



**ZANK & Co.**  
RESPECT, RESPONSIBLE, RESPONSIVE



Average Redemption  
*1-3 Month*



Stable Income  
*Quarterly*



Secured Return  
*1<sup>st</sup>/2<sup>nd</sup> 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

**2022**  
**Q1**

# 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	5

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

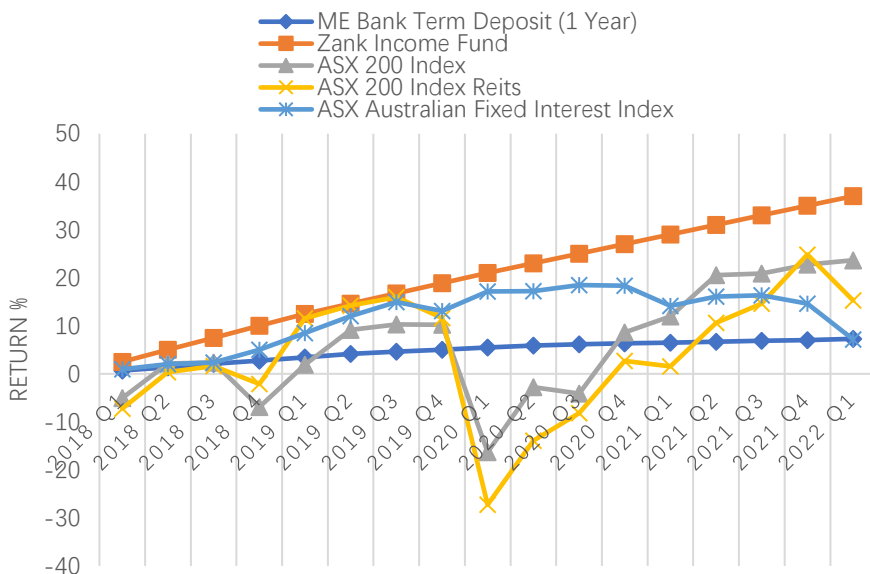
Zank is a fast-growing asset manager with a mission to create a better financial future for its clients. Its goal is to increase investors' wealth by delivering regular income returns through well structured products.

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



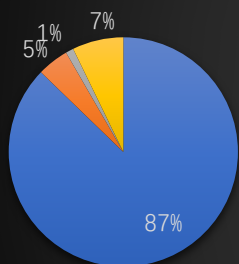
The objective of our Income Fund has long been to provide investors with a choice of capital stable and consistent income generating investments. Based on the accumulation comparison between other indicators' performance, we find that the return of ASX Australian Fixed Interest Index is noticeable increased annually in most of time; however, in the past six months, it has slowly declined. In addition, the performance of ME Bank term Deposit (1 Year) is maintained 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 brings less volatility to investors.

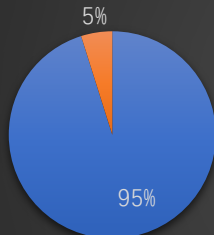
## Geographic Allocation

(as at 31/03/2022)



## Sector Allocation

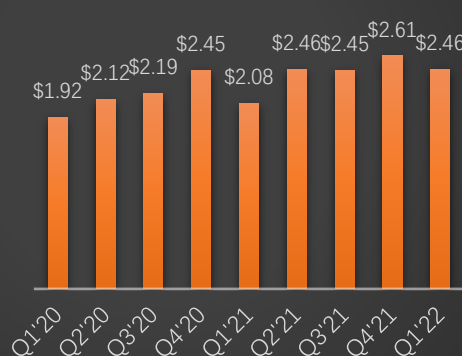
(as at 31/03/2022)



## Average Loan Size

(as at 31/03/2022)

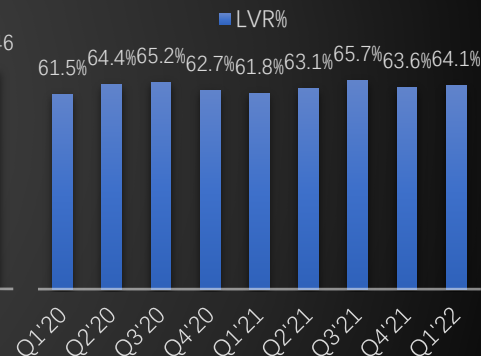
Unit (Million)



## Loan to Valuation Ratio

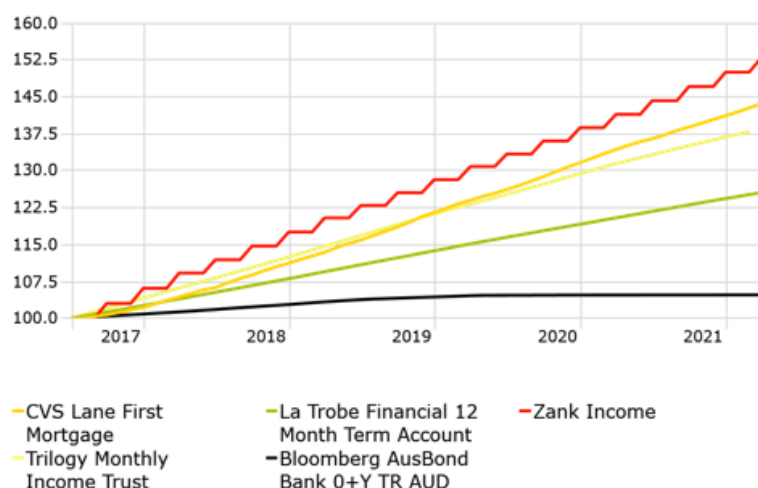
(as at 31/03/2022)

LVR%



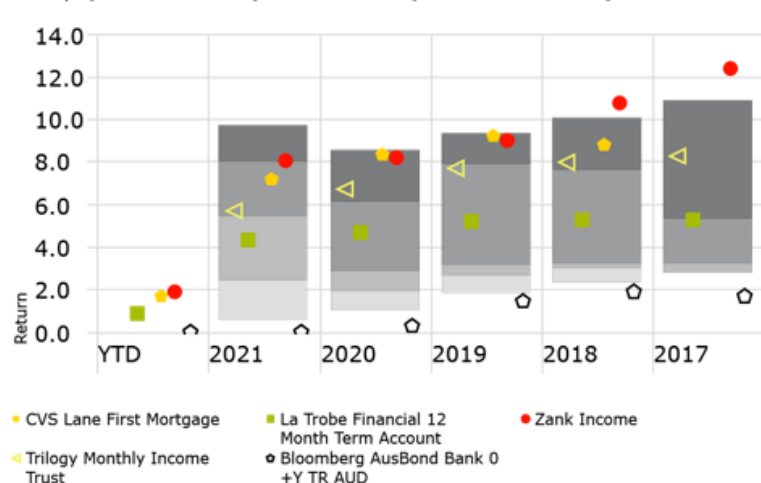
## Investment Growth

Time Period: 5/07/2017 to 31/03/2022



## 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 (CVS Lane First Mortgage, 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 first quarter in 2022 (31 March 2022), the Investment Growth of Zank Income Fund maintains this first, with an increased rate of around 152.50% from October 2016 to the end of the first quarter in 2022, 31 March 2022. In the meantime, we can notice that compared with the other four peer groups, Zank Income Fund is in the top quartile state since its establishment.

# PERFORMANCE SUMMARY

## Snapshot - Zank Income

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: 1/07/2018 to 31/03/2022

Morningstar Risk	1.24
Morningstar Return	7.72
Std Dev	0.40
Information Ratio (arith)	43.03
R2	99.98
Tracking Error	0.18
Sharpe Ratio	0.61
Sortino Ratio	1.03
Value at Risk	1.65

## Trailing Returns

Calculation Benchmark: Bloomberg AusBond Bank 0+Y TR AUD

	Return
1 Year	8.13
2 Years	8.13
3 Years	8.31
4 Years	8.80
5 Years	9.51

## 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	1.58
Performance Fee	—
Dividend Distribution Frequency	Monthly
Minimum Additional Purchase	0

## Historical Performance

Time Period: 1/07/2018 to 31/03/2022

Morningstar Risk	1.09
Morningstar Return	3.60
Std Dev	0.23
Information Ratio (arith)	16.89
R2	99.96
Tracking Error	0.24
Sharpe Ratio	0.29
Sortino Ratio	0.45
Value at Risk	0.91

## Trailing Returns

Calculation Benchmark: Bloomberg AusBond Bank 0+Y TR AUD

	Return
1 Year	4.24
2 Years	4.42
3 Years	4.67
4 Years	4.83
5 Years	4.93

## CVS Lane First Mortgage

Ticker	43550
Base Currency	Australian Dollar
Registration Company	CVS Lane Capital Partners Pty Limited
Management Company	CVS Lane Capital Partners Pty Limited
Morningstar Category	Australia Fund Mortgages Aggressive
Inception Date	19/05/2017
Max Management Fee	0.50
Performance Fee	—
Dividend Distribution Frequency	Quarterly
Minimum Additional Purchase	100,000

## Historical Performance

Time Period: 1/07/2018 to 31/03/2022

Morningstar Risk	1.13
Morningstar Return	7.06
Std Dev	0.55
Information Ratio (arith)	17.22
R2	99.87
Tracking Error	0.44
Sharpe Ratio	0.58
Sortino Ratio	0.99
Value at Risk	1.40

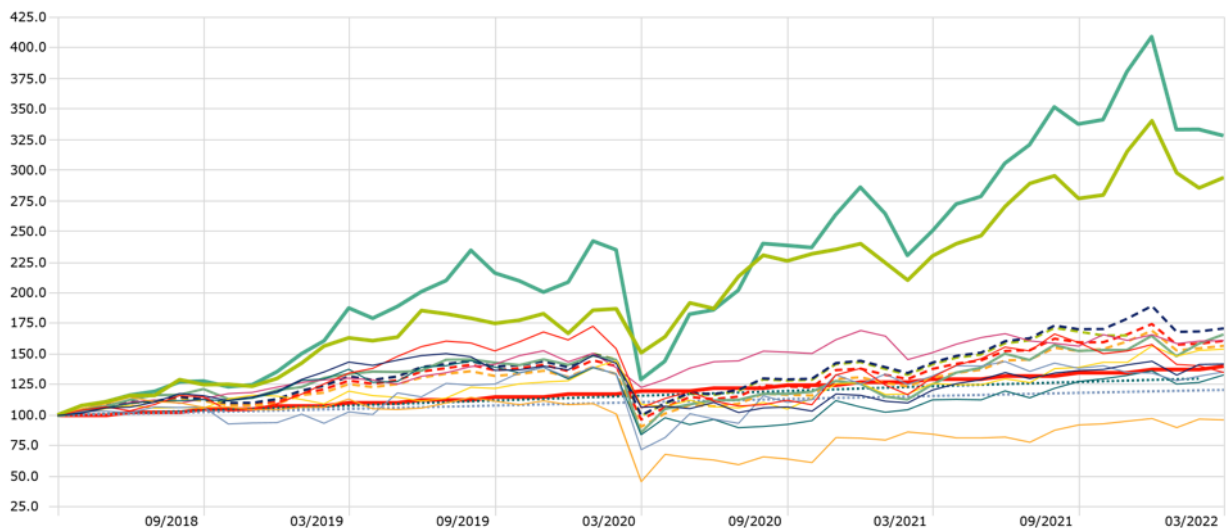
## Trailing Returns

Calculation Benchmark: Bloomberg AusBond Bank 0+Y TR AUD

	Return
1 Year	6.95
2 Years	7.65
3 Years	8.20
4 Years	8.33
5 Years	—

## Investment Growth

Time Period: 1/04/2018 to 31/03/2022



Dexus	Goodman Group	Scentre Group
Mirvac Group	Stockland Corp Ltd	GPT Group
Charter Hall Group	Shopping Centres Australasia Property Group	BWP Trust
Growthpoint Properties Australia	AMP Capital Listed Property Trusts	AMP Capital Property Securities
Resolution Capital Core Plus Prp Sec II	Pendal Property Investment	La Trobe Financial 12 Month Term Account
Trilogy Monthly Income Trust	Zank Income	

Source: Morningstar Direct

# PERFORMANCE SUMMARY

As at 31 March 2022, the Fund has about \$54.1 million of loans under management across 22 different borrowers as follows:

Authorized investments		
Cash	8.19%	\$4,825,380.26
Land - vacant	45.52%	\$26,820,000.00
Commercial	11.33%	\$6,676,000.00
Construction & Development	34.96%	\$20,598,982.82
Total	100.00%	\$58,920,363.08
Mortgage Investment Portfolio Metrics		
Weighted Average LVR	64.07%	-
Largest Mortgage Investment	-	\$8,380,000.00
Pre-paid & capitalized interest loans	-	\$12,614,865.00

Mortgage Investments by State		
NSW	4.44%	\$2,402,128.23
VIC	87.24%	\$47,191,299.59
QLD	7.21%	\$3,901,555.00
SA	1.11%	\$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%	44.70%	\$24,179,746
10.00% - 11.99%	35.79%	\$19,358,626
12.00% - 13.99%	14.64%	\$7,921,746
14.00% - 15.99%	4.87%	\$2,634,865
> OR = 16.00%	0.00%	\$0
Maturity Profile		
0 - 6 months	12.82%	\$6,932,746
7 - 12 months	66.66%	\$36,062,237
13 - 24 months	20.52%	\$11,100,000
25+ months	0.00%	\$0
LVR Profile <sup>1</sup>		
<50%	3.38%	\$1,830,000
50%-59.99%	8.32%	\$4,501,555
60%-69.99%	77.55%	\$41,951,682
= 70%	10.74%	\$5,811,746

Security Location		
Metro	91.45%	\$49,468,237.23
Regional	8.55%	\$4,626,745.59
Rural	0.00%	\$0.00
Total Performing Authorized Investment		
Cash	7.91%	\$4,825,380.26
Term Deposit	0.00%	\$0.00
Mortgage	88.67%	\$54,094,982.82
Performing Mortgage past Due <sup>2</sup>		
1-30 days	0.00%	\$0.00
31-60 days	0.00%	\$0.00
61-90 days	0.00%	\$0.00
>90 days	13.29%	\$8,109,865.00
Total	13.29%	\$8,109,865.00
Non-performing Loans <sup>3</sup>		
1-30 days	0.07%	\$44,768.73
31-60 days	0.00%	\$0.00
61-90 days	0.00%	\$0.00
>90 days	0.08%	\$46,189.44
12 months +	3.28%	\$1,998,113.20
Total Non-performing	3.42%	
Total Performing	96.58%	

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.

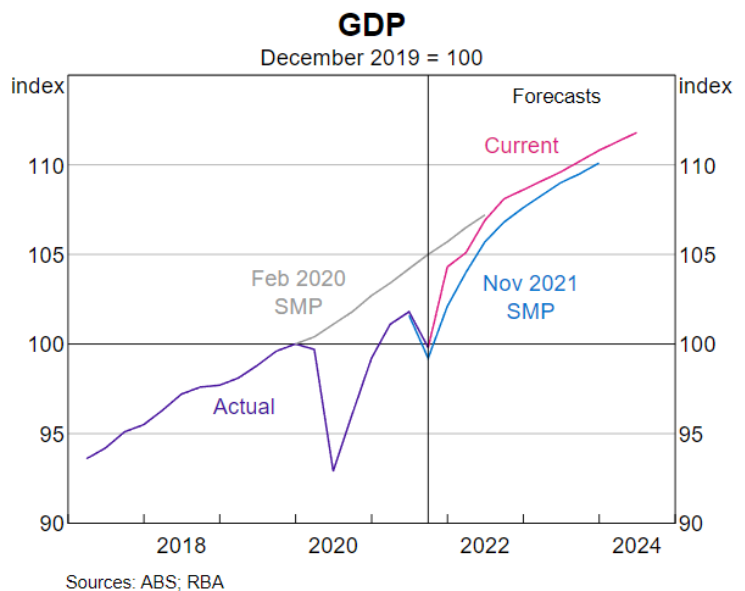
- whilst the current net return is 8%, the target return is not guaranteed, it may vary along with the overall property market.

- 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 activity and inflation are forecast to increase in coming quarters

Global economic growth picked up in the second half of 2021 as travel restrictions were lifted, but this is expected to drag on economic activity growth in early 2022 due to the rapid spread of Omicron variants. Total expected working hours will temporarily drop as a result of the large number of people being quarantined and the operations of many businesses disrupted by worker shortages. Household spending, especially on services, is expected to be lower than other spending as those in quarantine spend less. The rapid spread of the Omicron variant of COVID-19 is disruptive but is not expected to have a large or sustained impact on economic growth, as high vaccination rates and less severe health outcomes mean lockdowns are likely to be avoided.



The spread of the Omicron variant slows growth in the March quarter but is expected to have a smaller and limited impact on economic activity than previous waves of COVID-19; activity is expected to regain momentum in the coming quarters. GDP is projected to grow by 5% from 2021, around 4% from 2022, and 2% from 2023. The unemployment rate is expected to gradually decline over the forecast period. Strong growth in labor incomes and substantial increases in household wealth in recent years are expected to support consumption. Residential investment is expected to remain high throughout the forecast period as major works progress. The recovery in business investment that was underway before the Delta outbreak in mid-2021 is forecast to continue, supported by tax incentives, strong corporate balance sheets and the broader recovery in demand conditions.

## Output Growth and Inflation Forecasts(a)

Per cent

	Year-ended					
	Dec 2021	June 2022	Dec 2022	June 2023	Dec 2023	June 2024
<b>GDP growth</b>	5	5	4¼	2½	2	2
<b>(previous)</b>	(3)	(4)	(5½)	(3¼)	(2½)	(n/a)
<b>Unemployment rate<sup>(b)</sup></b>	4.7	4	3¾	3¾	3¾	3¾
<b>(previous)</b>		(4½)	(4¼)	(4)	(4)	(n/a)
<b>CPI inflation</b>	3.5	3¾	3¼	2¾	2¾	2¾
<b>(previous)</b>		(2¾)	(2¼)	(2¼)	(2½)	(n/a)
<b>Trimmed mean inflation</b>	2.6	3¼	2¾	2¾	2¾	2¾
<b>(previous)</b>		(2¼)	(2¼)	(2¼)	(2½)	(n/a)
	Year-average					
	2021	2021/22	2022	2022/23	2023	2023/24
<b>GDP growth</b>	4¾	4½	5½	4¾	2½	2
<b>(previous)</b>	(4¼)	(3¼)	(5)	(5)	(3)	(n/a)

(a) Forecasts finalised on 2 February. The forecasts are conditioned on a path for the cash rate broadly in line with expectations derived from surveys of professional economists and financial market pricing and assume other elements of the Bank's monetary stimulus are in line with the announcement made following the February 2022 Board meeting. Other forecast assumptions (November *Statement* forecasts in parenthesis): TWI at 60 (62), A\$ at US\$0.71 (US\$0.74) and Brent crude oil price at US\$85bbl (US\$80bbl). The assumed rate of population growth is broadly in line with the profile set out in the Australian Government's 2021/22 Mid-year Economic and Fiscal Outlook. Forecasts are rounded to the nearest quarter point. Shading indicates historical data, shown to the first decimal point.

(b) Average rate in the quarter.

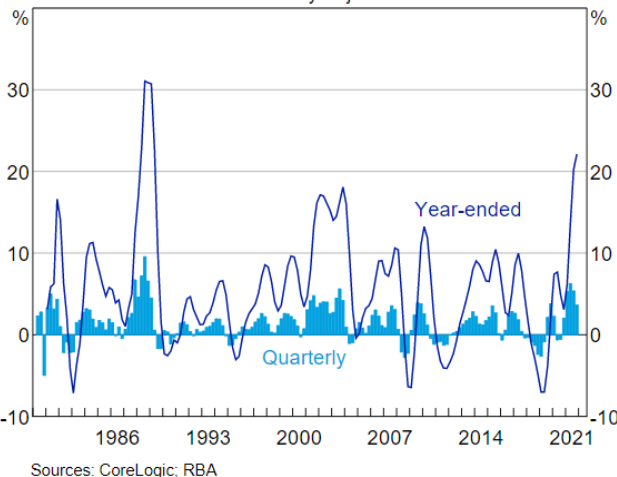
Sources: ABS; RBA

## Conditions in housing markets vary across the country

Compared to 2021, housing prices increased by 22%. Housing prices continue to grow due to low interest rates and the inherent inability of supply to respond immediately to increased demand. Housing price growth in Sydney, Melbourne and Perth has slowed in recent months from the high rates seen earlier in 2021; however, prices in some smaller capital cities and regions have continued to rise rapidly. Housing price growth has been stronger than apartments during the pandemic, reflecting changes in housing preferences. The number of properties listed for sale has been remained low in recent months as purchase rates outpaced new listings.

### Housing Price Growth

Seasonally adjusted



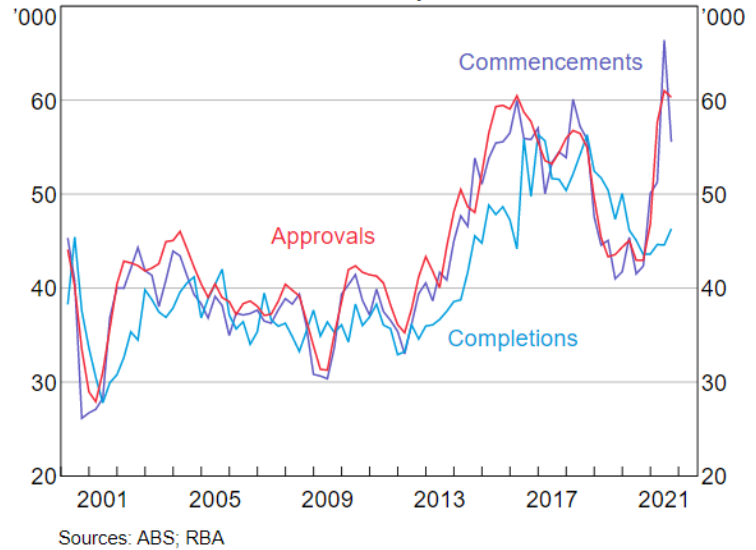
### Housing Price Growth Percentage change, seasonally adjusted

	January	December	November	October	Year-ended	Five-year growth
<b>Sydney</b>	0.7	0.7	1.1	1.4	25.5	27
<b>Melbourne</b>	0.1	0.0	0.4	0.7	14.9	22
<b>Brisbane</b>	2.5	2.6	2.7	2.5	29.2	38
<b>Adelaide</b>	2.3	2.2	2.2	1.8	24.8	38
<b>Perth</b>	0.3	0.3	-0.1	0.1	11.2	11
<b>Darwin</b>	0.3	0.4	-0.1	0.4	12.6	2
<b>Canberra</b>	1.9	1.2	0.8	2.0	25.5	56
<b>Hobart</b>	1.2	1.4	1.0	1.7	27.6	72
<b>Capital cities</b>	1.0	0.8	1.0	1.3	21.3	25
<b>Regional</b>	1.7	1.9	2.0	1.8	26.1	42
<b>National</b>	1.2	1.1	1.2	1.4	22.4	29

Sources: CoreLogic; RBA

## Private Dwelling Activity

Quarterly



### Residential construction was strong in 2021 despite disruptions from lockdowns

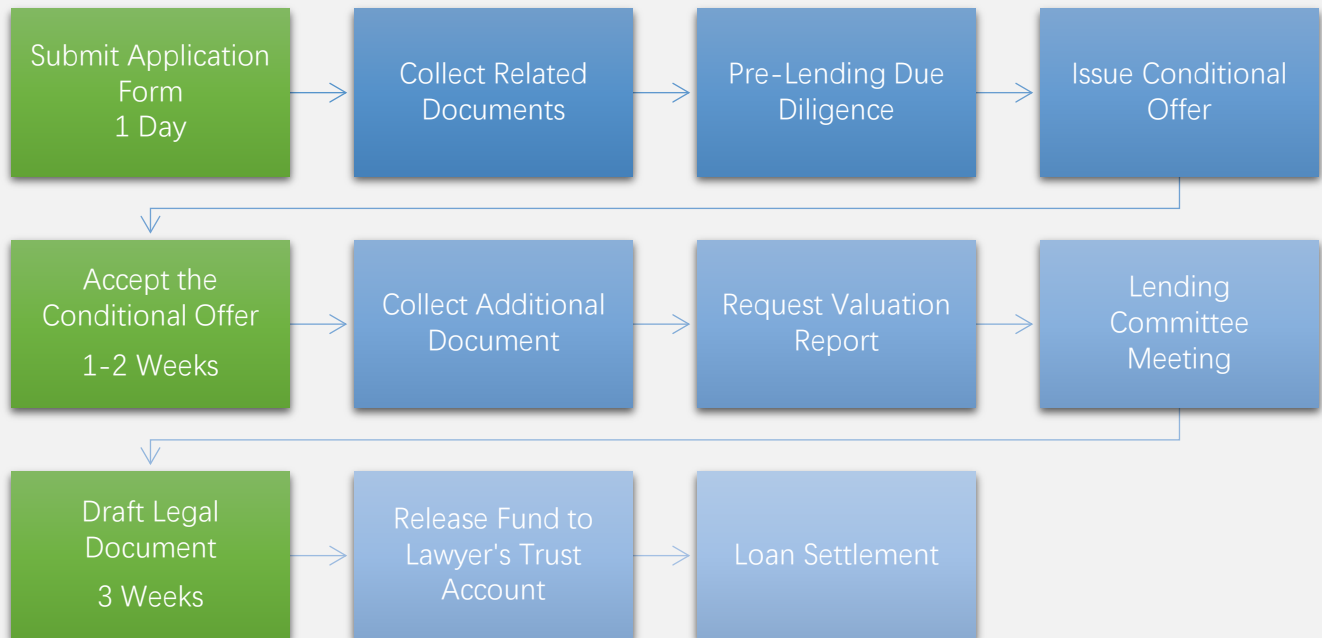
Fiscal support and monetary easing in recent years have underpinned strong growth in real estate activity. A substantial amount of residential construction has begun and will maintain high levels of new residential construction and renovation activity in the coming quarters. While a significant portion of these projects are supported by fiscal subsidies such as HomeBuilder, there is also strong underlying demand for new housing and renovation activity. Alterations and additions have been supported by the family's desire for extra space and more savings accumulated during the pandemic. There is a significant amount of residential construction to be completed, with more than 120,000 new dwellings starting in the June and September quarters.

Building approvals have eased from the very high levels of early 2021 with the end of the Australian Government's HomeBuilder program; however, they are still above pre-pandemic levels. Additionally, detached housing projects are taking longer than normal to complete due to shortages of workers and building materials.

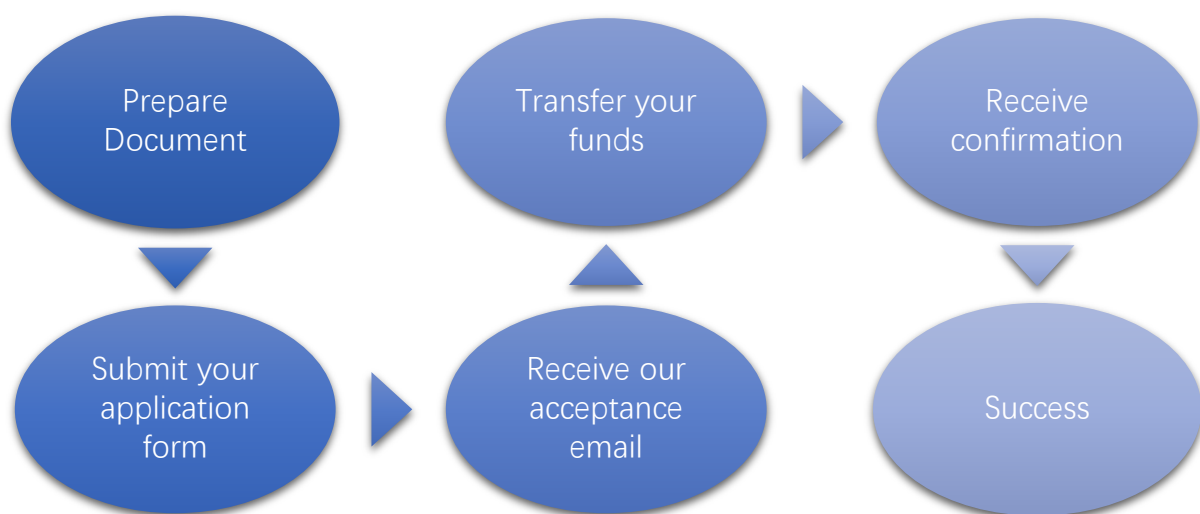


# LOAN PROCESS

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.

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