



AURA PRIVATE CREDIT INCOME FUND

 evergreen**ratings**

SEPTEMBER 2024

Evergreen Ratings Pty Ltd ABN 91 643 905 257 Authorised Representative No 001283552 of Evergreen Fund Managers Pty Ltd, Trading as Evergreen Consultants, ABN 75 602 703 202 provides general financial product advice in accordance with the AFSL 486 275 it holds as required by the Corporations Act 2001.

CONTENTS

RATINGS OVERVIEW	2
RECOMMENDATION AND CONCLUSION	2
STRENGTHS AND CONSIDERATIONS	2
KEY STRENGTHS	2
CONSIDERATIONS	2
CONCLUSION	3
DIFFERENTIATING FACTORS	3
ABOUT THE PRODUCT	4
FUND PARTICULARS	4
PROFILE	5
HISTORY	5
FUND DETAILS	6
OBJECTIVE	6
INVESTMENT UNIVERSE	6
WAREHOUSE FUNDING FOR NON-BANK LENDERS	7
OVERVIEW	7
INVESTMENT PROCESS	9
RESEARCH AND GROWTH	10
KEY PEOPLE	10
FUNDS UNDER MANAGEMENT	11
RISK METRICS AND FUND PERFORMANCE	11
FUND PERFORMANCE	11
RISK METRICS	13
FUND RESILIENCE	13
SYSTEMS	13
TRUST DEED COMPLIANCE	14
TRANSPARENCY AND REPORTING	14
REGULAR REPORTING	14
ENHANCED TRANSPARENCY THROUGH TECHNOLOGY	14
INVESTOR ACCESS	14
ISSUES TO NOTE	15
THIRD-PARTY ADVISORS AND SERVICE PROVIDERS	16
RATINGS SCALE	17
DISCLAIMER AND DISCLOSURE	18

PREVIOUS RATINGS

Year	Rating
November 2021	Commended
October 2021	Commended
October 2020	Commended

RATINGS OVERVIEW

RECOMMENDATION AND CONCLUSION

The Aura Private Credit Income Fund (APCIF) presents an investment opportunity for wholesale investors seeking exposure to the Australian SME lending market. With its strategic focus on high-quality, structured financial arrangements, the Fund offers an attractive risk-adjusted return profile in a sector often underserved by traditional banks.

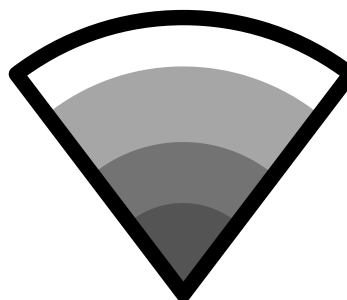
STRENGTHS AND CONSIDERATIONS

KEY STRENGTHS

- **Consistent Performance:** Since its inception in 2017, APCIF has delivered stable returns with low volatility, achieving an annualised return of 9.64% and volatility of 0.97% as of August 2024. This performance demonstrates the Fund's ability to navigate varying economic conditions while preserving capital.
- **Experienced Management Team:** The Fund is managed by a seasoned and expanding team with deep expertise in private credit and debt markets. Adding key personnel and implementing advanced risk management tools enhance the Fund's operational capabilities and reduce critical person risk.
- **Robust Risk Management:** APCIF employs a thorough risk management framework, including a newly implemented portfolio risk management tool that provides enhanced transparency and quantifiable risk measures. This tool differentiates APCIF from many competitors and reinforces its commitment to investor protection.
- **Strategic Partnerships:** The Fund benefits from strategic partnerships, such as its



COMMENDED



*Refer to the final page for a description of the Ratings scale.

Evergreen's rating is Commended.

collaboration with Montgomery Investment Management, which adds depth to its operational resources and strengthens its market position.

- **Loans are not made to group entities:** The Fund does not lend to other Aura group entities.
- **The number of loans is large and the default rate small:** Unlike many other private credit funds, a loss from one loan will have an immaterial impact on the portfolio.

CONSIDERATIONS

- **Liquidity Risk:** Investors should know that the Fund's investments are primarily in illiquid SME loans, which may limit liquidity and impact redemption flexibility. The Fund manager has discretion over redemption requests to protect the interests of all investors.

- **Conflict of Interest:** The potential conflict of interest due to the Fund's management and staff being allowed to invest in the equity of loan originators is managed through strict adherence to the Fund's conflict of interest policy.
- **Regulatory Risks:** Changes in the regulatory environment could impact the Fund's operations, though the management team actively monitors such developments to mitigate potential risks.

CONCLUSION

Evergreen Ratings believes that the Aura Private Credit Income Fund is a suitable investment for wholesale investors looking to diversify their portfolios with a focus on alternative credit. The Fund's strong track record, experienced management, and robust risk management practices make it a compelling option within the private credit space. However, investors should carefully consider the liquidity constraints and potential conflicts of interest before committing capital. APCIF is well-suited for investors with a medium to long-term investment horizon who can tolerate the associated risks and seek steady, high yield returns from the growing Australian SME sector.

DIFFERENTIATING FACTORS

APCIF distinguishes itself from other private credit fund offerings through several vital factors.

- **Targeted SME Focus:** APCIF continues to focus on lending to small and medium enterprises (SMEs), a segment often underserved by traditional bank lenders. This targeted approach allows the Fund to capitalise on niche opportunities within the Australian SME lending market, where larger banks may not venture due to regulatory constraints and a generalised lending approach.
- **Senior and Mezzanine Loan Positions:** The Fund invests in highly structured financial arrangements, typically occupying senior and mezzanine positions within the capital structure of warehouse facilities. This positioning ensures that APCIF benefits from a strong level of protection, with the loan-originating entities bearing the first loss –credit enhancement, thereby reducing risk to the Fund's investors.
- **Strong Performance Record:** APCIF has consistently delivered strong performance, with a net return target of 9-12% per annum and an annualised return of 9.64% since inception. This track record, combined with low volatility (0.95% standard deviation), highlights the Fund's ability to generate attractive risk-adjusted returns.
- **Robust Risk Management and Technological Integration:** The recent implementation of an advanced portfolio risk management tool enhances APCIF's ability to manage and optimise its portfolio. This tool leverages extensive historical data and provides an independent and quantifiable measure of risk, offering increased transparency and setting APCIF apart from competitors who may not adequately disclose risks to their investors.
- **Experienced and Expanding Team:** The investment team has seen significant growth, with key hires such as Brian Ho, Associate Director, and Nick McGuire, who brings valuable distribution experience. This expansion reduces critical person risk and enhances the Fund's capacity to manage its growing portfolio effectively.
- **Strategic Partnerships and Industry Recognition:** APCIF has formed strategic partnerships, such as with Montgomery Investment Management, and has been recognised for its performance in the industry, winning the Fixed Income Fund of the Year Award at the 2022 and 2023 HFM

- Asian Performance Awards. This fund is up for nomination again for 2024. These accolades and partnerships further solidify the Fund's reputation and market position.

 - **Focus on Innovation and Growth:** The Fund's commitment to innovation is evident in its continuous evolution, from rebranding to adopting advanced risk management tools.

Evergreen notes that Aura allows staff and managers to invest in the equity of the loan originators. This could create a substantial conflict of interest in managing the fund's risks. The Manager adheres to a strict conflict of interest policy.

ABOUT THE PRODUCT

FUND PARTICULARS

KEY ELEMENTS	DESCRIPTION
Fund Name	Aura Private Credit Income Fund (formerly Aura High Yield SME Fund).
Dominant Strategy	Investing in high-quality debt exposures to Australian SMEs through providing finance to non-bank lenders.
Fund Structure	Australian Wholesale Unit trust.
Trustee/Investment Manager	Aura Funds Management (AFM) Pty Limited is Aura Group's subsidiary. Aura Credit Holdings Pty Ltd is the appointed Manager.
Fund Administrator	One Registry Services.
Fund Inception	August 2017.
Legal Domicile	Australia.
Legal Form	Open-ended unit trust (not registered with ASIC as a managed investment scheme).
Geographic Mandate	Australia.
Open	Yes.
Investment Timeframe	Medium to longer-term (2–5 years).
Management Fee	1.25% per annum (exclusive of GST) of the net asset value (NAV).
Performance Fee	20% p.a. (exclusive of GST) for performance above the Benchmark.

KEY ELEMENTS	DESCRIPTION
High Water Mark	Yes.
Benchmark	RBA Cash Rate + 5%.
Distributions	Monthly.
Funds Under Management	\$295 million (as of August 2024).
Investment Source	Exclusively wholesale investors – sophisticated, institutional, and high-net-worth investors.
Minimum Investment	A\$100,000
Minimal Additional Investment	A\$1,000
Reinvestments	Yes.
Unit Price	Calculated monthly.
Entry Fee	1% distribution fee.
Exit Fee	Nil.
Applications	Monthly.
Redemptions	Monthly after holding for one month, subject to the fund manager's discretion.
Address	Suite 11.01 Level 11, 9 Castlereagh Street, Sydney, NSW 2000, Australia.
Website	www.aura.co

PROFILE

HISTORY

The Fund, formerly the Aura High Yield SME Fund, was established in August 2017 as part of Aura Group's strategic initiative to fill a gap in the Australian SME lending market. The Fund was initially created to provide capital to

emerging non-bank lenders leveraging technology to disrupt traditional financial models and offer tailored lending solutions to SMEs.

In July 2024, the Fund was renamed APCIF to reflect its evolving focus on private credit

and strategic objectives more accurately. This renaming is part of a broader restructuring within Aura Group, where the management of the Fund now falls under Aura Credit Holdings Pty Ltd (ACH). ACH is a joint venture between Aura Group and an entity controlled by Brett Craig, the Portfolio Manager. This reorganisation aligns with the Fund's growing emphasis on structured private credit investments and its commitment to delivering strong risk-adjusted returns to investors.

Through a Distribution Partnership Agreement with Montgomery Investment Management Pty Ltd ("MIM"), MIM will receive up to 20% equity in ACH once certain FUM and revenue hurdles are met. A 10% Employee Share Option Program is also in place to provide long-term employee incentives and alignment. ACH is appointed as a Corporate Authorised Representative (CAR 1297296) under Aura Capital Pty Ltd's AFS Licence 366230. Evergreen see this restructuring positively.

Since its inception, APCIF has consistently performed and navigated various market conditions while maintaining a stable portfolio of SME loans. The Fund's growth has been supported by the strategic expansion of the investment team, the implementation of advanced risk management tools, and the development of new partnerships, such as the one with Montgomery Investment Management, which is set to gain equity in ACH upon meeting specific financial milestones.

Over the years, APCIF has evolved from a niche fund focused on high-yield SME loans to a prominent player in the Australian private credit market. The Fund's robust investment process and focus on capital preservation and risk management have allowed it to achieve impressive returns for its investors. As of August 2024, the Fund manages \$295 million in assets, reflecting its success and the growing demand for private credit investments.

Aura Group, the parent company, was founded in 2009 and has since grown into a multifaceted wealth and fund management business with

operations across Australia and Singapore. The Group's deep connections within the private equity and venture capital sectors and its innovative approach to SME lending have positioned it as a leader in the alternative credit market.

FUND DETAILS

The Aura High Yield SME Fund was renamed the Aura Private Credit Income Fund (APCIF) as of July 2, 2024, to better reflect its investment strategy and objectives. This change accompanies a broader structural evolution within the Aura Group, specifically under the management of Aura Credit Holdings Pty Ltd (ACH), which now oversees this and other private credit strategies.

OBJECTIVE

APCIF aims to generate monthly income returns through a diversified portfolio of debt exposures to Australian SMEs. The Fund's strategy is to source high-quality, secured and unsecured loans, ensuring capital preservation and consistent income for its investors.

INVESTMENT UNIVERSE

The Fund strategically targets high-quality debt exposures to Australian small and medium-sized enterprises (SMEs) through a diversified approach involving non-bank lenders. The Fund's investment strategy is centred on providing capital to these SMEs by partnering with specialised loan originators with a strong track record of rigorous credit assessment and scalable business models.

APCIF primarily invests in the following types of debt instruments:

- **Senior and Mezzanine Loans:** The Fund occupies senior and mezzanine positions in the capital structure of warehouse facilities, ensuring high protection while achieving attractive risk-adjusted returns. These loans are typically secured against

tassets, with the originating entities bearing the first Loss, thereby reducing the risk to the Fund's investors.

- **Asset-Backed Loans:** The Fund invests in asset-backed loans to SMEs, where the debt is secured against specific assets, providing an additional layer of security and stability to the portfolio.
- **Short-Duration SME Loans:** APCIF focuses on loans with shorter durations than traditional bank loans. These loans fund various SME needs, such as working capital, trade finance, and cash flow management. Their short durations allow for quick adaptation to changing market conditions, enhancing the overall protection and flexibility of the Fund.
- **Special Purpose Vehicles (SPVs):** The Fund may also invest in SPVs or units in managed investment schemes that hold the underlying loans originated by non-bank lenders. This structure allows the Fund to diversify its exposure across multiple loan originators and sectors, reducing concentration risk.
- **Securitization Notes and Bonds:** APCIF

may acquire debt exposure by purchasing notes and bonds from securitisation trusts, adding another layer of diversification and allowing the Fund to tap into broader market opportunities within the SME lending space.

The Fund maintains a diversified portfolio across various sectors and industries. This diversification is achieved by spreading investments across Australia's multiple loan originators, loan types, geographic regions and industry sectors. To ensure the portfolio remains balanced and to manage risk effectively, the Fund adheres to strict limits on exposure to any single loan originator or industry sector.

The Manager continuously monitors the market and may adjust the investment strategy as new opportunities and challenges arise. This flexibility allows the Fund to remain responsive to market conditions while continuing to meet its objective of delivering stable, high-yield returns to investors.

Any surplus cash within the Fund not allocated to SME-based exposures is directed towards term deposits or instant-access cash accounts held by an Australian bank.

WAREHOUSE FUNDING FOR NON-BANK LENDERS

OVERVIEW

Warehouse funding is a financial structure that allows non-bank lenders to provide loans to small and medium-sized enterprises (SMEs). The Aura Private Credit Income Fund (APCIF) utilises this structure, incorporating secured loans to enhance the protection of capital invested by the Fund. Secured loans involve collateral provided by the SME borrower, an additional safeguard in case of loan default. In addition, the structure provides for first-loss participation for the loan originator. This adds credit enhancement to the structure and ensures that the loan originator manages the portfolio optimally.

Below is an example of how warehouse funding works within APCIF, emphasising the role of secured loans in providing extra protection.

Step-by-Step Example:

1. Establishing the Warehouse Facility

- **Warehouse Facility Setup:** APCIF partners with a non-bank lender (the "Originator") to create a warehouse facility. This facility acts as a pool of funds from which the Originator can draw to issue loans to SMEs.

- **Capital Contribution:** APCIF contributes a significant portion of the capital for the warehouse facility in a senior position, meaning it has priority in receiving payments. The Originator may also contribute capital, typically in a junior position, which absorbs the first losses, reducing risk for APCIF investors.
- **Secured Loans Requirement:** To enhance protection, the facility may require that collateral provided by the SME borrowers secure loans funded through it. This collateral could include real estate, equipment, receivables, or other valuable assets, ensuring that the loans are backed by tangible security.

2. Funding Secured SME Loans

- **Loan Origination:** The Originator uses funds from the warehouse facility to originate secured loans to SMEs. For example, an SME may seek a \$500,000 loan to expand its business, offering its commercial property as collateral.
- **Collateralization:** The SME provides collateral for the loan, such as real estate valued at \$700,000. This collateral is registered with the appropriate authorities to secure the loan. In the event of a default, this asset can be seized and sold to recover the loan amount, providing an additional layer of security for APCIF and its investors.
- **Loan Terms:** The Originator sets the loan terms, including the interest rate and repayment schedule, with the collateral acting as a guarantee for repayment.

3. Recycling and Repayment

- **Loan Repayment:** As the SME repays the loan, including both principal and interest, the payments flow back into the warehouse facility, replenishing it and allowing the

Originator to issue new loans to other SMEs.

- **Interest Income:** APCIF, as the senior lender, receives interest income from the loans in the facility. This income is distributed to APCIF investors as part of their returns.

4. Managing Defaults with Secured Loans

- **First Loss Position:** If an SME defaults on its loan, the Originator's capital and earned interest absorb the initial losses. However, if the loan is secured, the collateral can be liquidated to recover the outstanding balance.
- **Collateral Liquidation:** In the event of a default, the collateral (e.g., the SME's commercial property) is sold. If the property is valued at \$700,000 and the outstanding loan balance is \$500,000, the sale proceeds cover the loan, protecting APCIF's capital. Any remaining amount after covering the loan is returned to the borrower, but the primary goal is to ensure that the loan is fully repaid.
- **Extra Protection:** This secured loan structure significantly reduces the risk of loss for APCIF, as the collateral value typically exceeds the loan amount. This provides a buffer, ensuring that APCIF's capital is protected even in the event of a default.

5. Exit and Final Repayment

- **Final Loan Repayment:** When the SME repays the loan entirely, the collateral is released, and the warehouse facility capital is recycled to fund new loans.
- **Return of Capital:** The capital invested by APCIF in the warehouse facility, along with any accumulated interest, is returned to the Fund's investors.

INVESTMENT PROCESS

The APCIF investment process is designed to identify, assess, and manage high-quality debt investments, focusing on capital preservation and risk-adjusted returns. This process is characterised by rigorous due diligence, continuous monitoring, and strategic management, ensuring that each investment aligns with the Fund's objectives.

1. Origination

The investment process begins with sourcing potential loan originators. APCIF leverages its extensive network and industry relationships to identify non-bank lenders focusing on the SME sector. The Fund targets originators with a strong track record, robust credit assessment processes, and scalable business models. This initial step is crucial for ensuring the Fund only engages with originators capable of delivering high-quality loan opportunities.

2. Preliminary Investment Committee Meeting

Once a potential originator is identified, a preliminary Investment Committee meeting is held to evaluate the opportunity. This initial review considers the originator's overall fit with the Fund's objectives, macroeconomic factors, and potential diversification benefits. If the opportunity meets the basic criteria, it moves to the next stage for more detailed analysis.

3. In-Depth Analysis and Due Diligence

The investment team conducts a thorough due diligence process on the originator and the specific transaction. This involves assessing the originator's credit assessment procedures, historical performance, management team, and business model scalability. The due diligence may include:

- **Financial Due Diligence:** Evaluating the originator's financial health and creditworthiness and its level of

participation as the first loss position in the warehouse structure.

- **Legal and Tax Due Diligence:** Ensuring all legal and tax aspects are in order and compliant with relevant regulations.
- **Commercial and Technical Due Diligence:** Assessing the loan structures' commercial viability and technical aspects.

4. Final Investment Committee Meeting

After the detailed due diligence, a final Investment Committee meeting is held. During this meeting, the committee reviews the findings and decides whether to proceed with the investment. The decision is based on a majority vote to ensure the investment aligns with the Fund's risk management and return objectives. If approved, the transaction is closed, and the Fund commits capital.

5. Ongoing Management and Monitoring Post-investment

the Fund's management team continuously monitors the performance of the loan originators and the underlying loans. This ongoing management includes:

- **Active Monitoring:** Regularly reviews portfolio performance and originator operations to identify and mitigate potential risks early.
- **Support to Originators:** Providing strategic advice and support to originators to improve loan quality and origination volumes.
- **Risk Management:** Utilising the newly implemented portfolio risk management tool to optimise portfolio construction and enhance investor transparency.

6. Exit Strategy

Throughout the investment's lifecycle, the management team ensures that all potential exit scenarios are considered. This includes planning for loan maturities and managing any prepayments or early exits by originators. The Fund remains flexible in its approach, adapting its strategies to market conditions and the performance of individual investments.

7. Compliance and Reporting

APCIF follows strict compliance protocols and reporting standards. The Fund ensures that all investments comply with the relevant

regulations and that investors receive timely and accurate reports on the Fund's performance. This transparency is key to APCIF's commitment to investor confidence and trust.

RESEARCH AND GROWTH

Research is part of the due diligence, the continuous monitoring of loan originators, and the entire portfolio of loans within the Fund. However, growing the Fund requires bringing additional loan originators into the fold. At the date of this report, the Fund has approved eight originators and is invested in 13,197 loans with an average loan size of \$104,236.

KEY PEOPLE

The Aura Private Credit Income Fund (APCIF) management is overseen by a highly experienced and expanding team of professionals who bring a wealth of knowledge and expertise in private credit, investment management, and financial services. The key individuals driving the Fund's success are as follows:

Brett Craig – Director & Portfolio Manager

Brett Craig has been with the Aura Group since 2016 and is the Portfolio Manager for APCIF. He has extensive experience in the debt markets, having spent over 11 years at Macquarie Group, where he focused on originating, structuring, and distributing debt products. Brett was the first to develop, structure, negotiate, and execute a bank debt facility for an Australian alternative finance lender. His deep understanding of private credit and innovative approach have been instrumental in the Fund's consistent performance. Brett holds a Bachelor of Commerce from the University of Wollongong and is a Chartered Accountant.

Brian Ho – Associate Director

Brian Ho joined the team in August 2023 as an

Associate Director, bringing nearly 20 years of industry experience. His expertise lies in managing and analysing complex financial products, making him a key figure in the day-to-day management of APCIF's portfolio. Brian's role includes overseeing the operational aspects of the Fund and ensuring that investment strategies are executed effectively. His addition to the team significantly reduces vital person risk and strengthens the overall management capacity of the Fund.

James Chapman – Investment Associate

James Chapman has been with Aura Group since February 2020 and serves as an Investment Associate. He plays a crucial role in researching and analysing potential investments, focusing on the due diligence process and ongoing monitoring of loan originators. James has a strong background in economics and finance, holding a Bachelor of Economics and a Master of Management from the University of Sydney. He is also a CFA Level 2 candidate.

Natalie Kolenda – Investment Associate

Natalie Kolenda joined the team in June 2021

as an Investment Associate. She brings diverse skills from her experience across various parts of Aura Group, including Compliance, Corporate Advisory, and Operations. Natalie's role involves detailed analysis of the SME loan market and the development of investment strategies tailored to the Fund's objectives. She holds a Bachelor of Agricultural Economics from the University of Sydney and has contributed to the Fund's growth and performance.

Jack Remond – Analyst

Jack Remond joined APCIF in June 2024 as an Analyst, bringing three years of securitisation experience from his previous role at Perpetual Limited, Australia's largest trustee company. Jack's expertise in securitisation and his analytical skills are vital in assessing the quality and structure of the loans within the Fund's portfolio. His addition to the team enhances the Fund's capacity to manage and monitor its growing portfolio of SME loans.

Nicholas McGuire – Distribution Role

Nicholas McGuire joined the team in August 2024 in a distribution role within the private credit team. With his previous industry connections and experience, Nick is responsible for expanding the Fund's distribution channels and tapping into adviser networks. His role drives the Fund's growth and ensures it reaches a broader institutional and wholesale investor base.

Sofia Spice – Executive Assistant

Sofia Spice was hired as an Executive Assistant to support the investment team by alleviating their administrative burdens. Her role is integral in maintaining investor relations and ensuring the team can focus on managing and growing the Fund. Sofia's organisational skills and attention to detail play a key role in the smooth operation of APCIF.

We believe that the Manager is well-resourced, and we note the critical person risk of Brett Craig.

FUNDS UNDER MANAGEMENT

The Fund has approximately \$295m invested as of August 2024.

RISK METRICS AND FUND PERFORMANCE

Fund Performance

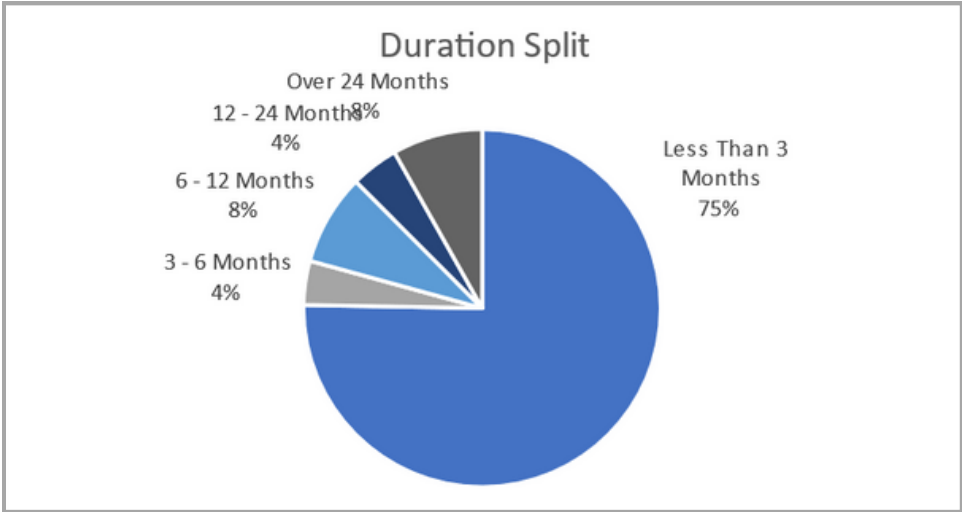
Since its inception in August 2017, the Aura Private Credit Income Fund has consistently delivered solid and stable returns to its investors. As of August 2024, the Fund has achieved an annualised return of 9.64%, which aligns with its target net return of 9-12% per

annum. This performance has been particularly notable given the low volatility of the Fund, with an annualised standard deviation of just 0.95%. These results underscore the Fund's ability to generate attractive risk-adjusted returns while focusing on capital preservation.

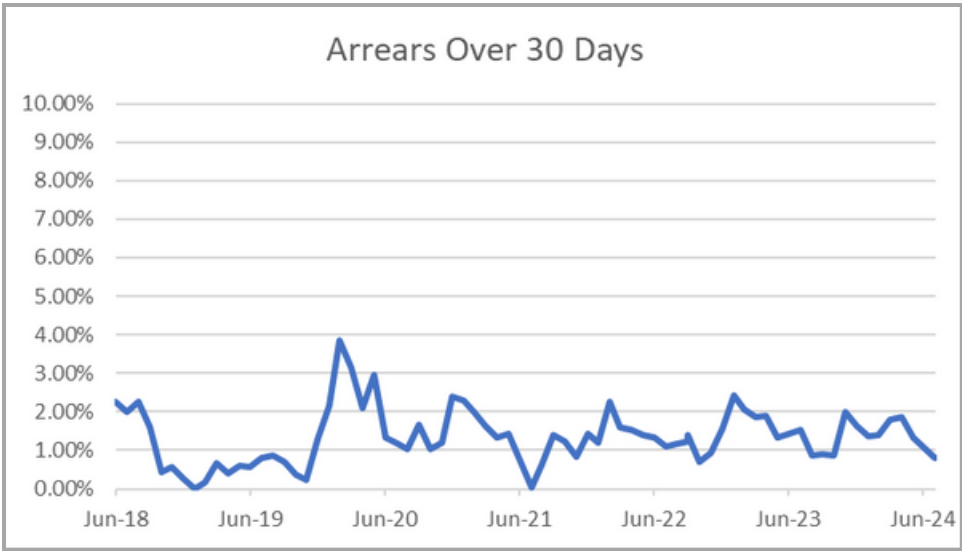
Fund Performance as at 31 July 2024									
	1-mth	3-mth	6-mth	1-yr	2-yr (p.a.)	3-yr (p.a.)	5-yr (p.a.)	Since Inc.(p.a.)	Since Inc. (cum) (1)
APCIF	0.79%	2.37%	4.81%	9.85%	9.50%	9.11%	9.13%	9.64%	90.44%
Benchmark (2)	0.79%	2.38%	4.73%	9.69%	9.32%	8.00%	6.99%	7.15%	62.16%
RBA Cash Rate	0.37%	1.10%	2.18%	4.37%	4.01%	2.76%	1.79%	1.94%	14.42%
Outperformance	0.00%	-0.01%	0.08%	0.16%	0.18%	1.11%	2.14%	2.49%	28.28%

Performance net of fees and expenses (1) Inception date 1-Aug-17, (2) RBA cash rate plus 5% p.a.
Returns assume reinvestment of all distributions. Past performance is not a reliable indicator of future performance.

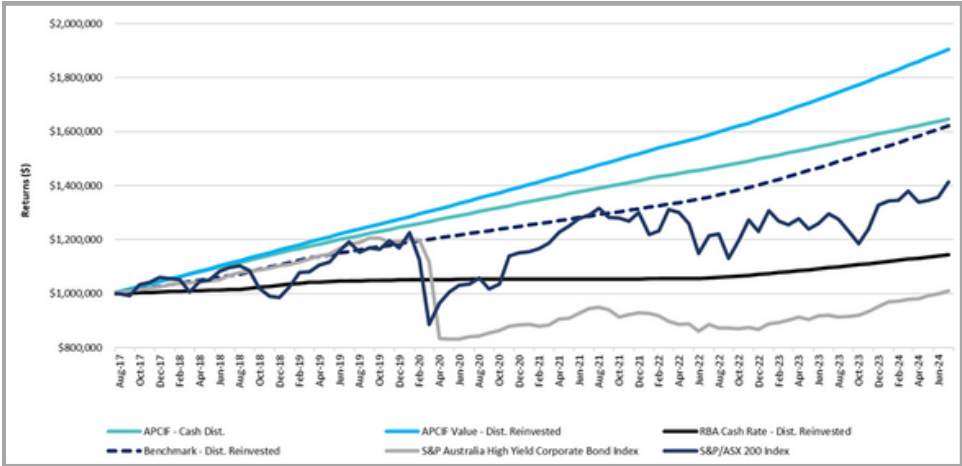
The duration of the portfolio is mostly less than 12 months.



Arrears, as a measure of 30 days late, are low at 0.81%, and the Manager is managing this by keeping tight control of the platforms.



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RISK METRICS

APCIF employs a risk management framework to mitigate risks associated with private credit investing. Key risk metrics and management strategies include:

1. Credit Risk

The Fund's primary exposure is to SME loans, which inherently carry credit risk. To mitigate this, APCIF invests in loans with robust collateral structures, such as senior and mezzanine positions. The loan originators maintain first-loss positions for all of the Fund investments. The loan originators are also subject to stringent due diligence processes, ensuring they have strong credit assessment capabilities and a proven track record in managing SME loans.

2. Diversification

The Fund achieves diversification across multiple dimensions, including loan originators, industries, and geographic regions within Australia. No single originator or industry represents more than 30% of the Fund's assets, reducing concentration risk and enhancing the stability of returns.

3. Portfolio Risk Management Tool

In 2024, APCIF implemented a new portfolio risk management tool that leverages 50 years of bank business lending data. This tool, approved by APRA as a risk-weight assets model for regulatory capital purposes, provides an independent and quantifiable measure of portfolio risk. It enables the Fund to optimise portfolio construction and enhance transparency for investors, setting APCIF apart from many competitors in the private credit space.

4. Liquidity Risk

Although the Fund invests in relatively illiquid SME loans, it maintains a portion of its assets in

cash or cash equivalents to manage liquidity. This ensures the Fund can meet redemption requests and manage cash flow needs without disrupting its investment strategy.

5. Interest Rate Risk

The Fund manages its exposure to interest rate fluctuations by carefully structuring loan agreements and, where appropriate, using derivatives, in rare circumstances, to hedge against interest rate risk. The Fund Manager claims they remain vigilant in monitoring interest rate movements and their potential impact on the portfolio.

6. Managerial Risk

APCIF is managed by a seasoned team with deep expertise in private credit and debt markets. The team's experience, combined with the recent expansion and the implementation of standardised operating procedures, significantly reduces key person risk and ensures continuity in fund management.

FUND RESILIENCE

APCIF has demonstrated resilience across various economic cycles, including the challenges posed by the COVID-19 pandemic. The Fund's portfolio of over 10,000 loans has consistently maintained low arrears, with current arrears more significant than 30 days at 0.81%, well within the Fund's acceptable range. Despite market disruptions, the Fund has avoided any defaults, underscoring the strength of its credit assessment and risk management processes.

SYSTEMS

Aura outsources its IT Systems. It uses S&P Global Software to manage the loan portfolio, which builds insights into portfolio companies.

TRUST DEED COMPLIANCE

The Fund is a unit trust established under a Trust Deed dated 10 April 2017, as amended occasionally. As the Trust is not a managed investment scheme registered under the Corporations Act 2001, the Trust Deed is not lodged with ASIC and does not need to comply with the requirements of Chapter 5C.3 of the Corporations Act.

The Trust Deed primarily governs the relationship between the investors and the Manager. A copy is available upon request from the manager.

All breaches of the Trust Deed regulations are reported to the Aura Group Audit, Risk & Compliance Committee, and Board quarterly.

TRANSPARENCY AND REPORTING

Aura Private Credit Income Fund (APCIF) emphasises transparency and provides comprehensive reporting to ensure investors are fully informed about the Fund's performance, risk exposure, and overall management.

REGULAR REPORTING

APCIF commits to delivering detailed and timely reports to its investors, including:

- **Monthly Performance Reports:** Investors receive monthly updates that include key performance metrics, portfolio composition, risk exposure, and commentary on market conditions. These reports are designed to keep investors informed about the Fund's current status and any significant developments.
- **Annual Audited Financial Statements:** The Fund provides audited financial statements annually, ensuring investors can access independently verified financial information. These statements include a comprehensive breakdown of the Fund's financial performance, fees, and expenses.
- **Annual Tax Reporting:** APCIF provides detailed tax reporting to investors, including distributions and any relevant tax considerations. This reporting is structured to assist investors in their tax filing and planning.

ENHANCED TRANSPARENCY THROUGH TECHNOLOGY

In 2024, APCIF implemented a new portfolio risk management tool, which not only aids in optimising portfolio construction but also enhances transparency for investors. This tool provides detailed insights into the portfolio's risk characteristics, leveraging historical data and APRA-approved methodologies. This tool underscores APCIF's commitment to providing investors with clear and quantifiable information about the risks and performance of their investments. The monthly reporting with key Fund performance information includes information on the fund's performance and the underlying loans.

INVESTOR ACCESS

Investors have direct access to the investment management team through regular investor calls, meetings, and digital platforms. This open communication policy ensures that investors can engage with the Fund's managers, ask questions, and receive personalised updates on their investments.

- **Compliance and Regulatory Reporting:** APCIF adheres to strict compliance protocols, ensuring all regulatory requirements are met. The Fund's operations are conducted per

relevant Australian financial regulations, and the Fund's compliance framework is designed to maintain high standards of integrity and transparency. Any compliance breaches are reported to the Aura Group's Audit, Risk & Compliance Committee and Board quarterly.

- **Third-Party Reviews:** Independent third parties, Ernst & Young, periodically review the Fund's processes and performance, providing additional oversight. These reviews contribute to the Fund's robust governance framework and reinforce the credibility of its reporting.

- **Commitment to ESG Reporting:** Aura Group is a signatory to the Principles for Responsible Investment (PRI), and APCIF integrates Environmental, Social, and Governance (ESG) considerations into its investment process. While the Fund is formalising its ESG reporting, it is committed to providing updates on its progress in integrating ESG principles and practices into its operations. This commitment reflects the Fund's dedication to responsible investing and transparency in all aspects of its management.

ISSUES TO NOTE

While the Aura Private Credit Income Fund (APCIF) offers a compelling investment opportunity, there are several important considerations that potential and current investors should be aware of:

1. Liquidity Considerations

APCIF invests primarily in SME loans, which are inherently less liquid than publicly traded securities. While the Fund has historically met all redemption requests, investors should know that liquidity is not guaranteed. The Fund manager retains the discretion to delay or limit redemptions if necessary to protect the interests of the Fund as a whole. This illiquidity reflects the nature of the underlying assets and should be a key consideration for investors.

2. Conflict of Interest

Aura Group allows its staff and managers to invest in the equity of the loan originators within the Fund's portfolio. While this aligns the interests of the Fund's management with those of the originators, it also poses a potential conflict of interest. The Manager has a strict conflict of interest policy and maintains a register of any conflicts, but investors should be aware that such relationships could influence decision-making, particularly in risk management and investment selection.

3. Credit and Market Risks

While offering high returns, the Fund's exposure to SME loans comes with inherent credit risks. The performance of these loans can be impacted by broader economic conditions, particularly in sectors sensitive to economic downturns. While the Fund has implemented robust risk management strategies, including using a new portfolio risk management tool, there remains a risk that loan defaults could occur, especially in challenging economic environments.

4. Dependence on Key Personnel

APCIF's success is closely tied to the expertise and experience of its management team, particularly Brett Craig, the Portfolio Manager. While the recent expansion of the team has reduced key person risk, the Fund still relies heavily on the knowledge and leadership of its senior team members. Investors should consider the potential impact of any changes in the Fund's leadership or management structure.

5. Regulatory and Compliance Risks

The regulatory environment for private credit and SME lending is subject to change. New regulations or changes to existing ones

could impact the Fund's operations, including its ability to continue offering the same risk-adjusted returns. While the Manager actively monitors regulatory developments and seeks to stay ahead of potential changes, unforeseen regulatory impacts are always possible.

6. ESG Integration and Reporting

While Aura Group is a signatory to the Principles for Responsible Investment (PRI) and has committed to integrating ESG considerations into its investment process, the formalisation of ESG reporting is still in progress. Investors interested in ESG-focused investments should be aware that APCIF's

ESG integration, while ongoing, may not yet fully align with their expectations for comprehensive ESG reporting.

7. Growth and Capacity Constraints

As the Fund grows, there may be challenges related to sourcing sufficient high-quality loan originators to meet investment demand. While the Fund has successfully expanded its portfolio thus far, maintaining the same level of performance and diversification as the Fund grows larger could become more challenging. The Manager is actively developing relationships with new originators to mitigate this risk.

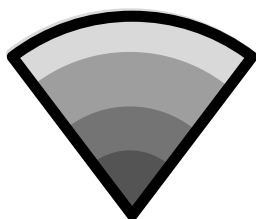
THIRD-PARTY ADVISORS AND SERVICE PROVIDERS

THIRD-PARTY ADVISORS AND SERVICE PROVIDERS

Management Company Auditor	Ernst & Young
Fund Auditor	Ernst & Young
Fund Administrator	One Registry Services
Custodian	One Managed Investment Funds Limited
Taxation Advisor	Ashurst
Fund Accountant	Unity Fund Services
Risk Insurer	Chubb
Legal Counsel	Ashurst (for legal, due diligence and documentation)

RATINGS SCALE

HIGHLY COMMENDED

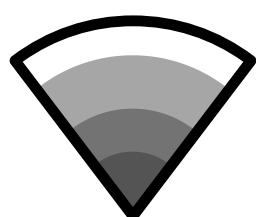


We have **high confidence** in this investment product.

This is a Fund or Investment Product that has scored consistently very well across all areas of Evergreen Ratings' research and analysis framework. As a result, we believe the Fund has a very high probability of meeting its objectives.

It is appropriately designed, with appropriate fees and has sufficient, high quality systems and resources, including risk management and corporate governance, to manage an appropriate outcome.

COMMENDED

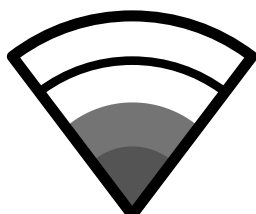


We have confidence in this fund manager or investment product.

This is a Fund or Investment Product that has scored consistently well across most areas of Evergreen Ratings' research and analysis framework. As a result, we believe the Fund has a high probability of meeting its objectives.

It is reasonably well designed, with fees more or less in line with the nature of the product and its peers. The Manager has sufficient, quality systems and resources, including risk management and corporate governance, to manage an appropriate outcome.

SATISFACTORY



We have some confidence in this investment product.

While this is a Fund or Investment Product that has scored well in some areas of Evergreen Ratings' research and analysis framework, it did not score as well in other areas important to achieving a good investment outcome.

As a result, Evergreen Ratings believes it has a reasonable chance of meeting its investment objectives.

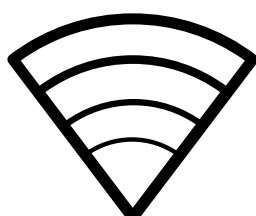
NOT APPROVED



We have little confidence in the investment product

This is a Fund or Investment product that did not score well across most areas of Evergreen Ratings' research and analysis framework. There is a lack of identifiable strengths across some or all of product design, fees, systems and governance, therefore placing doubt on the likelihood of the fund or product achieving its investment objectives.

NOT RATED



This fund manager or investment product has been screened out. Evergreen Ratings has either (i) conducted a preliminary review of the investment product and has identified material or structural flaws or (ii) ¹⁷ the Manager has elected to not confirm some elements of the research process requisite in the ratings protocol to release the research report.

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