

Boston Private Income Fund

This report has been prepared for financial advisers only



Acceptable

INTRODUCTION

Key Principles

The underlying principles of the assessment process are to:

- identify the long term commercial potential of the Responsible Entity/Investment Manager;
- evaluate management's capabilities, previous performance in the specific industry and the stability of the organisation;
- evaluate identified markets (domestic and international existence, stability and growth potential);
- benchmark key performance assumptions and variables against industry peers;
- weigh up the relevant risks of the Responsible Entity/Investment Manager;
- assess structure and ownership;
- determine if the Responsible Entity/Investment Manager is structured in such a way as to protect investor's interests; and
- allow an opinion to be formed regarding the investment quality of the Responsible Entity/Investment Manager.

Assessment

SQM Research conducts a detailed site inspection of the projects/properties within the Responsible Entity's/Investment Manager's managed funds.

- The site assessment considers the following areas:
- sustainability of the site for the purpose intended;
- management skills, qualifications, capabilities and experience; and
- associated property risks and their management.

Star Rating*

Investment products are awarded a star rating out of a possible five stars and placed on the following websites:
www.sqmratings.com.au

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SQM Research has received a fee from the fund manager for this report and rating.

General Financial Product Advice

This advice will not take into account your, or your clients, objectives, financial situation or needs and will not be provided in respect of any other financial products. Accordingly, it is up to you and your clients to consider whether specific financial products are suitable for your objectives, financial situations or needs.

Report Date: 22 February 2018

| Star Rating | Description | Definition | Investment Grading |
|---------------------|-------------------------|--|------------------------------|
| 4½ stars and above | Outstanding | Highly suitable for inclusion on APLs <i>The fund most often outperforms its peers and benchmark. In all cases the fund is operating to its mandate and product disclosure statement (PDS). There are no corporate governance issues. Management is extremely experienced and skilled and has access to significant resources.</i> | High Investment grade rating |
| 4 stars to 4¼ stars | Superior | Suitable for inclusion on most APLs <i>The fund outperforms (or is likely to) its peers and benchmark the majority of the time. The fund most of the time has been operating within its mandate and PDS. There are very little to no corporate governance concerns. Management is of a very high calibre.</i> | High Investment grade rating |
| 3¾ stars | Favourable | Consider for APL inclusion <i>The fund may outperform its peers and benchmark the majority of the time or SQM believes this is a fund that has potential to be an outperforming fund over the medium term. Management is of a quality calibre but may not yet be fully tested. There are no corporate governance concerns or they are of a minor nature.</i> | Approved |
| 3½ stars | Acceptable | Consider for APL inclusion, subject to advice restrictions <i>There is some degree of additional risk attached to the fund by way of performance. The fund may periodically underperform its peers and benchmark or it has not been fully tested. There may be some additional concentration risk. Management is generally experienced and capable. There might be corporate governance issues of a mid-level or corners over the Responsible Entities/Parent Entities financial position/performance.</i> | Low investment grade rating |
| 3¼ stars | Caution required | Not suitable for most APLs <i>Performance has been significantly under-benchmark and peers. There is a greater than average risk of underperformance over the medium term. There is a risk of the fund not operating to mandate or to its PDS. There are corporate governance concerns. Management has been operating in an average manner.</i> | Unapproved |
| 3 stars | Strong Caution Required | Not suitable for most APLs <i>The fund is unlikely to perform to its mandate over the near term. There might be some greater than average corporate governance concerns. SQM has a number of concerns of management.</i> | Unapproved |
| Below 3 stars | Avoid or redeem | Not suitable for most APL inclusion | Unapproved |

Hold – The rating is currently suspended until SQM Research receives further information. A rating is typically put on hold for a period of two days to four weeks.

Withdrawn – The rating is no longer applicable. Significant issues have arisen since the last report was issued, and investors should avoid or redeem units in the fund.

Not rated – The fund has not been rated by SQM.

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SQM Rating



*Acceptable. Consider for APL inclusion,
subject to advise restrictions*

Fund Details

| | |
|--------------------|------------------------------------|
| Fund Name | Boston Private Income Fund |
| APIR Code | Not Applicable |
| Manager | Boston Managed Investments Limited |
| Responsible Entity | Not Applicable |
| Custodian | AET Corporate Trust Pty Ltd (IOOF) |

Investment Details

| | |
|----------------------------------|---|
| Fund Inception | 31-Aug-16 |
| Fund Size | \$17.26mil (21 Feb 2018) |
| Fund Type | Commercial Mortgage-Backed Securities |
| Return Objective (PDS) | Minimum return to meet benchmark, net of fees |
| Internal Return Objective | Not Applicable |
| Risk Level (PDS) | Capital-Low / Income-Low / Risk-Medium |
| Internal Risk Objective | Low/Medium |
| Benchmark | 4.40% over BBSW30 |
| Number of positions in portfolio | Two (2) |
| Gearing (Fund) | No Gearing |

Investment Specifications

| | |
|-----------------------------|---|
| Minimum Application | \$50,000.00 |
| Redemption Policy | Best Endeavours Basis- from inflows of newly raised funds |
| Distribution Frequency | Quarterly |
| ICR | 0.59% |
| MER | 0.70% |
| Performance Fee | None |
| Entry / Exit fee | 0.50%/0.50% |
| Currency Hedging | No |
| Time Horizon for Investment | 3 - 5 Years |

Other

| | |
|------------------------|----------------|
| Turnover | Not Applicable |
| Top 10 Holdings Weight | Not Applicable |

Fund Summary

Description

The Boston Private Income Fund (BPIF) is an income style Fund which commenced operations in August 2016. The BPIF is managed by Boston Managed Investments Ltd (Boston) and continues the successful strategy implemented by The Boston Group over the last nine years. The BPIF will provide professional and institutional investors access to a professionally managed portfolio of high yield income producing assets. The Fund will invest in senior and subordinated debt facilities and is targeting a level of risk commensurate with senior and sub-senior subordinated participation, however, will have the capability to invest at senior levels.

About the Manager

The appointed manager of the fund is Boston Managed Investments Limited. BMIL Nominees Pty Limited has appointed AET Corporate Trust Pty Ltd (IOOF) and Boardroom Pty Limited (Boardroom) to act as Custodian and Registry of the BPIF respectively. The Fund is structured as an open-ended unlisted unregistered managed investment scheme.

The Boston Private Income Fund (BPIF) operates as a Unit Trust governed by its Trust Deed. It is an unlisted fund and an unregistered Managed Investment Scheme. The trustee of the fund is BMIL Nominees Pty Limited. BMIL Nominees Pty Limited was incorporated and operates solely as a corporate trustee for the various Boston Funds.

Fund Rating

The Fund has achieved the following rating:

| Star Rating | Description | Definition | Investment Grading |
|-------------|-------------|--|-----------------------------|
| 3.5 stars | Acceptable | Consider for APL inclusion, subject to advice restrictions | Low Investment Grade Rating |

SQM Research's Review and Key Observations

1. People and Resources

Size and Resources of the Fund Management Company

The Boston Private Income Fund is adequately equipped with resources required to support the business in its various areas such as governance, compliance and technical needs. As at financial year ended 30 June 2017 the Boston Private Income Fund reported positive net assets.

Investment Team

The investment team consist of highly experienced individuals, with a senior, "top-heavy" focus on structure. Investment personnel have relevant experience in lending and funds management.

2. Investment Process and Philosophy

Investable Universe

Boston Private Income Fund is not involved in lending. The Boston Private Income Fund purchases notes that are issued by a Non-Bank Financial Institution (NBFI) called Think Tank Group Pty Ltd.

The Think Tank business model is focused on providing first registered mortgages secured by income-producing commercial property. Loan assessment criteria is solely assessed by Think Tank in line with the credit policies instituted by the Commonwealth Bank of Australia (CBA) in the Banks capacity as the primary funding warehouse provider. Think Tank retains the sole discretion in the approval of mortgage applications.

Risk Management

Risk Management

Boston Private Income Fund does not have any involvement or influence in the lending criteria of Think Tank Group Pty Limited. Boston Private Income Fund does not have risk management processes embedded in the loan approval process

3. Performance & Risk

Return Objective & Performance

The return objective officially stated is that the Fund aims to record a "minimum return to meet benchmark, net of fees". The formal benchmark is the 30day BBSW benchmark rate + 4.40% pa.

The low volatility nature of mortgage portfolios reduces the meaningfulness of traditional measures of risk and return. Fund metrics such as volatility, Tracking Error, Information Ratio, and Sharpe Ratio have relatively low statistical value given the low volatility of returns.

Length of Track Record

Boston Private Income Fund commenced operations in September 2016. Boston Managed Investments Limited commenced operations in August 2013. SQM Research notes that returns, volatility and other risk measures can be "noisy" and less reliable due to the small sample size of observations.

Risk Objective

Commercial mortgage loans are originated by Think Tank Group Pty Limited, and the Boston Private Income Fund applies investor funds to purchase notes issued by Think Tank Group Pty Limited managed trusts. Boston Private Income Fund does not have any involvement or influence in the lending criteria of Think Tank Group Pty Limited. Accordingly, Boston Private Income Fund does not have risk management processes embedded in the loan approval process.

Boston Managed Investments Limited has an ongoing relationship with Think Tank Group Pty Limited to provide funds in line with the growth of the respective Think Tank trusts.

5. Other Features

Fees

The annual management fee of the Fund is 0.70% (+ GST & RITC) p.a. of the Fund's net assets. No additional charge of is made for expense recoveries. No calculations of GST or RITC have been factored in to the analysis.

Entry and exit fees, equating to 0.50% / 0.50%.

Governance

Boston Managed Investments Limited is the licensee under AFSL 469808. Mr Paul Jones is the Responsible Manager (RM) under this license.

Mr Daniel Hoang acts as the Deputy Fund Manager of the Boston Private Income Fund and is also the alternate Responsible Manager (RM) under AFSL No: 469808 issued to Boston Managed Investments Limited. Bradford Gower (a director of Boston Managed Investments Limited) is the Compliance Officer for the fund.

Mr Tim Power is a Non-Executive Director of Boston Managed Investments Limited and sits on the Boston Private Income Fund Investment Committee.

The Boston Private Income Fund (BPIF) operates as a Unit Trust governed by its Trust Deed. It is an unlisted fund and an unregistered Managed Investment Scheme. The trustee of the fund is BMIL Nominees Pty Limited. BMIL Nominees Pty Limited was incorporated and operates solely as a corporate trustee for the various Boston Funds. The appointed manager of the fund is Boston Managed Investments Limited.

BMIL Nominees Pty Limited has appointed AET Corporate Trust Pty Ltd (IOOF) and Boardroom Pty Limited (Boardroom) to act as Custodian and Registry of the BPIF respectively.

FUM (Funds under Management) / Capacity

Total Funds Under Management (FUM) in the Boston Private Income Fund is \$17.26 as at 21 Feb 2018.

Strengths of the Fund

- The investment personnel are experienced, knowledgeable and have relevant experience in the lending sector.
- Having CBA as the primary source for funding for Think Tank is a positive given the reach of resources for CBA.
- The Fund allows investors to access Commercial Mortgage Backed Securitisation (CMBS) markets with limited capital, and that investors capital is fully deployed at all times.
- Boston Managed Investments Limited has sufficient executive and management level to allow the expansion of existing, and any proposed new funds at this time.
- All Special Purpose Vehicle (SPV) Trusts have stringent covenants and guidelines within the trust deed in relation to their operations. A breach of those covenants or guidelines may result in the SPV Trust having remedial action taken to repair those breaches, which may result in a disruption to the income distribution, or in extreme cases, may result in the SPV Trust having to liquidate assets.

Weaknesses of the Fund

- Liquidity in the fund is managed through the introduction of additional funds by either new or existing investors.
- The Fund does not have liquid cash holdings, at any point in time.

Other Considerations

- The commercial mortgage loans are originated by Think Tank Group, not Boston themselves. As such, Boston Private Income Fund does not have any involvement or influence in the lending criteria of Think Tank Group Pty Limited
- Shareholding in Think Tank Group Pty Limited is with Teltex Pty Limited of which Derryn Harrison (Director of BMIL & Chairman of Investment Committee) is the sole director/ secretary and shareholder.

- The agreement between CBA and Think Tank has a term of 24 months with a 12-month evergreen. The 24-month term with the 12-month evergreen effectively means that should CBA opt to leave the funding agreement and all other note holders approve of CBA leaving, Think Tank is afforded a 24 month period in which to renew the funding structure with another incoming fund provider.
- Distributions will only be made from income that is generated from investments in notes issued by Think Tank.

Key Changes Since the Last Review

- This is an inaugural review.

Process Description

Portfolio Objective

Portfolio Objective Boston Private Income Fund is not involved in lending. The Boston Private Income Fund purchases notes that are issued by a Non-Bank Financial Institution (NBFI) called Think Tank Group Pty Ltd

The objective of the Boston Private Income Fund is stable, regular income returns at a rate which is in excess of the implied risk-weighted return to wholesale investors by taking subordinated positions in First Mortgage warehouses managed by Think Tank Group Pty Ltd.

Lending Process

Top-down or Bottom-up

The loans stored in the Think Tank warehouse are assessed on a fundamental basis, providing first registered mortgages secured by income-producing commercial property. The loan assessment criterion is solely assessed by Think Tank in line with the credit policies instituted by the Commonwealth Bank of Australia (CBA) in the Banks capacity as the primary funding warehouse provider. Think Tank retains the sole discretion in the approval of mortgage applications.

With the majority of Think Tank loans funded by CBA, The agreement between CBA and Think Tank has a term of 24 months with a 12-month evergreen. This committed facility is set in place under the initial Master Trust, and then reiterated in each of the Issue Supplement agreements that have been put in place since the trust was established.

The 24-month term with the 12-month evergreen effectively means that should CBA opt to leave the funding agreement and all other note holders approve of CBA leaving the Think Tank is afforded a 24 month period in which to renew the funding structure with another incoming fund provider.

Lending Process

Boston Private Income Fund is not involved in lending. The Boston Private Income Fund purchases notes that are issued by a Non-Bank Financial Institution (NBFI) called Think Tank Group Pty Ltd.

The Think Tank business model is focused on providing first registered mortgages secured by income producing commercial property. Loan assessment criteria are solely assessed by Think Tank in line with the credit policies instituted by the Commonwealth Bank of Australia (CBA) in the Banks capacity as the primary funding warehouse provider. Think Tank retains the sole discretion in the approval of mortgage applications.

Boston does not have any input or direction in to Think Tank's lending procedures, credit assessment criteria or other policies. The policies, procedures and credit assessment guidelines employed by Think Tank were assessed and approved by the Investment Committee of Boston Managed Investments Limited during the initial due diligence program. Any and all variations to lending policies and procedures must be approved by CBA, Challenger Life Company Limited (Challenger) and Boston Managed Investments Limited prior to its implementation.

The Investment Committee is provided with detailed loan book metrics (including arrears management data) on a monthly basis. This allows the Investment Committee to identify and assess any potential deviations from the policies, procedures and credit assessment guidelines. The Investment Committee has not detected any deviations in credit policies, procedures and/or guidelines since the Boston Private Income Fund commenced.

Loan Origination

Think Tank primarily sources loans from a network of accredited mortgage brokers. To be granted accreditation with Think Tank, brokers must confirm that they are a member of a recognised national mortgage or finance industry body (i.e. Mortgage and Finance Association of Australia (MFAA) or Finance Brokers Association of Australia (FBAA)) and hold current Professional Indemnity insurance with mortgage broking noted on the policy as an activity of the business. The broker network is nationwide as Think Tank have offices in Sydney, Brisbane and Melbourne which allows for natural geographic diversification.

Risk Management

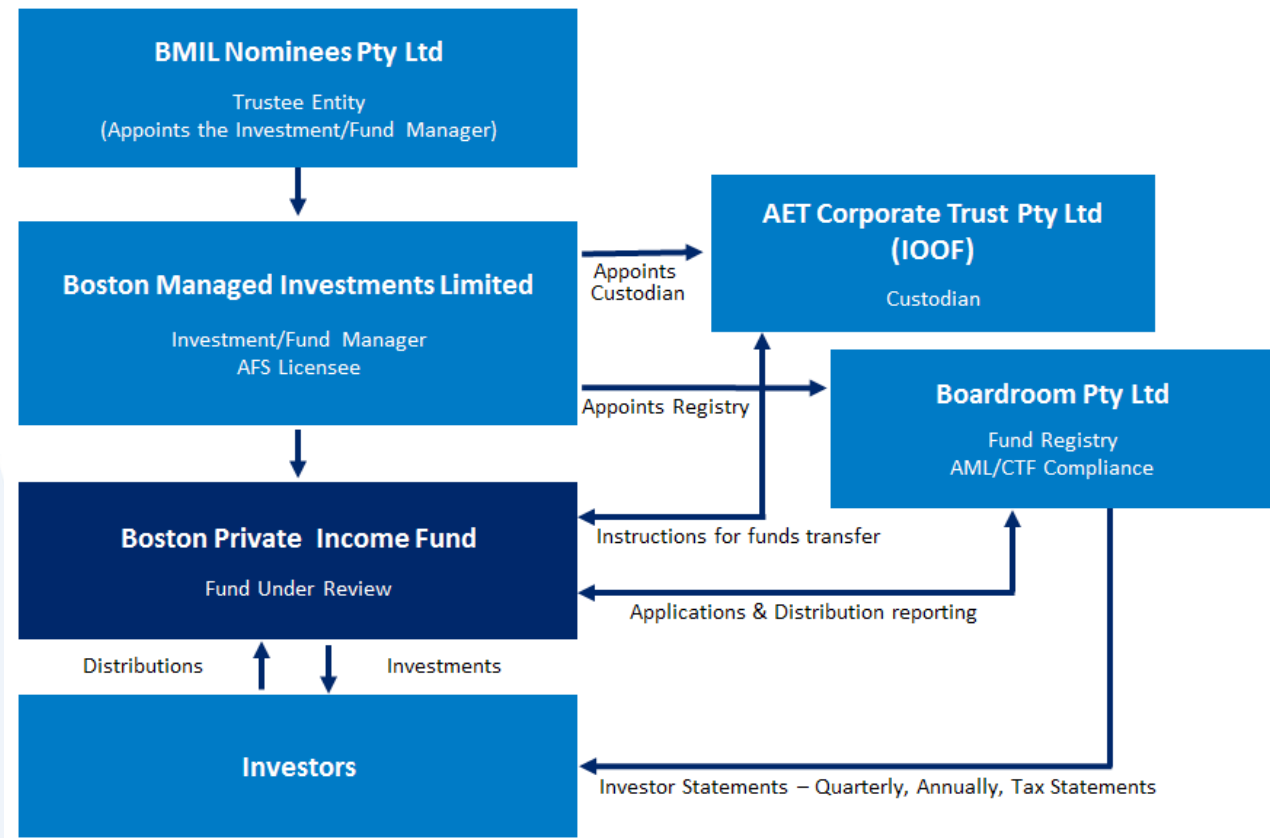
Commercial mortgage loans are originated by Think Tank Group Pty Limited, and the Boston Private Income Fund applies investor funds to purchase notes issued by Think Tank Group Pty Limited managed trusts. Boston Private Income Fund does not have any involvement or influence in the lending criteria of Think Tank Group Pty Limited.

Boston Private Income Fund does not have risk management processes embedded in the loan approval process.

Liquidity Management

Redemption of Boston Private Income Fund units is on a best endeavours basis. Liquidity in the fund is managed through the introduction of additional funds by either new or existing investors. Boston Managed Investments Limited match redemption requests from investors dollar-for-dollar with incoming funds. New inflows are only used for the purchase of notes or the meeting of a redemption request and for no other purpose. The Boston Private Income Fund also has the availability of Think Tank to assist with liquidity facilities as required. The fund does have the capacity to draw back on and sell back notes to meet redemptions. Best endeavours process using inflows is the primary redemption management response. There is the alternative to sell back notes in order to manage liquidity requirements.

Key Counterparties



Parent Company

The Boston Private Income Fund (BPIF) operates as a Unit Trust governed by its Trust Deed. It is an unlisted fund and an unregistered Managed Investment Scheme. The trustee of the fund is BMIL Nominees Pty Limited. BMIL Nominees Pty Limited was incorporated and operates solely as a corporate trustee for the various Boston Funds. The appointed manager of the fund is Boston Managed Investments Limited.

BMIL Nominees Pty Limited has appointed AET Corporate Trust Pty Ltd (IOOF) and Boardroom Pty Limited (Boardroom) to act as Custodian and Registry of the BPIF respectively.

Investment Manager / Fund Manager

Boston Managed Investments Limited is the Fund Manager of BPIF and Responsible Manager (RM) under AFSL No: 469808, headed by Mr Paul Jones. Mr Daniel Hoang acts as the Deputy Fund Manager of the Boston Private Income Fund and is also the alternate Responsible Manager (RM) under AFSL No: 469808 issued to Boston Managed Investments Limited. Bradford Gower (a director of Boston Managed Investments Limited) is the Compliance Officer for the fund.

Mr Tim Power is a Non-Executive Director of Boston Managed Investments Limited and sits on the Boston Private Income Fund Investment Committee.

Management Risk

Funds management businesses rely on the operational capabilities of key counterparties. A critical element is the corporate ability of the Responsible Managers to monitor operational performance and to meet the regulatory and statutory responsibilities required. For any investment fund, there is a risk that a weak financial position or management performance deterioration of key counterparties could temporarily or permanently compromise their performance and competency. This can adversely affect financial or regulatory outcomes for the Fund or associated entities.

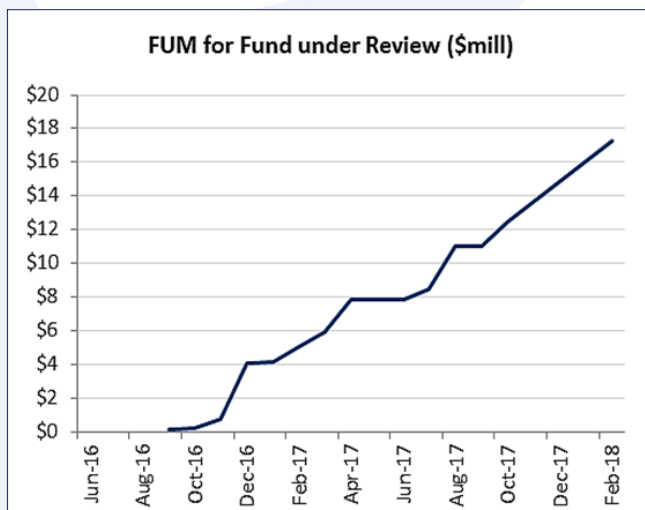
Based on the materials reviewed, SQM Research believes that Boston and associated key counterparties are highly qualified to carry out their assigned responsibilities. Management risk is rated as being low.

Funds under Management (FUM)

Total Funds Under Management (FUM) in the Boston Private Income Fund is \$17.26m (21 Feb 2018).

| | FUM \$m |
|--------|--------------|
| Sep-16 | \$134,500 |
| Dec-16 | \$4,095,039 |
| Mar-17 | \$5,925,911 |
| Jun-17 | \$7,818,157 |
| Sep-17 | \$11,043,392 |
| Dec-17 | \$15,828,609 |

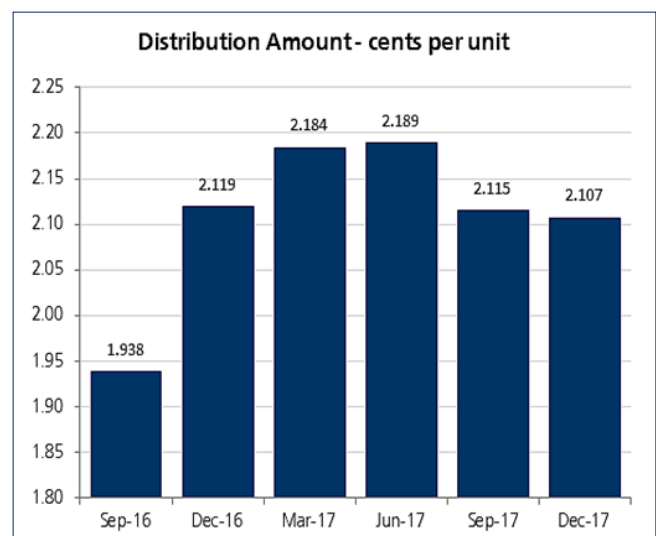
FUM for Fund under Review (\$mill)



Distributions

The Fund has discretion in choosing the frequency of distributions. Distributions occur on a quarterly basis. Distributions will only be made from income that is generated from investments in notes issued by Think Tank.

| Distribution Date | Distribution CPU | Unit price \$ | Distribution % |
|-------------------|------------------|---------------|----------------|
| 30-Sep-16 | 1.9379 | \$1.00 | 1.94 |
| 31-Dec-16 | 2.1190 | \$1.00 | 2.12 |
| 31-Mar-17 | 2.1840 | \$1.00 | 2.18 |
| 30-Jun-17 | 2.1887 | \$1.00 | 2.19 |
| 30-Sep-17 | 2.1150 | \$1.00 | 2.11 |
| 31-Dec-17 | 2.1073 | \$1.00 | 2.11 |



A General Note on Distributions for Managed Funds

The Responsible Entity of a Managed Fund will generally provide for a regular schedule of distributions, such as monthly / quarterly / semi-annual or annual. This is subject to the Fund having sufficient distributable income.

The official total distributable income available to pay to investors is determined for the period of that Fund's financial year. By distributing the net taxable income of the Fund to investors each year, a Fund itself should not be liable for tax on its net earnings.

If a Fund makes distributions more frequently than once over the financial year, those distributions will generally be made based on estimates of the distributable income for that distribution period. The final total amount of distributable income available for passing on to investors can only be calculated after the close of the financial year, based on the Fund's taxable income for that year.

If the total distributions a Fund pays out exceeds total tax income for that particular financial year, the excess amount may be treated as a return of capital rather than income. This will possibly have tax implications for the investor.

Due to the considerations outlined above, there may be periods in which no distributions are made or a Fund may make additional distributions

A Fund's ability to distribute income is determined by the performance of the Fund and general market conditions. Accordingly, there is no guarantee a Fund will make a distribution in any particular distribution period.

| Key Investment Staff | | |
|----------------------|---|----------|
| Name | Responsibility / Position | Location |
| Derryn Harrison | Director of BMIL & Chairman of Investment Committee | Sydney |
| Daniel Hoang | Deputy Fund Manager | Sydney |
| Tim Power | Non-Ex Director | Sydney |
| Bradford Gower | Director of BMIL & Compliance Officer | Sydney |
| Paul Jones | Fund Manager | Sydney |

Investment Team

Boston Managed Investments Limited was incorporated in 2013. Mr Power, Mr Gower and Mr Jones have all had tenures with Boston related entities which have evolved over time as new corporate ventures are established. Mr Power has not worked in a Boston related entity other than BMIL.

In addition to the Fund’s full time employed Fund Manager, Mr Paul Jones, and Deputy Fund Manager, Mr Daniel Hoang, Boston’s dedicated investment officers and debt specialists conduct ongoing industry and market research which complements input from a broad range of industry participants and commentators. Mr Jones has over 15 years’ experience in the commercial finance industry and has been actively involved in the funding of non-bank financial institutions at the senior and subordinated level. Mr Jones has extensive experience in commercial property, and equipment finance including Commercial Mortgage Backed Securities (CMBS) and Asset-Backed Securities (ABS) markets.

Boston also retains the services of non-executive director, Mr Tim Power.

Tim Power’s expertise in the securitisation markets, particularly the ABS markets, extends from his time as Group Treasurer with CNH Capital Australia. As Head of Treasury for RMB Australia Limited, he was responsible for funding and financial risk management of the Australian operations. Mr Power is a former Director of Non-Bank Financial Institution, Think Tank Group Pty Limited and currently holds a full-time position as Associate Director, Treasury, at Western Sydney University.

Meeting Schedule of the Investment Committee

The table below shows meetings that form an important part of the overall process.

| Meeting | Purpose | Frequency | Participants |
|-----------|---|------------------|---|
| Meeting 1 | Review current strategy and changes if required | Every two months | Chairman, Fund Manager, Deputy Fund Manager, Non-Executive director, Director |
| Meeting 2 | Identify, analyse, evaluate, treat, monitor and review investment risks | Every two months | Chairman, Fund Manager, Deputy Fund Manager, Non-Executive director, Director |
| Meeting 3 | Review performance of fund and underlying assets: Covenants, arrears, waterfall, credit enhancement | Every two months | Chairman, Fund Manager, Deputy Fund Manager, Non-Executive director, Director |

SQM Research believes the practice of constant communication and the broad-based inclusion of team members in decision-making is a vital ingredient to the success of the process. Interactive peer review and collaboration across a tightly knit group of experienced investors will likely make the best use of their combined intellectual property and shared history.

Staffing Changes

There have been no staff changes in the last year. Both Boston Private Income Fund and the manager of the fund, Boston Managed Investments.

SQM Research observes that the levels of investment experience and company tenure are strong across the entire investment team. The levels and nature of staff turnover are not an issue of concern, in SQM's view.

Remuneration and Incentives

Boston Managed Investments Limited retains two (2) Full Time Employees that are paid wages on a weekly basis. In addition, the directors of Boston Managed Investments Limited are each paid a Directors Fee calculated based upon a fixed rate against Funds Under Management at the time of calculation. These fees are paid monthly in arrears and are expensed from revenue derived by the payment of individual Trust Management Fees by the Trusts.

SQM Research believes the remuneration policies set up at Boston aligns the interest of the Fund and investors.

| Entry/Exit Fees | |
|------------------------------------|-------|
| Buy Spread (%) | 0.50% |
| Sell Spread (%) | 0.50% |
| Ongoing Fees | |
| Management fee (% p.a.) | 0.70% |
| Expense recoveries (% p.a.) | Nil |
| Cost of Fund ¹ (% p.a.) | 0.70% |
| ICR ² (% p.a.) | 0.59% |
| Contibution Fee | None |

¹ Management fee and expected expense recoveries.

² Indirect costs ratio

Buy/Sell Spread

An entry and exit fee is applied - 1.00% (0.50%/0.50%).

Ongoing Fees

The annual management fee of the Fund is 0.70% (+ GST & RITC) p.a. of the Fund's net assets. No additional charge of is made for expense recoveries. No GST or RITC have been factored into the analysis.

Boston Managed Investments Limited also pays Audit fees from income on an annual basis.

Redemption Fee

Redemption fees are charged by the Manager in relation to any registered Unit Holder making a request to redeem their allocated investment in the fund, either partially or in its entirety, within 365 days from the allocation date of that investment, and this redemption request being met. This amount will be charged at 4% of the total amount redeemed to the Unit Holder.

Performance Fees

No performance fees apply.

SQM Research observes that the Fund management fee (including expense reimbursement) is 0.70%, which is slightly lower the peer group average of 0.75%.

Think Tank Loan Book Analysis - Dec 2017

Recent Positioning (this section is extracted from the Fund's most recent Investor Report).

| Covenant Summary | | |
|--|----------|--------|
| | Covenant | Actual |
| Current Arrears | 8% | 0.9% |
| Weighted Average LVR | 70% | 64.8% |
| % SMSF Loans | 20% | 13.8% |
| % Loans >25 year term | 25% | 21.6% |
| % Other Eligible Security Loans | 10% | 0.9% |
| Other Eligible Security Loans average size | 850,000 | 0 |
| % Loans >\$2.5m (current loan balance) | 25% | 7.8% |
| % Loans Interest Only | 80% | 72.4% |
| % Loans Fixed Interest | 10% | 4.2% |
| % Loans Non-Metro | 25% | 12.2% |
| % Quick Doc Loans | 20% | 2.3% |
| % Mid Doc Loans | 30% | 18.4% |

| Summary | |
|--------------------------------------|---------------|
| | Actual |
| Loans | 270 |
| Balance | \$191,976,650 |
| Avg Balance | \$711,025 |
| Max Balance | \$3,930,000 |
| WA Current LVR | 64.77% |
| Max Current LVR | 75% |
| WA Yield | 6.53% |
| BBSW 30 | 1.6750% |
| Yield over BBSW30 | 4.86% |
| WA Margin by Loan (Fixed & Variable) | 3.67% |
| WA Seasoning | 12 |
| % IO | 72.4% |
| % Monthly in Advance | 66.3% |
| % SMSF | 13.8% |
| WA Interest Cover (UnStressed) | 2.28 |

| Arrears | | | |
|----------------|--------------|------------|-----------|
| | No. of loans | Value(\$m) | Value (%) |
| 0-30 | 267 | 190.0 | 99.1 |
| 30-60 Days | 2 | 0.95 | 0.5 |
| 60-90 Days | 1 | 0.80 | 0.4 |
| Total >30 Days | 0 | 0 | 0 |

A General Note on Arrears

Due to inter-bank clearance requirements (up to 2 days in certain arrangements) a mortgage instalment can be 'technically' late (i.e. paid within 24 hours from the settlement anniversary date). Those mortgage accounts are then recorded as 'in arrears'. This procedure may cause some statistical anomalies in the count of loans in arrears.

| Income Verification | | | | |
|---------------------|------------|-------------|--------------------|-------------|
| | Number | Number (%) | Value | Value (%) |
| Full Doc | 140 | 51.9% | 125,721,311 | 65.5% |
| Med Doc | 59 | 21.9% | 35,387,519 | 18.4% |
| Low Doc | 12 | 4.4% | 4,398,104 | 2.3% |
| SMSF | 58 | 21.5% | 26,326,783 | 13.7% |
| SMSF NR | 1 | 0.4% | 142,933 | 0.1% |
| Total | 270 | 100% | 191,976,650 | 100% |

| Geographic | | | | |
|--------------|------------|-------------|--------------------|-------------|
| | Number | Number (%) | Value | Value (%) |
| NSW | 134 | 49.6% | 104,648,409 | 54.5% |
| ACT | 2 | 0.7% | 945,907 | 0.5% |
| VIC | 66 | 24.4% | 44,082,593 | 23.0% |
| QLD | 42 | 15.6% | 28,650,240 | 14.9% |
| SA | 15 | 5.6% | 5,398,338 | 2.8% |
| WA | 7 | 2.6% | 4,601,161 | 2.4% |
| TAS | 4 | 1.5% | 3,650,000 | 1.9% |
| NT | 134 | 49.6% | 104,648,409 | 54.5% |
| Total | 270 | 100% | 191,976,650 | 100% |

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