



# ZANK INCOME FUND

## Investment Manager's Report to Investors

As at 30  
June  
2022



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

Zank & Company Pty Ltd (Zank) would like to thank you for your investment in the Zank Income Fund (Fund). The Product Disclosure Statement for Zank Income Fund was issued on 30 January 2020 and has subsequently been supplemented by the first supplementary product disclosure statement dated 30 October 2022, the second supplementary product disclosure statement dated 31 May 2021, and the third supplementary product disclosure statement dated 24 May 2022 (collectively, the PDS).

The Fund is a registered managed investment scheme which provides investors with access to the attractive returns available from the Fund's investments, and which has been in operation since 31 May 2016. The Fund aims to generate the Target Return by investing in business and investment loans predominantly secured by registered first mortgages. In some instances, the Fund may make loans secured by a second registered mortgage where the Investment Manager considers that the return is appropriate to the risk profile of the loan.

As Investment Manager of the Fund, Zank manages the Fund's investment portfolio. A review of each borrower's serviceability and ability to repay debt is conducted on an ongoing basis.

#### **THE FUND**

Zank Income Fund  
ARSN 637 888 307

#### **THE CUSTODIAN**

Perpetual Corporate Trust Limited  
ACN 000 341 533

#### **THE RESPONSIBLE ENTITY**

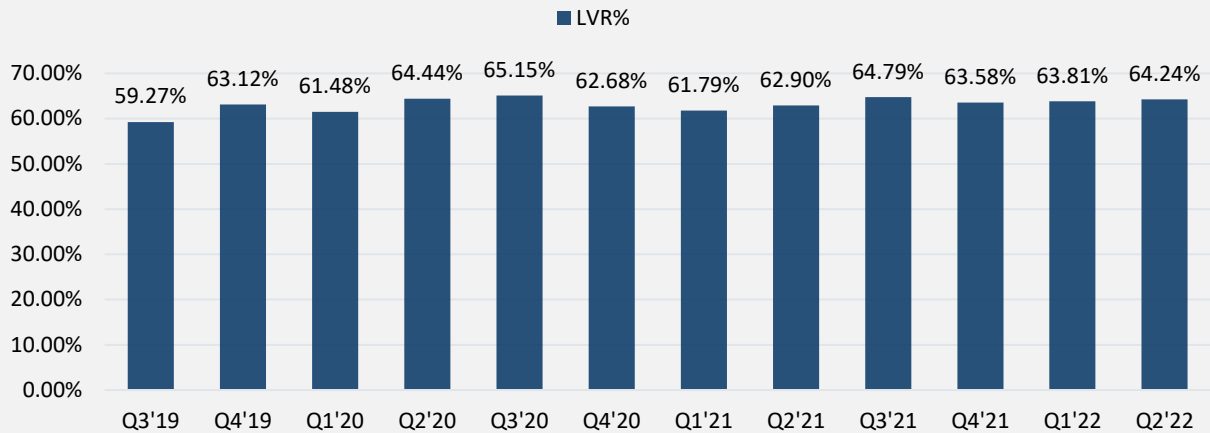
Vasco Responsible Entity Services Limited  
ACN 160 969 120

#### **THE INVESTMENT MANAGER**

Zank & Company Pty Ltd  
ACN 167 559 364

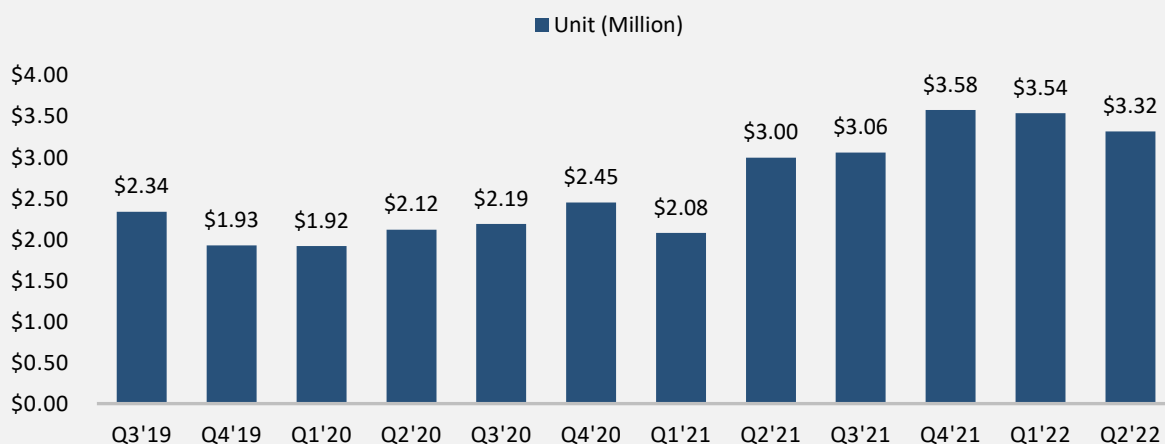
# PERFORMANCE SUMMARY

## Average Loan to Valuation Ratio



The Reserve Bank of Australia (RBA) has triggered a third interest rate hike since May, imposing a 50-basis point increase which lifts the official cash rate from 0.85% to 1.35% in response to high inflation. This follows a 50-basis-point increase on 7 June 2022 and a 25-basis-point increase on 3 May 2022. Compared to previous quarters, the average LVR provided by Zank & Company Pty Ltd in Q2' 22 remained stable, although the ratio has a slight increase in comparison to Q1' 22.

## Average Loan Size



Per the bar chart above, the average loan size in Q4'21 reached the highest level and with the increasing number of loan projects and the total loan amount, the average loan amount has shown a trend of gradually decreasing since Q1'22.

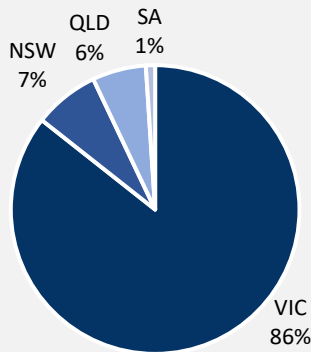


**ZANK & Co.**  
RESPECT, RESPONSIBLE, RESPONSIVE

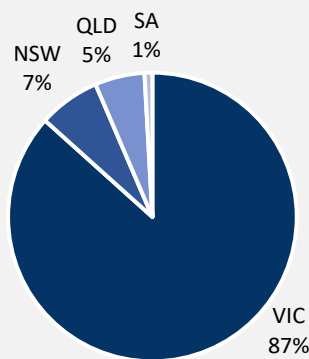


# PERFORMANCE SUMMARY

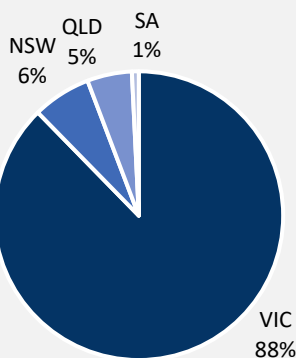
Geographic Allocation in Q3'21



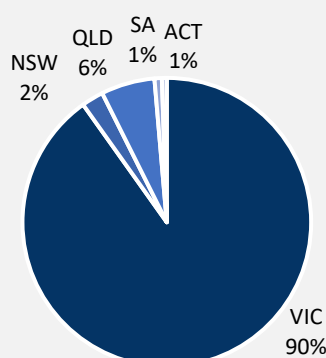
Geographic Allocation in Q4'21



Geographic Allocation in Q1'22

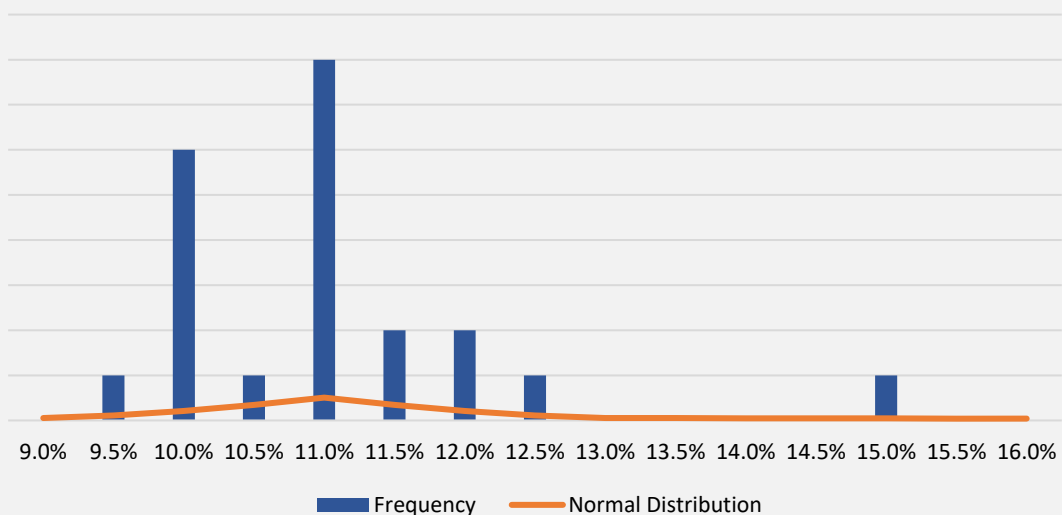


Geographic Allocation in Q2'22



Based on the geographical allocation data collected, the majority of the portfolio is located in Victoria; its proportion of loans has slight increase from 86% to 90% as at 30 June 2022. The percentage of loans in Queensland is relatively stable, remaining around 5% to 6%. With some of the loan projects located in New South Wales being repaid, the proportion of loans in NSW decreased from 7% in Q3' 2021 to 2% in Q2' 2022. In addition, in Q2' 2022 there is a new loan project located in Australian Capital Territory, although it only accounts for 1% of the overall loan portfolio.

## Average Interest Rate



Based on our data of the interest rates charged on the loans the Fund has invested into, as at 30 June 2022, the average interest rate was approximately 10.98%.



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

# PERFORMANCE SUMMARY

As at 30 June 2022, the Fund has about \$50 million of loans under management across 22 different borrowers:

## Overall performance for the 2021/22 financial year

Number of loans as at 30 June 2021	19
Total loan balance as at 30 June 2021	\$56,918,068.67
Number of loans as at 30 June 2022	22
Total loan balance as at 30 June 2022	\$73,142,934.50
Number of repaid loans	8
Number of new loan projects	11

## Mortgage Investments Interest rate profile

<8.00%	0.00%	\$0.00
8.00% - 9.99%	31.51%	\$23,046,000.00
10.00% - 11.99%	53.94%	\$39,449,914.91
12.00% - 13.99%	10.95%	\$8,012,154.59
14.00% - 15.99%	3.60%	\$2,634,865.00
> OR = 16.00%	0.00%	\$0.00

## Authorized investments

Cash	9.13%	\$7,345,940.17
Land - vacant	44.21%	\$35,585,000.00
Commercial	17.05%	\$13,726,000.00
Construction & Development	29.61%	\$23,831,934.50
Total	100.00%	\$80,488,874.67

## Mortgage Investment Portfolio Metrics

0 - 6 months	15.22%	\$11,132,745.59
7 - 12 months	68.70%	\$50,250,274.00
13 - 24 months	16.08%	\$11,759,914.91
25+ months	0.00%	\$0.00

## Mortgage Investment Portfolio Metrics

Weighted Average LVR	64.77%	-
Largest Mortgage Investment	-	\$10,800,000.00
Pre-paid & Capitalised Interest Loans	-	\$7,734,865.00

## LVR Profile<sup>1</sup>

< 50%	4.28%	\$3,130,000.00
50% - 59.99%	8.20%	\$6,000,000.00
60% - 69.99%	79.45%	\$58,110,779.91
0.7	8.07%	\$5,902,154.59
> 70%	0.00%	\$0.00

## Mortgage Investments by State

ACT	0.55%	\$400,000.00
NSW	2.46%	\$1,800,000.00
VIC	90.16%	\$65,942,934.50
QLD	6.02%	\$4,400,000.00
SA	0.82%	\$600,000.00
WA	0.00%	\$0.00
TAS	0.00%	\$0.00
NT	0.00%	\$0.00

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. 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.

## Security Location

Metro	91.90%	\$67,216,188.91
Regional	8.10%	\$5,926,745.59
Rural	0.00%	\$0.00



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

---

## A MESSAGE FROM THE BOARD MEMBER

Australia has experienced strong economic growth following the COVID-related weakness of 2020. The Reserve Bank of Australia (RBA) noted that inflation remains high. The main contributors leading to higher inflation are global factors, including COVID-related disruptions to supply chains, the Ukraine crisis, and strong demand. Furthermore, domestic capacity constraints, the tight labour market, and the recent floods are all leading to upward pressure on prices for resources, food, and other commodities.

In response to high inflation, the RBA lifted the official cash rate target by 50 basis points to 1.35% on 5 July 2022, which is a third interest rate hike, following a 25-basis-point increase on 3 May 2022 and a 50-basis-point increase on 7 June 2022. This move confirms that the central bank has continued to tighten monetary policy recently.

The Fund as a debt fund has begun to be exposed to the rising interest rate market cycle (i.e. interest rates and inflation rates). The Fund is mainly to invest in business and investment loans predominantly secured by registered first mortgages, and its collaterals are properties with relatively good liquidity in mainstream cities in Australia. As the cash rate continues to rise, variable mortgage rates will trend higher and reduce buyers' borrowing capacity and negatively affect serviceability tests. This in turn will flow on to the house prices, as demand drops, and price tags follow suit. In order to resist this risk of asset depreciation, our intention is to reduce the LVR of loans and potentially reduce the risk exposure of some specific loans, such as construction loans, to reduce the risk of investing in debt funds.

Zank Income Fund has been working well as of 30 June 2022 and most of our borrowers have been able to meet interest payments on time and repaid as required by the legal documents. In the meantime, Zank & Company Pty Ltd aims to be fully aware of market changes and is closely monitoring market fluctuation. We will be more conservative on lending parameters in the near future to keep the best interest of our investors.

We would like to thank you for your continued support of the Fund.

Please do not hesitate to contact our office if you have any questions.

Kind regards



Conghan Hu

Managing Director

# CONTACT US

## **MELBOURNE OFFICE**

LEVEL 2, 115 COLLINS ST, MELBOURNE VIC 3000

EMAIL: [INVEST@ZANK.COM.AU](mailto:INVEST@ZANK.COM.AU)

PHONE: 1300 501 817

## **SYDNEY OFFICE**

3503 LEVEL 35, 31 MARKET STREET, SYDNEY NSW 2000

PHONE: 1300 501 817

### Disclaimer

This report has been prepared by Zank & Company Pty. Ltd. (Zank) as a corporate authorised representative (No. 001276430) of Zank Capital Ltd ACN 106 064 644 AFS licence number 246943 (Zank Capital). Zank is the Investment Manager of the Zank Income Fund (Fund), a registered managed investment scheme. Zank's authority under its Corporate Authorised Representative Agreement with Zank capital is limited to general advice regarding the Fund only. Vasco Trustees Limited (Vasco) is the responsible entity of the Fund and the issuer of its Product Disclosure Statement.

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, Zank nor Zank Capital 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, Zank nor Zank Capital guarantee 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 a Product Disclosure Statement 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.