| Value at Risk | 0.57 |

Trailing Returns

Calculation Benchmark: Bloomberg AusBond Bank 0+Y TR AUD

| | Return |
|---------|--------|
| 1 Year | 6.04 |
| 2 Years | 7.29 |
| 3 Years | 8.14 |
| 4 Years | 9.06 |
| 5 Years | — |

La Trobe Financial 12 Month Term

| | |
|---------------------------------|---|
| Ticker | 14260 |
| Base Currency | Australian Dollar |
| Registration Company | La Trobe Financial Asset Management Limited |
| Management Company | La Trobe Financial Asset Management Limited |
| Morningstar Category | Australia Fund Mortgages Aggressive |
| Inception Date | 1/10/2002 |
| Max Management Fee | 1.60 |
| Performance Fee | — |
| Dividend Distribution Frequency | Monthly |
| Minimum Additional Purchase | 0 |

Historical Performance

Time Period: 1/10/2017 to 30/06/2021

| | |
|---------------------------|-------|
| Morningstar Risk | 0.96 |
| Morningstar Return | 2.09 |
| Std Dev | 0.18 |
| Information Ratio (arith) | 15.55 |
| R2 | 99.96 |
| Tracking Error | 0.25 |
| Sharpe Ratio | 0.15 |
| Sortino Ratio | 0.23 |
| Value at Risk | 1.03 |

Trailing Returns

Calculation Benchmark: Bloomberg AusBond Bank 0+Y TR AUD

| | Return |
|---------|--------|
| 1 Year | 4.50 |
| 2 Years | 4.78 |
| 3 Years | 4.96 |
| 4 Years | 5.05 |
| 5 Years | 5.11 |

Trilogy Monthly Income Trust

| | |
|---------------------------------|-------------------------------------|
| Ticker | 16726 |
| Base Currency | Australian Dollar |
| Registration Company | Trilogy Funds Management Limited |
| Management Company | Trilogy Funds Management Limited |
| Morningstar Category | Australia Fund Mortgages Aggressive |
| Inception Date | 1/03/2007 |
| Max Management Fee | 0.96 |
| Performance Fee | — |
| Dividend Distribution Frequency | Monthly |
| Minimum Additional Purchase | 1,000 |

Historical Performance

Time Period: 1/10/2017 to 30/06/2021

| | |
|---------------------------|-------|
| Morningstar Risk | 0.98 |
| Morningstar Return | 4.41 |
| Std Dev | 0.37 |
| Information Ratio (arith) | 36.14 |
| R2 | 99.98 |
| Tracking Error | 0.17 |
| Sharpe Ratio | 0.34 |
| Sortino Ratio | 0.56 |
| Value at Risk | 1.37 |

Trailing Returns

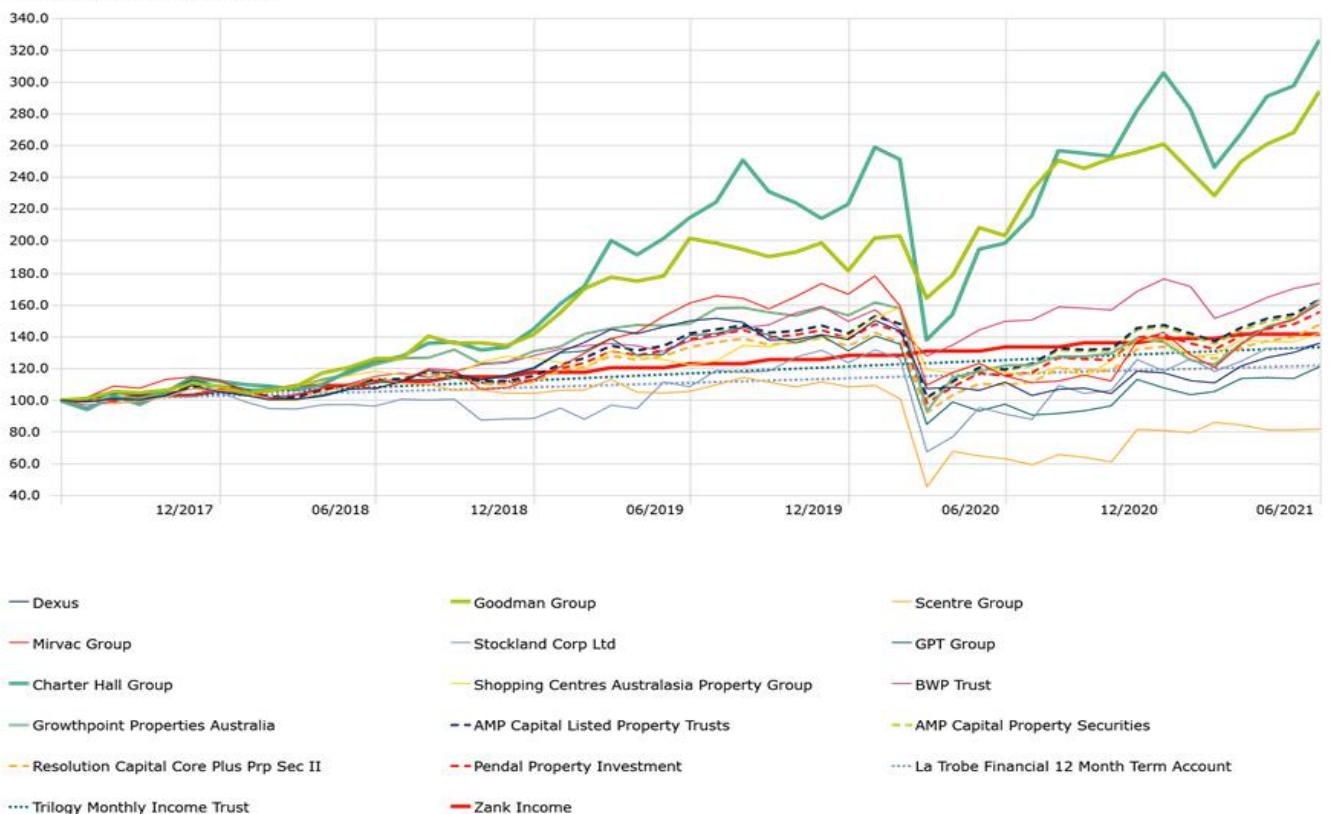
Calculation Benchmark: Bloomberg AusBond Bank 0+Y TR AUD

| | Return |
|---------|--------|
| 1 Year | 6.45 |
| 2 Years | 6.81 |
| 3 Years | 7.20 |
| 4 Years | 7.45 |
| 5 Years | 7.62 |

Source: Morningstar Direct

Investment Growth

Time Period: 1/07/2017 to 30/06/2021



Source: Morningstar Direct

PERFORMANCE SUMMARY

As at 30 June 2021, the Fund has about \$46.7 million of loans under management across 19 different borrowers as follows:

| Authorized investments | | |
|---------------------------------------|---------|-----------------|
| Cash | 13.93% | \$7,559,633.30 |
| Land - vacant | 44.94% | \$24,390,000.00 |
| Commercial | 12.40% | \$6,728,750.00 |
| Construction & Development | 28.74% | \$15,599,318.67 |
| Total | 100.00% | \$54,277,701.97 |
| Mortgage Investment Portfolio Metrics | | |
| Weighted Average LVR | 63.31% | - |
| Largest Mortgage Investment | - | \$6,300,000.00 |
| Pre-paid & capitalized interest loans | - | \$2,634,865.00 |

| Mortgage Investments by State | | |
|--|--------|-----------------|
| NSW | 11.02% | \$5,149,298.41 |
| VIC | 80.47% | \$37,593,770.26 |
| QLD | 7.22% | \$3,375,000.00 |
| SA | 1.28% | \$600,000.00 |
| WA | 0.00% | \$0.00 |
| TAS | 0.00% | \$0.00 |
| Mortgage Investments Interest rate profile | | |
| <8.00% | 0.00% | \$0 |
| 8.00% - 9.99% | 7.45% | \$3,478,804.72 |
| 10.00% - 11.99% | 58.01% | \$27,098,848.41 |
| 12.00% - 13.99% | 12.43% | \$5,805,550.54 |
| 14.00% - 15.99% | 22.12% | \$10,334,865.00 |
| > OR = 16.00% | 0.00% | \$0 |
| Maturity Profile | | |
| 0 - 6 months | 3.28% | \$1,530,550.54 |
| 7 - 12 months | 93.73% | \$43,787,518.13 |
| 13 - 24 months | 3.00% | \$1,400,000.00 |
| 25+ months | 0.00% | \$0 |
| LVR Profile ¹ | | |
| <50% | 6.16% | \$2,878,750.00 |
| 50%-59.99% | 17.61% | \$8,225,000.00 |
| 60%-69.99% | 54.84% | \$25,618,768.13 |
| = 70% | 21.40% | \$9,995,550.54 |

| Security Location | | |
|---|--------|-----------------|
| Metro | 63.29% | \$29,568,804.72 |
| Regional | 36.71% | \$17,149,263.95 |
| Rural | 0.00% | \$0.00 |
| Total Performing Authorized Investment | | |
| Cash | 11.93% | \$7,559,633.30 |
| Term Deposit | 0.00% | \$0.00 |
| Mortgage | 73.71% | \$46,718,068.67 |
| Performing Mortgage past Due ² | | |
| 1-30 days | 0.00% | \$0.00 |
| 31-60 days | 0.00% | \$0.00 |
| 61-90 days | 0.00% | \$0.00 |
| >90 days | 14.67% | \$8,109,865.00 |
| Total | 14.67% | \$8,109,865.00 |
| Non-performing Loans ³ | | |
| 1-30 days | 0.18% | \$98,606.64 |
| 31-60 days | 0.00% | \$0.00 |
| 61-90 days | 0.00% | \$0.00 |
| >90 days | 1.62% | \$896,656.56 |
| 12 months + | 0.00% | \$0.00 |
| Total Non-performing | 1.80% | |
| Total Performing | 98.20% | |

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).

-Mortgage Funds may also be effected by other risks, while there are many factors that may impact on the performance of any investment, section 7 of the Product Disclosure Statement summarises some of the major risks that investors should be aware of when investing in the Fund. Before investing, prospective investors should consider whether the Fund is a suitable investment, having regard to their personal investment objectives, financial position, particular needs and circumstance. For more information please refer to Product Disclosure Statement.

- whilst the current net return is 8%, the target return is not guaranteed, it may vary along with the overall property market.

- The performance of this investment, the repayment of capital or of any particular rate of return, is not guaranteed by the Responsible Entity, the Investment Manager, their directors or their associates. Loan investments, by their nature, carry a level of risk and no guarantee is or can be given that an investment in the Fund will not decrease in value and that investors will not suffer losses. We strongly recommend that investors obtain independent financial advice before investing in the Fund.

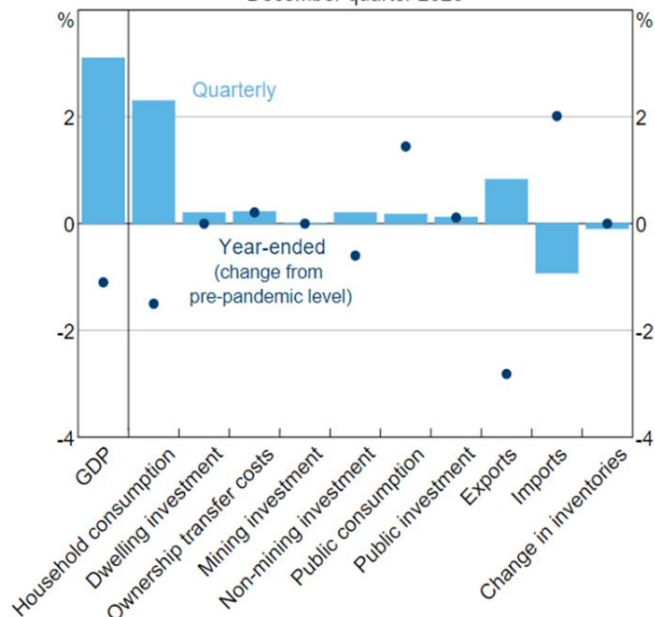
MANAGER REVIEW

Domestic Economic Conditions

The Australian economy and labor market are constantly recovering, driven by domestic demand, low infection rates, and substantial fiscal and monetary policy support. According to the graph below, the economy expanded by 3.1% in the December quarter 2020. Also, household spending, dwelling investment and exports all promote the development of economic activity. People have high confidence and strong demand for labor. Employment has bounced back, its rate is higher than the pre-pandemic level, and the unemployment rate has decreased significantly from its July 2020 peak. Rising incomes and a declining saving rate supports consumption. Nonetheless, restrictions continue to constrain some parts of the economy and insolvencies will rise from their current low levels. Given virus cases remain high globally and new strains are circulating overseas, it may take a while or after having widespread vaccination achieved to reopen the border completely.

Contribution to GDP Growth

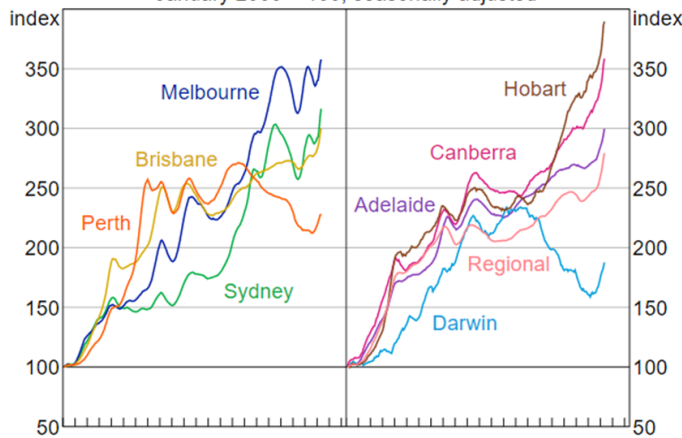
December quarter 2020



Sources: ABS; RBA

Housing Prices

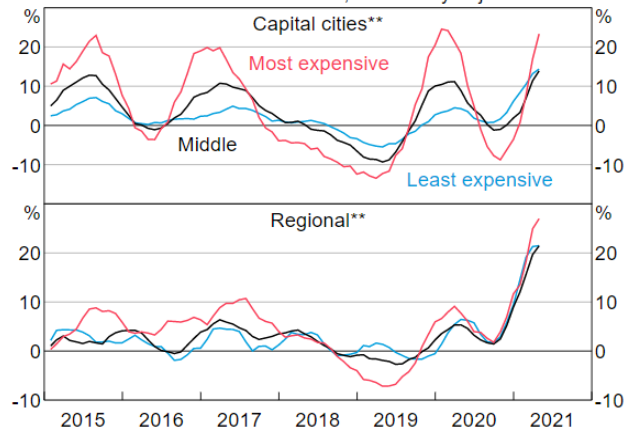
January 2000 = 100, seasonally adjusted



Sources: CoreLogic; RBA

Housing Price Growth by Dwelling Value*

6-month-ended annualised, seasonally adjusted



* Least expensive (5th–25th percentile), middle (25th–75th percentile), most expensive (75th–95th percentile)

** Capital cities price indexes are for the 8 capital cities and regional prices are for the rest of Australia

Sources: CoreLogic; RBA

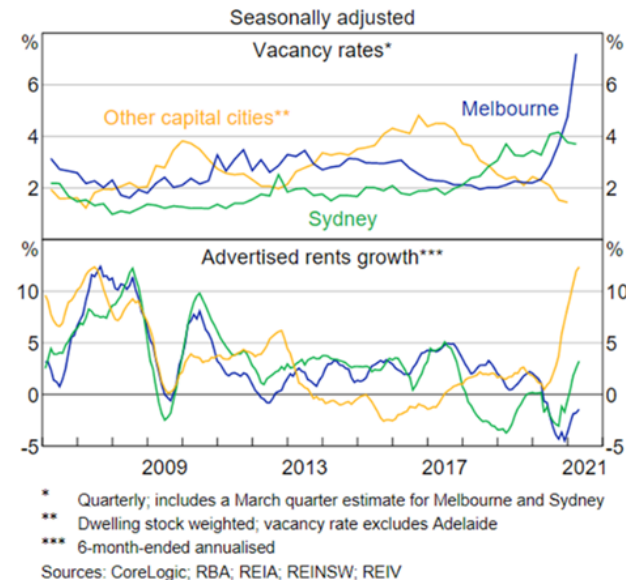
Conditions in the housing market have picked up strongly

Australian housing prices have recently returned to their highest levels in history and have continued to grow. The nature of the upswing is in line with housing demand being supported by low interest rates, government support programs, a positive outlook for employment, potentially some pent-up demand during the pandemic and the increase in savings over 2020. According to the graph below, housing prices in Sydney and Melbourne have exceeded their historical peaks in 2017 and 2020 respectively, and housing prices in many small cities continue to hit new highs. The housing demand is also relative to the supply of housing available for sale. In recent months, the number of new residential listings has normalized, slightly higher than the level of the past few years. However, the stock of total listings per month has been low, indicating that properties are selling quickly. Auction volumes in Sydney and Melbourne are also much higher than average, and auction clearance rates in recent months have remained high. Housing transaction volume has also been at its highest level in several years.

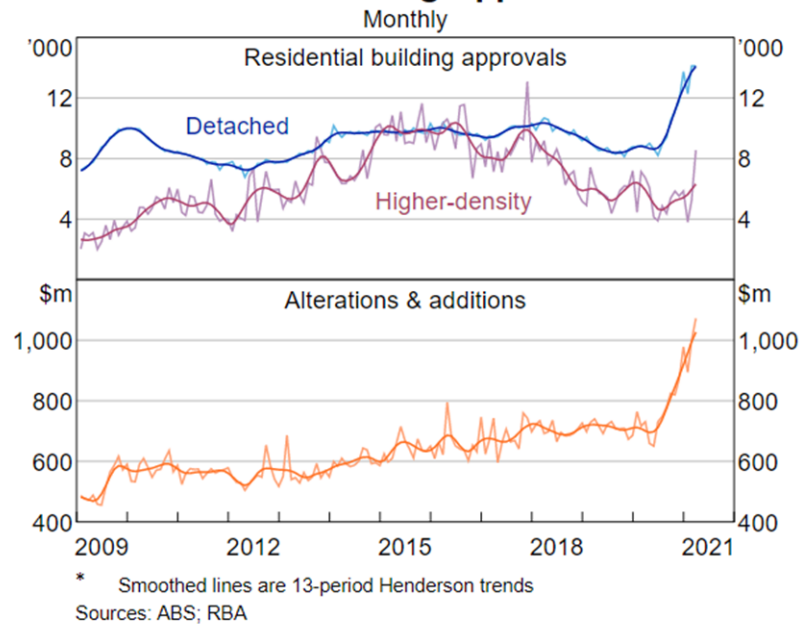
Rental market conditions remain uneven

With the exception of the two largest cities, Sydney and Melbourne, housing rents in certain areas of Australia have increased, and the vacancy rates have reached the lowest level in the past decade. However, in the past year, due to the decrease in net overseas immigration and the closure of borders for the ease of pandemic, housing vacancy rates in Sydney and Melbourne remain high, and advertised rents have also seen positive growth.

Rental Market Indicators



Private Building Approvals*



House construction and renovation activity has been boosted by policy support

The graph shows that residential building approvals for detached dwellings and alterations & additions have increased to record-high levels in the March quarter. In addition to the support provided by low interest rates, this increase in approvals has been driven by Australian Government's HomeBuilder scheme and similar state-based grants. However, approvals for higher-density construction activity remained low. If the increase in approvals for higher-density projects in March is sustained, this will provide a boost to dwelling investment over coming years.

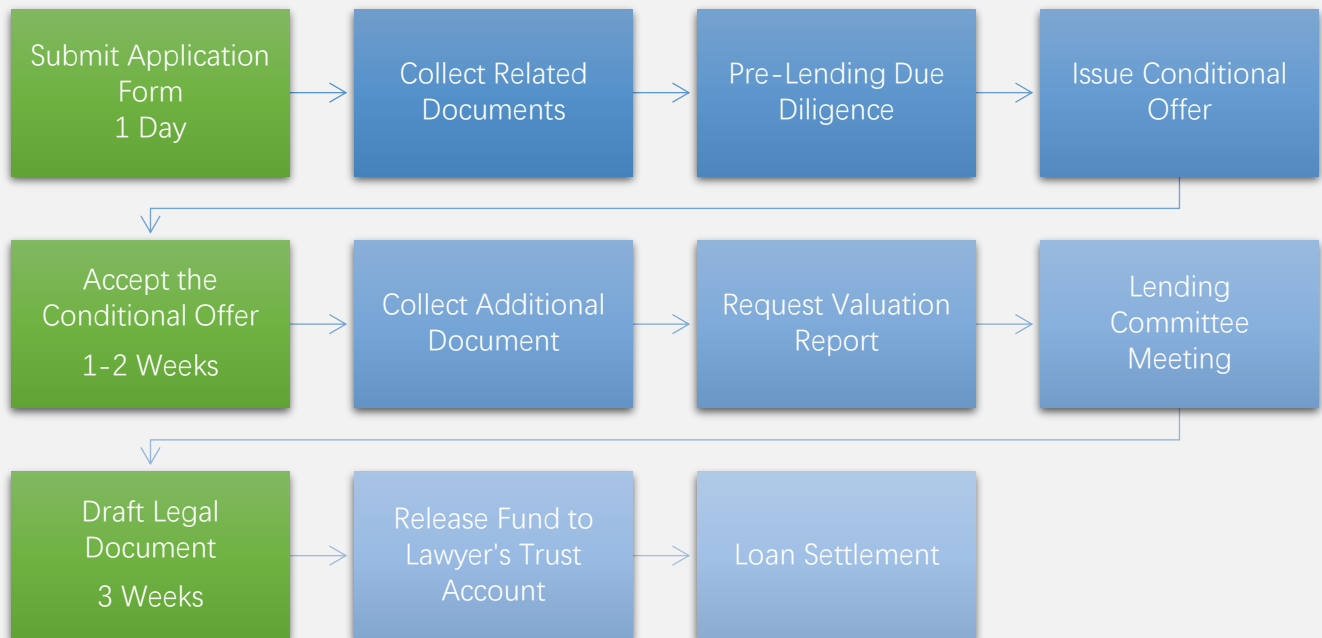
Dwelling investment

Supported by government grants, lower interest rates and JobKeeper payments, it promoted the activity and profitability of dwelling investment. Dwelling investment has returned to pre-pandemic levels in the December quarter. Due to the large volume of development applications approved under the Australian Government's HomeBuilder scheme and similar state-based grants are worked through, residential construction activities are expected to increase steadily in 2021.

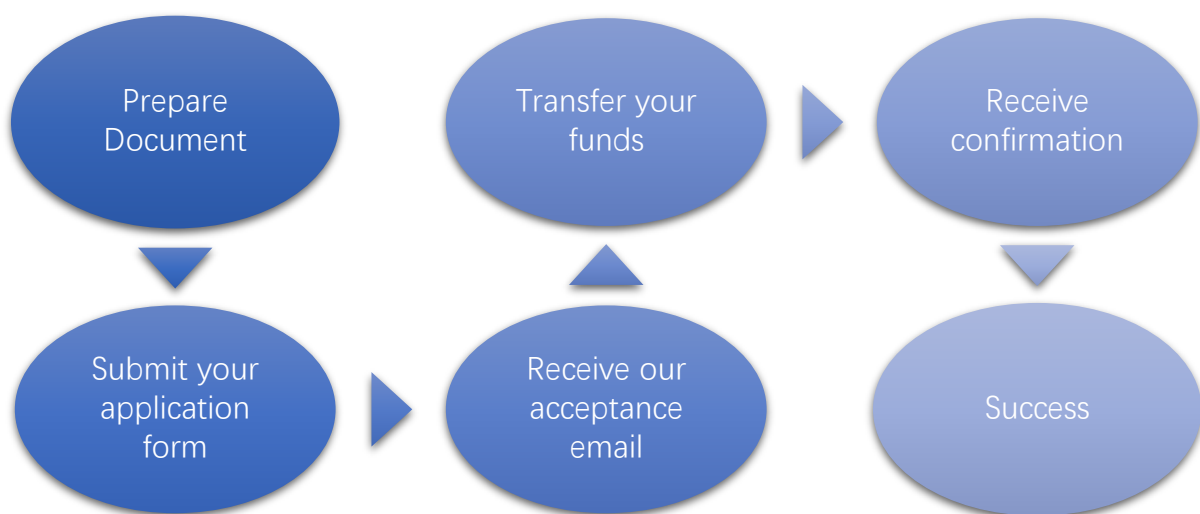
(Sources: RBA)

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



Download: [Zank Income Fund Application Form](#)

Risks

The Zank Income Fund is a Mortgage Fund that makes loans predominantly to borrowers for the purpose of financing the development of a property. The chief risks to which investors are exposed to:

- **Default Risk:** This is the risk that a borrower may not be able to meet its financial obligations under a loan. Where a borrower defaults on their financial obligations, investors may receive income distributions less than the Target Rate or no income distributions.
- **Security Risk:** This is the risk that the value of the underlying secured property is insufficient to cover the amount outstanding on a loan.
- **Valuation Risk:** Valuation risk is the risk that the valuation of the secured property obtained by the Fund is not reflective of current market property values. Incorrect valuation may affect the amount the Fund can recover at the time of loan default.
- **Construction and Development Risk:** Funds advanced under loans may be used for property construction projects. There are specific risks associated with this type of loan. These risks include:
 - construction or development costs can exceed budgeted costs, and the borrower may be unable to complete the construction project unless the borrower can obtain further funds, and
 - a change in market conditions could result in the project's value on completion being worth less than anticipated, or in lower sale rates and prices than expected.

Disclaimer

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This report contains general information only and is not intended to provide any person with financial advice. It does not take into account any person's (or class of persons) investment objectives, financial situation or particular needs, and should not be used as the basis for making an investment in the Fund. Neither Vasco nor Zank make any representation as to the accuracy, completeness, relevance or suitability of the information, conclusions, recommendations or opinions contained in this report (including, but not limited to any forecasts made). No liability is accepted by any of these entities or their respective directors, officers, employees, agents or advisors for any such information, conclusions, recommendations or opinions to the fullest extent possible under applicable laws.

This publication may contain forward looking statements regarding our intent, belief or current expectations with respect to market conditions. Readers are cautioned not to place undue reliance on these forward-looking statements. Zank does not undertake any obligation to revise any forward-looking statements to reflect events and circumstances after the date of this publication. Neither Vasco nor Zank guarantees the repayment of capital, the performance of any investment or the rate of return for the Fund. Past performance is not necessarily indicative of future performance.

This document is not an Information Memorandum for the purposes of the Act. Accordingly, it does not purport to contain all information that potential investors may need to make an informed assessment as to whether or not to invest in the Fund. Some numerical figures in this publication have been subject to rounding adjustments.