Remara Credit Trust 2023-1

CREDIT ASSESSMENT REPORT

April 2023

Foresight Analytics

OVERALL ASSESSMENT: **APPROVED**

Remara Credit Trust 2023-1 Capital Structure					
Class	**Amount ($M)**	**% of Notes**	**Maturity**	**Coupon**	**Credit Enhancement**
A1 Notes	$1.82	7.6%	6 months [26 October 2023]	3-mth BBSW+3.0%	92.4%
A2 Notes	$17.5	72.4%	3 years [26 April 2026]	3-mth BBSW+5.5%	20.0%
B Notes	$2.37	10.0%	3 years [26 April 2026]	3-mth BBSW+8.5%	10.0%
C Notes	$1.18	5.0%	3 years [26 April 2026]	3-mth BBSW+12.0%	5.0%
D Notes	$1.18	5.0%		Equity N/A	N/A
Total	$23.71	100%			

Trust Overview

Remara Investment Management Pty. Ltd. (Remara), in coordination with the Remara Group's controlled SME lending origination parties, Grow Finance Ltd. (Grow) and Remara Credit Pty. Ltd., are launching the Remara Credit Trust 2023-1 (the 'Trust'). Remara aims to raise $20M via this new facility which is its fourth warehouse product. A fifth warehouse facility is expected to close in May 2023. Remara has also recently established the Remara Private Credit Fund for wholesale and retail investors. The Private Credit Fund is a registered investment scheme that invests in all underlying warehouses issued by Remara and is rated as 'Very Strong' by Foresight. We also note a managed discretionary account (MDA) was launched in February 2020 and incorporates all of the Remara Group's lending verticals. We anticipate the same lending verticals will be added to the Trust over time.

The Trust will issue multiple classes of asset-backed, secured, floating-rate debt securities with interest paid monthly. The coupon rate and the minimum subordinations levels are tabled in Exhibit 1. The Class A1 Notes have a 6-month maturity and can be issued in different series. The A2, B, C and D Class notes have a 3-year maturity.

The Notes are secured by a broad range of underlying loans to SME businesses. As noted, the loan portfolio will initially consist of 3 loan verticals: asset and equipment finance receivables (predominantly vehicle lends), business loans, and property-related loans (shorter-term property 'bridging' loans). Over time, the loan portfolio may also expand to encompass trade finance receivables, insurance premium finance, and invoice finance receivables (Grow already engages in these). The underlying loans are required to meet various qualifying criteria and parameters (note coupons, eligibility criteria, etc.), which are established by a third party, Fixed Income Solutions.

Class A1 Notes rank in priority to Class A2 which rank before the Class B Notes, which rank before the Class C Notes, which rank before the Class D Notes. Notes may be issued in one or more series, each of which may have different interest rates and maturity dates from other series within the same class. Notes of each class rank equally amongst themselves.

The A1 Notes will have a minimum 50% subordination, and 100% of the size of the A1 Notes is supported by assets with a maximum 6-month weighted average life. The A2 Notes have a minimum 20% subordination. The B Notes have a minimum 10% subordination, and the C Notes, 5%. The Class D Notes will be held by Grow and/or Remara as an equity note 'first loss piece'. Grow is required to replenish any losses incurred on the loans to a level that provides 10% subordination to the Class B Notes, resulting in a minimum of 20% subordination to the Class A2 Notes.

There are other investor protection mechanisms, including Stop Originations if the arrears ratio (90+ days) exceeds 5%. These additional features, and the structure of the Trust, are discussed in the 'Securitisation Structure' section of this report.

Overall Assessment

The Trust has been issued an 'Approved' rating. The Foresight credit assessment rating methodology is based on 4 key pillars: asset quality; warehouse structure; operational risk of transaction participants (including the originator and servicer); and the extent to which the legal structure achieves the insolvency remoteness of the pool of assets from the originator.

The asset quality of the loan book of the 2 Remara Group originators has been deemed high. This is based on a combination of factors:

1) An investment philosophy of many small, high-quality lends, facilitating portfolio granularity and mitigating loss-given-default (LGD) risk
2) A focus on the 'prime' borrower cohort
3) Strong collateral protections, including prudent LVRs, asset-backed lends with solid secondary market liquidity, and multiple layers of collateral protections (GSAs, PMSIs, Director Guarantees)
4) An investment process that, by way of borrower bank statement (real-time) analysis, provides a superior borrower assessment framework
5) A track record of particularly low arrears and gross and net losses, albeit noting that the Remara Group has a limited track record in a number of lending verticals.

The Foresight assessment of warehouse structure critically assesses the methodology that determines the Equity Note first loss buffer (the Credit Enhancement or 'CE'), the adequacy of the CE, and additional protections such as Stop Origination and portfolio parameters. CE is further augmented by the retention of the originators' net interest margin (NIM, expected to be circa 4 to 6%). The intent is that even if an extreme fat tail event occurs, the 5% initial equity injection component of the 2 elements of the overall CE is never breached. In other words, any potential draw on the overall CE would come from the accumulated NIM component. In setting the CE, credit modelling is conducted based on the underlying risk profile of the borrowers. As a rule of thumb, the NIM component of the CE is typically set at around 3 times the expected capital loss rate during a market downturn. Historically, Remara has recorded a loss of 35 basis points on capital across all of its lending verticals/warehouses. The Manager is assuming this increases to 65 basis points in a market downturn. 3 multiplied by 0.65% equals 1.95%, which compares very favourably to the expected 4 to 6% NIM added to the 5% component in the example above. 90+ days have averaged 0.21% over the last 2 years (all lending verticals), materially below the 5% Stop Origination threshold. All portfolio parameters are independently determined by the third-party originating agent, providing appropriate independence. Liquidity, should it be required, will be provided by the Remara Group by retaining capacity in other Remara warehouses to buy back assets from the Trust and, in doing so, provide liquidity back to the Trust.

Given the Trust utilises established and experienced participants in the Australian securitisation market, Foresight's assessment of operational risk critically relates to the Remara Group. A detailed review can be found in the recently published Foresight report on the Remara Private Credit Fund. In this report, we focus on business sustainability risk, which we deem to be low based on the following factors:

1) Net assets of $22.8M (as of 30 June 2022), comfortably above the minimum threshold of the Trust of $10M
2) Available deployable capital, if needed, of $62M
3) Given the recent and expected FUM growth is tied with sustainable net interest margin levels, the expectation is solid future profit growth for the Remara Group

Finally, all warehouse structures in Australia are legally established as bankruptcy remote. Here we note the participation of AMAL Trustees Pty. Ltd. as the Security Trustee and its affiliate, AMAL Asset Management Ltd., as the backup servicer. AMAL is a large, experienced third-party servicer in Australia and New Zealand, with over AUD16 billion of funds under administration. AMAL has experience servicing a number of asset types, including residential and commercial mortgages, auto loans/leases and consumer loans.

Of the 4 pillars, the Foresight rating is weighted to asset quality and warehouse structure. Our assessment is predominantly qualitative in nature but draws heavily on the quantitative performance of each lending vertical. In short, it is a conviction rating, where 'conviction' is defined as no noteholder in the securitisation structure is expected to incur either a disruption of income payments or impairment to capital value.

TRANSACTION PARTIES	
Issuer	AMAL Trustees Pty. Ltd. as trustee for Remara Credit Trust 2023-1
Trustee	AMAL Trustees Pty. Ltd. as trustee for Remara Credit Trust 2023-1
Backup Servicer	AMAL Asset Management Ltd.
Security Trustee	AMAL Security Services Pty. Ltd.
Placement Agent	BGC Securities (Australia) Pty. Ltd.
Manager	Remara Investment Management Pty. Ltd.
Servicer	Grow Finance Ltd and Remara Investment Management Pty. Ltd.
Issue Price	$100.00
Issue Date	26 April 2023
Maximum Issue Size	$150M
SECURITISATION STRUCTURE	
Notes Status & Ranking	The classes of Notes rank in seniority in the following order: first, Class A1 Notes ,Class A2 Notes second; third, Class B Notes; fourth, Class C Notes; and fifth, Class D Notes
Security	The Notes will hold security over all assets of the Trust
Form of Liquidity	The capacity in other Remara warehouses to buy back assets from the Trust and, in doing so, provide liquidity back to the Trust
Hedging Arrangements	None currently due to the floating-rate structure of the underlying loans
ISSUER CONVENANTS & OBLIGATIONS	
Trust Assets	Eligible loans and financing to Australian SME borrowers across a variety of asset categories, specifically Asset Finance, Business Loans, Property Loans, Invoice Finance, Trade Finance and Insurance Premium Finance
Liquidity Threshold	Sufficient funds from the collection of the Trust Receivables to meet all required fees equal to 0.50% per annum of all the Trust Receivables
Exposure Limits	• If Class A1 Notes issued, 100% of the size of Class A1 Notes are required to be supported by assets with a maximum 6-month weighted average life • Any single obligor is to have a max 10% of the portfolio • The top 10 Obligors are to be less than 50% of portfolio • If any loan is unsecured, the maximum size is $100,000 • Obligors with credit ratings of less than 500 must be less than 10% of pool • If a loan is classified as a 'low doc', the Equifax score must be greater than 500 for the company and 600 for its directors.
Eligibility Criteria	See Information Memorandum for individual asset category eligibility criteria.
Class D Notes Replenishment	The Manager will ensure the aggregate stated amount of the Class C Notes and Class D Notes will not be less than 10% of the aggregate stated amount of all of the Class A1 Notes, the Class A2 Notes, Class B Notes, Class C Notes and Class D Notes, at any time.
Stop Origination Events	• The Arrears Ratio (90 Days) on the qualifying loans is greater than 5%. • If an amortisation event subsists
Amortisation Events	Grow Finance Ltd. has net assets (equity) of less than $10M, and this is not cured within 90 days. Measured on 31 December 2023 and semi-annually thereafter.
Reporting	The Manager will provide quarterly compliance certificates within 30 days
Events of Defaults	• Non-payment, failure to comply with financial undertakings • Breach of other covenants/obligations not cured within 45 business days • Vitiation of transaction documents • Cross-default of an amount exceeding $500,000

	• Judgement for an amount exceeding $500,000 • Cessation of business • Insolvency event • Enforcement against assets

Strengths & Risks

STRENGTHS

- **Investment Philosophy & Process:** The Remara Group's 2 originators have a focus on 'prime' borrowers, broadly regarded as borrowers with an Equifax score of 600+. An Equifax score at this level provides a pathway to origination, but the lending assessment of both originators revolves around bank statement/cashflow analysis (real-time analysis) rather than simply relying on historical financial information (such as ATO statements). Furthermore, a philosophy of many small, high-quality loans augments obligor and lending vertical diversification and, in turn, mitigates LGD risk.
- **Originator Track-record & Experience:** The Grow team are experienced SME lenders with over $1.5 billion of financing originated across more than 10,000 loans since being founded in 2015. In what we view as the most reliable guide to whole-of-portfolio performance, total arrears have historically averaged 1.33% and tracked materially lower over the last 12-month period at 0.32% to February 2023. 90+ days arrears across all lending verticals have averaged 0.18% over the last 18 months, which is substantially below the Stop Origination threshold of the Trust of 90+ days arrears of 5%. Gross and net losses, with the latter factoring into recoveries on defaulted loans, were 1.45% and 0.43% respectively, as of January 2023. Historically, gross and net losses in both the Asset Finance (AF) and Business Loans (BL) verticals have been exceptionally low. There have been no losses to date with property loans (though the track record is short).
- **Multiple Layers of Collateral Protections:** In addition to collateral enhancement, at an asset level, noteholders benefit from a variety of protections, including prudent LVRs (currently: AF >108%, BL >80%, Property >85%), no unsecured loans, and potentially GSAs and Director(s) Guarantees. Furthermore, portfolio diversification, a strong focus on 'prime' borrowers (many high-quality loans), relatively short weighted average loan expiry (WALE) tenor (mitigating economic cycle risks), and all lends being principal and interest, mitigate LGD risk. We also note that the AF (largely vehicles) and Property (typically inner-city 4-10 pack property developments) verticals benefit from solid secondary market liquidity in the event of a default.
- **Credit Enhancement Adequacy:** As discussed above, the various classes of Notes benefit from multiple structural protections, including subordination, amortisation events, Stop Origination events, and requirements to retain excess spread under various circumstances. Obviously, higher classes of Notes offer more subordination and protection than lower classes. With respect to the 5% Equity Note first loss buffer, the CE is augmented by retained NIM earned by the 2 originators. In determining the CE, the intention is that even in an extreme fat tail event, the 5% initial equity injection component of the 2 elements of the overall CE is never breached. In other words, any potential draw on the overall CE would come from the accumulated NIM component. In setting the CE, credit modelling is conducted based on the underlying risk profile of the borrowers. As a rule of thumb, the NIM component of the CE is typically set at around 3 times the expected capital loss rate during a market downturn. Historically, Remara has recorded a 35-basis point loss on capital across all of its lending verticals/warehouses. The Manager is assuming this increases to 65 basis points in a market downturn. 3 multiplied by 0.65% equals 1.95%, which compares very favourably to the expected 4 to 6% NIM.
- **Alignment of Interests:** Grow/Remara retain the subordinated Class D Notes, which will take first losses and are required to be replenished to maintain the subordination levels. If not, origination stops, and ultimately the structure goes into run-off. There is a very strong alignment of interest with investors embedded in this origination structure. Not only is the originator 'on the hook' by way of the first loss equity buffer in the warehouse structure (an amount that will typically gravitate to circa 7-8%, given it includes both the equity injection plus retained net interest margin), but it also has direct profitability risk exposure through the originators themselves. If we contrast this with the more common SME lending warehouse financing structure in which the investment manager provides funding (via the warehouse) to 3rd-party originators, it is the originator, not the investment manager, that provides the first loss equity investment.

RISKS

- **Credit Risk:** The portfolio of the Trust is concentrated on SMEs, as well as property. However, it is expected that if economic conditions deteriorate, there will be an increase in arrears and potential underlying loan losses. The increasing interest rate environment may also negatively affect underlying borrowers. Further, as the Trust allows for a broad range of investments, the pool's composition could change over time and represent higher risk exposures.
- **Limited Historical Performance.** While Grow was founded in 2015, the entity has a relatively short track record in many of its SME lending verticals and has yet to weather an economic downturn. Similarly, Remara Credit Pty. Ltd. has a track record of less than 12 months. That said, we have conviction in the strength of the Remara Group's credit assessment processes.
- **Pro-rata Amortisation**: The pro-rata amortisation of the subordinated classes of notes, if principal step-down conditions are satisfied, will lead to reduced credit enhancement of the senior notes in absolute terms. This exposes the senior notes to a higher risk of loss at the tail end of the transaction, particularly if the timing of a default proves to be backloaded.
- **Concentrated Portfolio:** At its inception, the portfolio of the Trust is moderately concentrated by obligors. That said, we expand obligor diversification to increase materially over time in line with the FUM growth in the Trust. Furthermore, the Trust portfolio must comply with various exposure criteria and limits related to the product, size, loan-to-value, term and asset age, as well as overall portfolio limits across various categories. This mechanism is intended to limit outsized risk exposures via increased diversity.
- **Secondary Market in the Notes.** There is currently no secondary market for the Notes and no guarantee that a secondary market will develop, or if one does develop, that it will provide liquidity or will continue for the life of the Notes. As a small size issue, liquidity is likely to be limited, although the Placement Agent will endeavour to make a market in the Notes.
- **Property Sector Risks.** Our key concern is not so much property price risks (we believe first mortgage lenders, and particularly short-term 'bridging' finance lenders, are more than protected by LVRs that rarely exceed 65%). Rather it is property developer solvency risk. That said, we recognise 'swapping out' a failed developer in a small 4-10 pack inner-city development is considerably easier than a large multi-level tower development.

Remara Group Background

The Remara Group was founded in January 2019 by its Managing Partners, Andrew McVeigh and David Verschoor. The Trust is partly serviced by Remara Investment Management Pty. Ltd. (the 'Manager') (ACN 644 751 815). The Manager holds a CAR agreement (CAR 1283762) with Mantis Funds Services Pty. Ltd. (AFSL 531027). The Manager has applied for an AFLS with ASIC. The Remara Group currently manages over $650M in credit-related products.

The Remara Group owns controlling stakes in 2 originators, which is a critical aspect of its longer-term strategy. The first, Grow Finance Ltd. ('Grow'), focuses on the Australian SME lending market. By way of its 2 common shareholders, the Remara Group controls approximately 30% of the common equity in Grow.

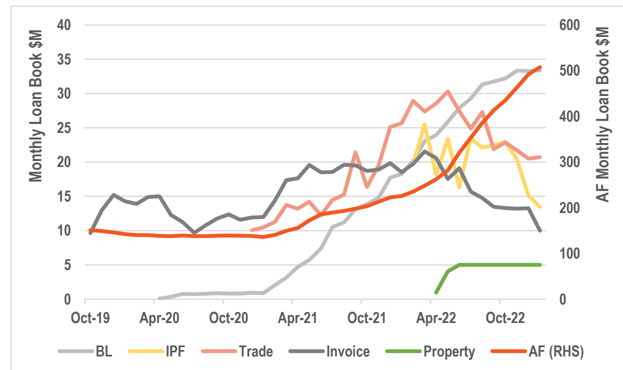
Grow was founded in 2015 (by David Verschoor) with an initial offering that focused on asset and equipment finance. In 2019 the business gained scale through the acquisition of Eclipx Commercial (Eclipx's commercial equipment finance business). Grow then proceeded to pivot the prior origination strategy towards funding primary assets (vehicles). Since then, Grow's lending verticals have expanded to include business loans, trade finance, invoice finance and insurance premium finance. Across these verticals, there is a universal focus on 'prime' SME lending opportunities (businesses that have an Equifax score of 600+ and individual directors that have Equifax scores of 700-800). On 28 February 2023, Grow's portfolio size was $543M.

Remara Credit Pty. Ltd. is a relatively newly-formed entity that is 100% owned by the Remara Group and commenced originating property loans in March 2022. It originates small-ticket real estate loans of $3M and below. It focuses on activities such as the construction of duplexes, townhouse developments and land subdivisions. The risk of an incomplete build or poor sales is lower, and the ability of the Manager to step in and remedy a project is substantially better than a $25M-$40M construction-style build. Remara Credit Pty. Ltd. acts as the core vertical to complement SME exposure.

Exhibit 1: Loan Book by Vertical (at Feb 2023)

Vertical	Start Date	Loan Book ($M)
Asset Finance (AF)	Dec-18	$443.5
Business Loans (BL)	Apr-20	$35.5
Insurance Premium (IPF)	Feb-22	$12.7
Trade Finance (TF)	Dec-20	$19.7
Invoice Finance	Jun-15	$9.2
Property Finance	Feb-22	$22.0
Total		$542.6

Exhibit 2: Loan Book Timeline (to Feb 2023)



Source: Remara Investment Management Pty. Ltd.

Over time, the Manager has stated that it may acquire additional loan originators that serve additional SME niche lending verticals. Should the Manager do so, we are confident that any such developments would be consistent with the philosophical underpinnings of the Remara Group. Most importantly, we are referring to best-of-breed originators focusing on 'prime' borrower segments from a credit risk perspective. We would also note that any such developments would be entirely consistent with a key strategic tenet of Remara, namely managing a diversified lending platform to the SME borrowing segment as a strategic means to diversify risk and mitigate potential margin pressure.

Business Sustainability

Given Remara Group's vertical integration strategy with respect to origination, it is necessary to assess Grow's business sustainability risk, specifically the requirement to maintain a minimum of $10M in net assets (equity). We note that the balance sheet for Grow as at June 2022 shows $22.8M in net assets. In addition to the NTA, the Remara Group has structured 2 preference Notes:

- Global Investment Bank $22M via deployment into first loss and low-tier mezzanine notes to support approved warehouses
- Prominent Australian Pension Fund $25M being deployed into first loss with a minimum of a 2% collateral enhancement (CE) contributed by Grow (this is tighter than fund investors who are mandated to be benefited by 5% CE)

This provides total deployable capital to support the current and future expansion of the warehouses' programs for Grow to the value of $67M (NTA + Pref Notes). The other shareholders of Grow include 2 key institutional parties: Global Investment Bank, which is a 10% equity holder and holds a $22M preference note and an Asia-based investment fund, holding circa 18%.

In the worst-case scenario, these shareholders could potentially act as a source of additional capital. However, we believe this is extremely unlikely given that Grow earns a net interest margin of circa 3% - 4% on its deployment of loans and that this level has been effectively set by Fixed Income Solutions with an eye to the business sustainability of the underlying originators.

Remara Credit Trust 2023-1 Asset Description

On 31 January 2023, the Trust portfolio was split as: business loans, 50.1%; asset finance, 25.0%; property loans, 25.0%. With respect to asset finance, 96% of the loan book currently represents vehicle finance with the residual being medical equipment lends. The total loan volume was $20.1M, with the Trust having a $150M limit. Whilst the portfolio is currently limited to the 3 aforementioned lending verticals, it is Remara's intention to expand the underlying pool of loans/lending verticals in line with the eligible asset categories. As such, we would expect invoice finance, trade finance and insurance premium finance to be progressively added and funded by the issue of subsequent series in the Trust.

Business Loans

Adjacent to the Asset and Equipment Finance segment, Grow provides business loan products, including an overdraft and a term loan product. Security is applicable on loans over $100,000, caveat on loans over $150,000 and ALLPAPS on loans over $250,000. The maximum term for both facilities is 36 months. The overdraft facility is interest-only and is reviewed quarterly. If the account is not renewed, principal and interest apply over the remaining 24-month term. Term loans are repaid on a principal and interest basis. Grow commenced with the provision of business loans in April 2020.

Property owners with a high LTV (>80%) or LMI, less than 50% ownership, property in a rural location, or where a caveat/second mortgage is already lodged, are assessed as non-property owners. Excluding large enterprises ($5M+ revenue) for non-property owners, Grow's

total group exposure (excluding IPF) is a maximum of $200,000. Broker commissions have a clawback with 100% on defaults for up to 6 months and 50% for up to 1 year.

On 28 February 2023, the weighted average remaining term of the portfolio was 19.2 months. The weighted average seasoning of the initial portfolio was 14.7 months. The weighted average LVR was 20.3%. The weighted average Equifax score was 632. The portfolio is modestly concentrated, with the 10 largest obligors accounting for 14.7% of the total portfolio balance across a total of 212 obligors. We would anticipate the obligor diversification to increase over time in line with the FUM growth of the Trust. On 28 February 2023, total arrears were 0.03% (90+ days arrears of 0.01%). Historic gross and net monthly losses have been negligible, averaging 0.0%.

Asset Finance (Vehicles & Equipment Finance)

Grow offers 3 loan types to clients, offered across a range of underlying assets, including vehicles and equipment. Each product is differentiated by its underlying loan amount and credit profile, but there are 2 main contract types: rental contracts and secured loan agreements. All vehicle lends are secured by way of a chattel mortgage. Given the loan book currently represents approximately 96% of vehicle lends (the residual being medical equipment), the loan book is overwhelmingly secured by way of chattel mortgage agreements.

Grow only provides credit to prime, near-prime and low-doc SME borrowers and does not participate in sub-prime or unsecured loans. It primarily aims to provide small-to-medium-sized loans to established, proven and credit-worthy SMEs who require finance for income-generating and business-critical assets or key operating infrastructure. Financed equipment generally has a known secondary or in-situ value. Grow intentionally avoids low-yielding/low-risk loans to large corporates, focusing instead on the large market under-serviced by the major banks.

On 28 February 2023, the weighted average remaining term of the portfolio was 54.9 months. The weighted average seasoning of the initial portfolio was 2.4 months. The weighted average Equifax score was 635, and the weighted average LVR was 55.4% (and a maximum LVR of 59.5%). The portfolio has modest concentration, with the 10 largest obligors accounting for 14.7% of the total portfolio balance across a total of 74 obligors. We anticipate the obligor diversification to increase over time. On 28 February 2023, total arrears were 0.40% (90+ days arrears of 0.11%). Since the acquisition by Grow and the strategic pivot to vehicle finance, historic gross and net monthly losses have been negligible, averaging 0.01% and 0.00%, respectively.

Following the acquisition of Eclipx Commercial in 3Q 2019, Grow implemented a number of significant changes: a near-exclusive focus on vehicle financing (versus the prior heavy exposure to office and café equipment) and materially improving after-market asset liquidity and values; the implementation of Grow's assessment analysis, including the use of bank statements, and; a higher credit score threshold/average. These changes led to a material reduction in both arrears and losses, as discussed in the Performance section of the report.

We also note that in the event of a default, after-market liquidity is aided by all of the underlying vehicle assets being generic, homogenous and used by multiple industries.

Real Estate Loans

Remara Credit Pty. Ltd. provides real estate finance across construction, development, land banking and completed properties as the core vertical to complement SME exposure. The target loan size is up to circa $3M, and the target market is inner-cities, such as Sydney, Melbourne and Brisbane. This type of real estate financing has a relatively low-risk profile and high liquidity. In the case of construction loans, it's much easier to appoint a replacement developer, if needed, than on large multi-level developments.

The portfolio is currently relatively concentrated, with a total of 6 loans. We expect the diversification to increase materially over time. The weighted average Equifax score was 598; seasoning, 10.4 months; the remaining term, 1.5 months; and the weighted average LVR, 75%.

Insurance Premium Finance

Grow provides Insurance Premium Funding ('IPF') facilities that are designed to assist SME businesses in managing their insurance portfolio through a 'pay by the month' product offering. IPF is a complementary product offering for current and prospective clients. Grow commenced the provision of this lending vertical in February 2022. Since then to February 2023, total arrears have averaged 0.11%, while gross losses and net losses have both been recorded at 0.03%.

Every Grow client is required to have adequate insurance prior to receiving a finance facility with Grow. Once Grow has approved a finance facility for an SME client, the provision of an IPF facility enables the client to improve their cash flow management and ensures Grow retains its desired credit profile and support. IPF can improve the client's cash flow management without affecting established borrowing facilities by freeing up working capital. Grow's IPF facilities currently provide SMEs with loans between $1,000 to $5M. Grow has several competitive advantages within the Insurance Premium Finance sector: traditional credit underwriting and servicing experience through proven procedures; organic client base cross-selling with an embedded need for the product; the known risk of funding Grow clients; and established networks of brokers and major aggregator groups.

Trade Finance

Grow commenced with the provision of trade finance in December 2020. Since then, total arrears have averaged 1.47%; gross losses, 0.22%; and net losses, 0.06%.

Trade Finance is a line of credit that allows businesses to order inventory from overseas or domestic suppliers and sell those goods to Australian clients. Unlike a traditional business loan or overdraft, trade finance is transactional and gives the lender oversight on the use of the funds, the participants and the source of the repayments. The maximum term of any given lend is 180 days, although borrowers will typically use the facility as a revolving line of credit. Lends are extended on either a lease or chattel mortgage agreement basis. A maximum advance rate on a supplier invoice of 90% applies. Security is provided by way of a PMSI on stock purchased and director guarantees.

Invoice Finance

Grow's invoice financing facility provides clients with funds for growth and cash flow management. Grow purchases accounts receivable invoices from the client and issues the client a line of credit. It then recovers its capital from the receivables directly, which are generally payable to Grow within 90 days. The maximum funding available to a client is 85% of $2.5M of their unpaid invoices.

There are 2 key invoice finance product types on offer: discounting facilities and factoring facilities. Discounting facilities have lower margins and are less service-intensive, while factoring facilities have higher margins and are more service-intensive. Factoring facilities represent a majority of the core invoice finance book. Security is provided by way of a first-ranking ALLPAAP against debtors/receivables and director guarantees.

Exhibit 3: Eligibility Criteria

Class	Detail	Criteria	Per Portfolio
Asset & Equipment Finance			
Minimum Credit Score		500	614
Maximum Term	• All (excluding clean energy equipment) • Clean energy equipment	• 60 months • 84 months	• 60 months • N/A
Interest Rate Structure	• Fixed	N/A	100% Fixed
LVR by Item	• Heavy commercial vehicles and trailers • Passenger and light commercial vehicles • Clean energy equipment • Medical or other equipment	• =< 120% • =< 130% • =< 100% • =< 100%	• 109% • 108% • 0% • 100%
Business Loans			
Minimum Credit Score		500	600
Maximum Term		36 months	36 months
Caveat/Second Mortgage	(Receivables >$100,000) Related security in respect of the loan includes a caveat loan or second-ranking registered mortgage over freehold property or crown leasehold property, and the property does not have LMI and is in a metro location		
Property Loans			
Minimum Credit Score		500	600
Maximum Term of Loan		=<60 months	24 months
Purpose	Wholly for undertaking business activities on the property (Non-NCCP)		Yes
Maximum Size	Max size as % of all qualifying loans	10%	9.96%
Maximum LVR	• Residential – Metro Property • Residential – Non-Metro Property • Commercial – Metro Property • Commercial – Non-Metro Property • Rural Property • Vacant Land – As per above classification	• <= 85% • <= 70% • <= 65% • <= 65% • <= 55 %	• 85% • 0% • 0% • 0% • 0%

Source: Remara Investment Management Pty. Ltd.

Exhibits 4 and 5 below summarise key attributes of Grow's and Remara's SME and property lending verticals.

Exhibit 4: Remara Group Lending Vertical Profile

Feature	Asset & Equipment Finance	Business Loans	Real Estate Finance	Trade Finance	Invoice Finance	Insurance Premium Financing
Summary	Finance provided for specific assets under rental agreements, operating leases and chattel mortgages	Finance provided for business purposes	Land acquisition finance, construction finance and residual stock finance	Line of credit to purchase inventory	Line of credit to pay up to 80% of unpaid invoices	Replace upfront lump sum payments with smaller monthly instalments
Portfolio	$449M	$37M	$22M	$19.2M	$9.2M	$12.7M
Number of Loans/Facilities	9,465 loans	570 loans	38 loans	74 facilities	30facilities	172 loans
Average Loan	$47K	$53K	$585K	$286K	$3468K	$74K
WALE	58 months	34 months	13 months	Nil months	Nil months	10 months
Yield (p.a.)	11.46%	16.124%	13.3%	12.6%	10.41%	5.5%
Historical Losses	0.63% (net) on $831M financed	Nil on $63.3M financed	Nil on $22.M financed	0.17% on $149.4M financed	0.14% (net) on $870M financed	0.06% on $94.2M financed

Source: Remara Investment Management Pty. Ltd. As at February 2023.

Exhibit 5: Credit Matrix (Summarised) and Collateral Pools by Vertical

Feature	Asset & Equipment Finance	Business Loans	Real Estate Finance	Trade Finance	Invoice Finance	Insurance Premium Financing
Min. Company Score	475	500	450	500	500	450
Min. Director Score	500	500	500	500	500	500
Director Guarantees	Yes	Yes	Yes	Yes	Yes	Yes
Debt Service Coverage	1.25x	1.25x	N/a	1.25x	N/a	N/a
Asset Coverage	GSA/ALLPAAP/PMSI for all assets	GSA/ALLPAAP/PMSI for loans >$250K	Mortgage/caveat/ ALLPAP	GSA/ALLPAAP/PMSI over stocks	PPSR	PPSR
Insurance Wrap	No	No	N/a	Insurance or property LVR<=80%	N/a	Max cash exposure >100K
Max. LVR – Secured	125% *	100% *	80%	90% of cost	85%	105%
Max. Size	$1M	$500K	$3.5M	$3M	$1M	$1M
Max. Term	84 Mths	36 Mths	18/24 Mths	180 Days/Import term	90 days	12 Mths

Source: Remara Investment Management Pty. Ltd.

* Higher LVRs apply to amortising loans, such that LVR declines over the loan term.

Remara Credit Trust 2023-1 Portfolio Positioning

As of 28 February 2023, the portfolio was primarily utilised to fund business loans (50.1%), with asset finance and property evenly representing the residual (both 25%). The top 10 obligors amount to 9.5% of the portfolio and are backed by property or business assets (against a 50% limit). There are no unsecured loans and no obligors with a credit rating of less than 500 (against a limit of 10%).

Exhibit 6: Portfolio Overview (as at Feb 2003)

Overview	% Portfolio	No. Contracts
Total Portfolio Amount ($M)	$20.09M	292
Asset Type	**% Portfolio**	**No. Contracts**
Business Loans	50.06%	212
Asset Finance	24.99%	74
Property	24.95%	6
Total	100.00%	292

Exhibit 7: Portfolio by Top 10 Obligors, Industry

Top 10 Obligors	% of Vertical Portfolio	
Business Loans	5.1%	
Asset Finance	14.7%	
Property	100%	
Total Portfolio	9.5%	
Industry Classification	**% Portfolio**	**No. Contracts**

Weighted Average Loan Expiry	Avg. Term	Repay P/M
Business Loans	52.6 mths	$264.6K
Asset Finance	18.5 mths	$182.3K
Property	4.3 mths	$59.5K
Total	23.5 mths	$506.4K
Portfolio by Credit Score	**% Portfolio**	**No. Contracts**
500-549	19.67%	35
550-599	23.33%	64
600-649	27.86%	81
650-699	9.97%	43
700-750	6.87%	32
>750	12.30%	37
Total	100.00%	292

Construction	31.06%	77
Retail Trade	13.21%	37
Transport, Postal & Warehousing	11.68%	41
Other Services	10.17%	41
Rental, Hiring & Real Estate Services	6.66%	7
Education & Training	5.34%	3
Wholesale Trade	5.13%	17
Manufacturing	3.70%	16
Professional, Scientific & Technical Services	3.45%	16
Health Care & Social Assistance	2.12%	6
Info Media & Telecoms	1.91%	7
Agriculture, Forestry & Fishing	1.40%	5
Other	4.18%	19
Total	100.00%	292

Exhibit 8: Portfolio by Credit Scores

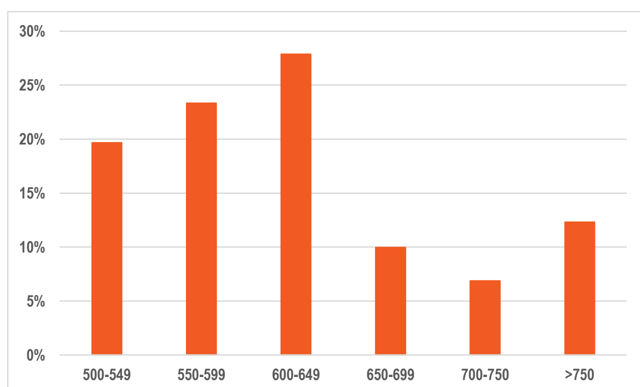


Exhibit 9: Equifax Score Profile by Lending Vertical

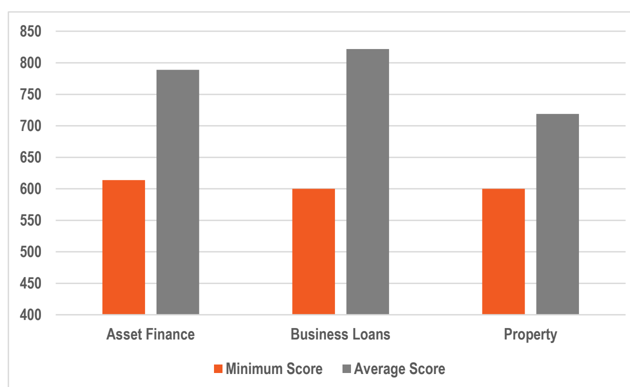


Exhibit 10: Portfolio by Seasoning, Remaining Term

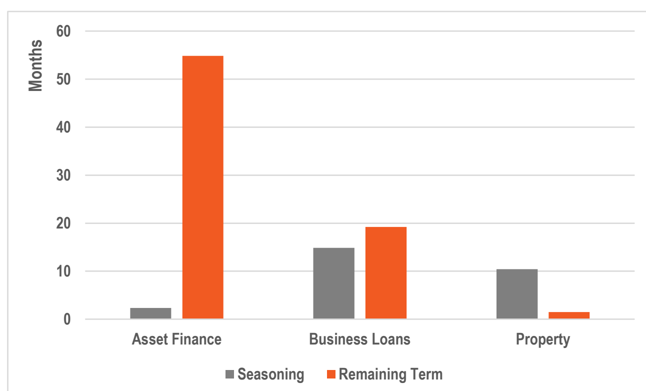
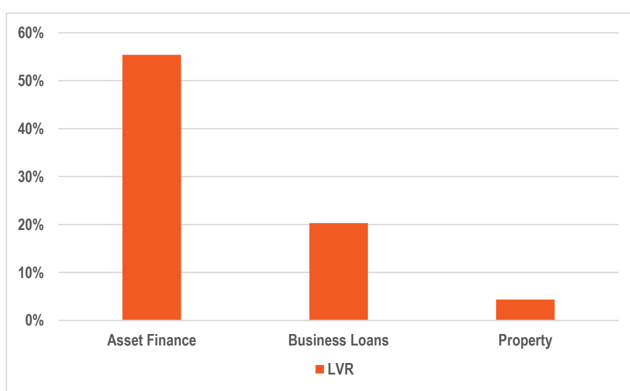


Exhibit 11: Portfolio by LVR



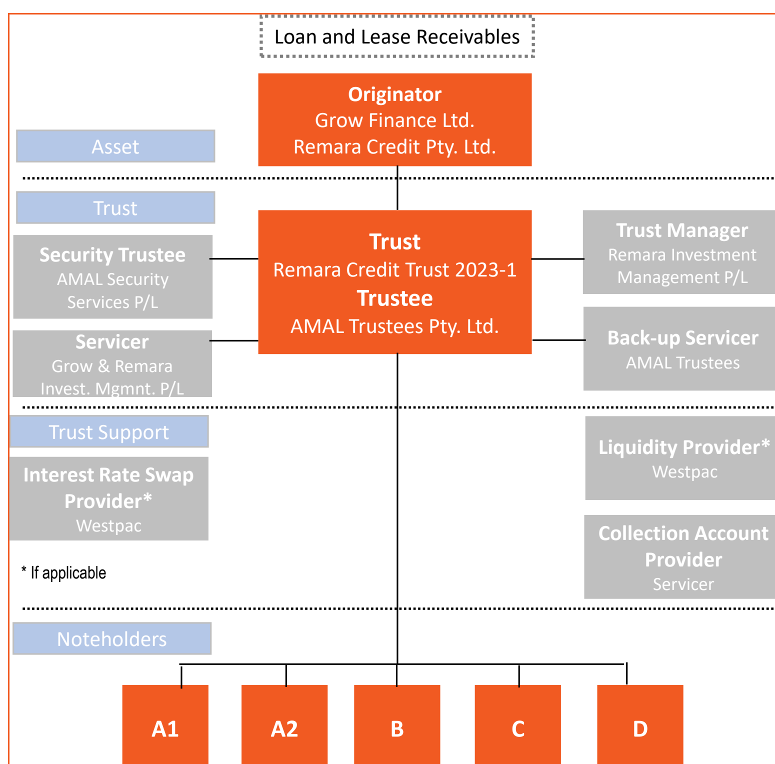
Source: Remara Investment Management Pty. Ltd.

Securitisation Structure

The Trust is a bankruptcy-remote SPV created pursuant to Note Deed Poll, the Trust Supplement and the other Transaction Documents. The Note Deed Poll provides for the creation of an unlimited number of series to be issued in the Trust. For any given series, the note

structure remains unchanged and for any given note, the noteholders of different series rank pari-passu. For example, A1 noteholders rank pari-passu irrespective of the series.

The trustee's obligations in respect of the notes are secured by a security interest over the Trust's assets which is granted under a general security deed in favour of the security trustee. The security trustee holds the benefit of this security interest in a security trust established specifically for the series under the master security deed. The security trustee holds the security on behalf of the secured creditors (which include the noteholders and, should it be required, the swap provider). Following the event of a default, the security trustee has the ability to enforce the security interest and take possession of the assets of the Trust on behalf of the secured creditors.



STRUCTURAL HIGHLIGHTS

Excess Spread

The first source of credit enhancement for all note classes is the retained net interest margin (NIM) earned by the originators (excess spread). On each payment date, excess available income − after meeting specified fees and interest payments of the Trust – will be applied to reimburse current period losses and any carryover charge-off related to each class in order of descending rank as per the waterfall.

The actual value of excess income depends on the level of delinquencies, defaults, prepayments and the portfolio's weighted-average interest rate throughout the life of the transaction. However, based on conversations with the Manager, we anticipate the excess spread to range from 4% to 6%. In effect, given the inclusion of NIM, which will differ from lending vertical to lending vertical, the CE is likely to range from circa 9% to 11% (once the Trust approximately reaches a life equal to the WALE of the underlying loan book).

Subordination

Credit enhancement is also provided by note subordination. Class A1 Notes have a minimum of 50% subordination; Class A2 Notes have 20%; Class B, 10%; and Class C, 5%. In addition, the Class D Notes are required to be replenished by Grow/Remara to maintain the 10% credit enhancement to the Class B Noteholders, and by default, the Class A2 Notes must have 20%, should Grow wish to continue lending out of the Trust.

The Manager is required to replenish any losses incurred on the loans to a level that provides 20% subordination to the Class A1 Notes and Class A2 Notes, and there is a risk that this obligation will not be met. However, we note that if the Manager failed to replenish the required amount within the required time frame, an amortisation event would occur, providing a strong incentive to do so. In addition, if the portfolio of Qualifying Loans does go into run-off, the excess spread from the existing loans at the time would provide further subordination.

The Equity Note component has been determined by Remara to be at least 3x the historic probability of default in a market downturn of the appropriate credit risk spectrum and assuming a 100% loss-given-default (LGD). That is, exceptionally conservative assumptions

given Remara seeks to build the Trust portfolio with a target loss of no more than 0.70%. As noted, in addition to the initial equity contribution, the Equity Note will be bolstered by the retention of the net interest margin (NIM) the 2 originators earn on any given loan until the loan is repaid. Origination fees may also be retained on the same basis.

Liquidity Support

Liquidity support will be sought to ensure the Trust's obligations are met in a timely manner if available interest collections on any determination date are insufficient to meet that month's required payments. Liquidity support in the Trust is provided by way of having the capacity in other Remara warehouses to buy back assets from the Trust and, in doing so, provide liquidity back to the Trust.

Interest Rate Mismatch Risk

There is currently no (or at least very limited) interest rate mismatch risk, given the 3 current lending portfolios are largely based on a floating-rate structure. However, should the lending verticals expand, risk will be introduced. This will be managed by way of the trustee entering into an interest rate swap. It would be expected that under an interest rate swap agreement, the trustee would make a payment to the swap provider at a fixed rate of interest and receive from the swap counterparty an amount equal to the 30-day BBSW. The notional balance of the swap would follow a schedule based on the amortisation of the portfolio, assuming no prepayments. The swap would be extended, and the fixed rate would be adjusted on a monthly basis to hedge new receivables added to the Trust during the revolving period.

Allocation of Payments

Amounts collected from the underlying receivables by the servicer are remitted to the Trust. These amounts are split between income collections and principal collections, and are applied down separate income and principal cashflow waterfalls (respectively) in a predetermined order of priority prescribed by the transaction documents. We refer noteholders to the Information Memorandum of the Trust for a detailed explanation of the income and principal allocations.

Broadly speaking, the income collections are applied in the following order:

1) To meet the senior expenses of the Trust, including fees and reimbursable expenses of the service providers engaged by the Trust and any senior swap payments
2) To pay interest on the securities issued to investors in their order of priority (senior, mezzanine, then junior).
3) To reimburse principal draws and top-up reserves, make good current period and prior period losses and, in some cases, to turbo the repayment of securities
4) To pay subordinated swap payments
5) Any excess spread is to be paid to the originator/sponsor

Principal collections are used in the following order:

- As a principal draw (to top up available income required by the Trust to meet its required payments for a particular payment date)
- Given the Trust is expected to be a revolving structure, towards funding or originating new receivables or to repay the securities. Repayment of the securities is sequential (commencing with the senior securities, then mezzanine, then junior).

The above describes the cash flows in a pre-enforcement scenario. Following an event of default and enforcement of the security interest held by the security trustee, a single cashflow waterfall will typically apply where senior expenses are paid first, followed by the investors in order of their seniority and finally, any subordinated swap payments.

Application of Income

Exhibit 12 provides a simplified application of income. On each monthly payment date, the issuer's available income funds (that is, interest, fees and break costs received from the portfolio, recoveries from losses, interest and investment proceeds from the issuer transaction account and the collection account, liquidity and principal draws) will be applied in the following simplified order of priority.

Exhibit 12: Simplified Application of Total Available Income

Order	Detail
1.	$10 to the holder of the participation unit
2.	Taxes, and all expenses, fees and any swap costs due
3.	Pari-passu and rateably, interest on the class A1 and A2 notes and any unpaid interest in previous periods
4.	Sequentially, interest on the class B and C notes
5.	Reimbursement of any outstanding principal draws
6.	Toward principal collections for the current period losses on defaulted assets
7.	Towards principal collections to reimburse any outstanding note charge-offs
8.	Towards the amortisation ledger, if an amortisation event subsists
9.	Interest on the class D note
10.	Interest on the participation unitholder/sponsor notes
11.	Repayment of principal due on the sponsor note
12.	Participation unitholder

Investment Philosophy

The Remara Group uses a range of philosophies to structure its offerings, but the most important is its vertically-integrated lending origination.

The integrated private credit platform created by Remara, by way of its ownership in the lending originators, is to our knowledge, unique in the Australian SME lending private debt segment as well as in real estate finance (as opposed to long-term residential mortgage lending). In our view, it will have a significant bearing on the longer-term performance of the Fund.

Remara notes the following advantages of this type of structure:

- The ownership of the asset generation engine allows Remara to provide a suite of private credit assets
- Remara's philosophy is based upon many small, high-credit-quality risks, as opposed to large notional exposures or pools of low-credit-quality assets
- This diversification across size, product and underlying obligor reduces the overall risk of the portfolio
- The ownership of the asset generation engine allows Remara to respond to the market so that it is able to generate more assets as inflows expand
- The diversity in underlying products also allows Remara to respond to the liquidity needs of investors through both short-term and long-term duration loans
- Remara is looking to improve the return on private credit assets by removing unnecessary layers and allowing investors to be 'closer to the assets'

There is a very strong alignment of interest with investors embedded in this origination structure. Not only is the originator 'on the hook' by way of the first loss equity buffer in the warehouse structure (an amount that will typically gravitate to circa 7-8%, given it includes both the equity injection plus retained net interest margin) but also has direct profitability risk exposure through the originators themselves. If we contrast this with the more common SME lending warehouse financing structure in which the investment manager provides funding (via the warehouse) to 3rd-party originators, it is the originator, not the investment manager, that provides the first loss equity investment. We expect the vertically integrated Remara model to provide a stronger alignment of interest.

At an industry level, there is also the challenge of procuring high-quality private credit. The number of strong lending originators within the Australian market is limited, and most of those lending originators are already set with bank warehouses, mezzanine relationships and funding relationships. As such, the opportunity to access a high-quality pool of assets and provide a continuous flow of debt financing is a constraint, and it is our view that constraint will grow over time.

For an investment manager in the segment, the risks of this constraint could include accessing lower quality third-party originators (i.e., high credit risk), facing financing/FUM growth constraints or providing third-party originators with more attractive warehouse pricing terms, implying a lower return to investors for a given level of credit risk. So, when Foresight states we believe Remara has established a 'future-proofed' investment model, it is the ability to minimise these potential risks that we are referring to by owing best-in-class originators.

But the 'future-proofing' notion goes further than broader market dynamics. At the coal face of credit origination, the ownership provides Remara with the highest degree of oversight of credit lending standards, the ability to dynamically manage lending criteria based on the economic outlook, as well as the ability to rapidly tactically tilt lending in relation to perceived SME sub-sector/industry segment risks.

Investment Process

Both Grow Finance and Remara Credit Pty. Ltd. focus heavily on cash flow analysis when assessing loans.

Equifax scores, at both the business level and the director level, represent a 'gating' analysis. There is a focus on businesses that have 600+ Equifax scores with individual directors that have 700+ Equifax scores (all classified as 'prime').

Following this, prospective borrowers are assessed on a cash flow basis. The Manager reviews bank statement data over a 12-month rolling period to assess cash management and ensure the business does not have a significant concentration of individual revenue sources. The originators are seeking to determine whether any 'negative screens' are present. Negative screens may include late or missed repayments on other loan commitments or an erratic personal expenditure profile. This analysis is conducted both at the business and director levels, with Remara having a general view that financial issues at the personal level often flow through to the business level.

Based on their years of experience, Remara has created cashflow templates for certain industries allowing them to assess the disclosed costs in a potential loan agreement against the industry standard.

Note: The Equifax Scoring Methodology

Equifax is a broadly-used scoring methodology to assess consumer and SME credit risk. The score is based on a number of characteristics held on the Equifax credit reporting databases, including applicant information, the number and types of enquiries, as well as adverse information (defaults, default judgments and insolvency information).

For consistency, all of the Equifax credit reporting products built since 2011 incorporate the 'Masterscale'. The scale ranges from -200 to 1200. A score of 200 represents odds of 1:1 which means the applicant has a 50% chance of having an adverse outcome (defaults, default judgments and insolvency) on their Equifax credit report in the next 12 months. The probability of an 'adverse' report over a 12-month period by scoring band is summarised below.

Exhibit 13: Equifax Scale Ranges

Score	Mean Probability of Failure*	Probability Of Adverse Report**	Equivalent S&P	CreditorWatch
-200	74.3%	93.7%		E
-99 to 0	53.8%	80.0%	C	E
1 to 100	39.8%	66.7%		
101 to 200	28.2%	50.0%		D3
201 to 300	17.4%	33.3%		D2
301 to 400	8.7%	20.0%	CCC	D1
401 to 500	4.6%	11.1%	B-	C3
501 to 600	2.4%	5.9%	B-	C2
601 to 700	1.2%	3.0%	B	C1
701 to 800	0.6%	1.5%	B+	B3
801 to 900	0.3%	0.8%	BB	B2
901 to 1000	0.2%	0.4%	BB+	B1
1001 to 1100	0.1%	0.2%	BBB-	A3

*Failure is defined as the borrower entering external administration or liquidation in the next 12 months.

**Adverse Report is a default or a default judgment in the next 12 months.

The 2 charts below illustrate an extrapolation of the mean probability of default data above tied with the Trust's portfolio composition by Equifax category. The net loss calculation factors in the recovery rate of the 3 lending verticals as at February 2023, specifically 70%. We note the total figures approximate the actual track record of the Remara Group, as noted in the Performance section.

Exhibit 14: Implied Gross Losses by Equifax Category

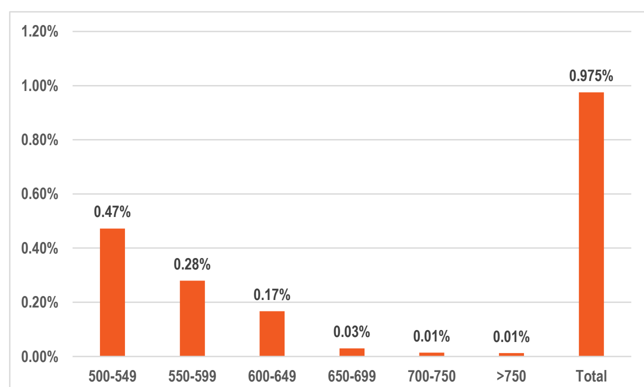
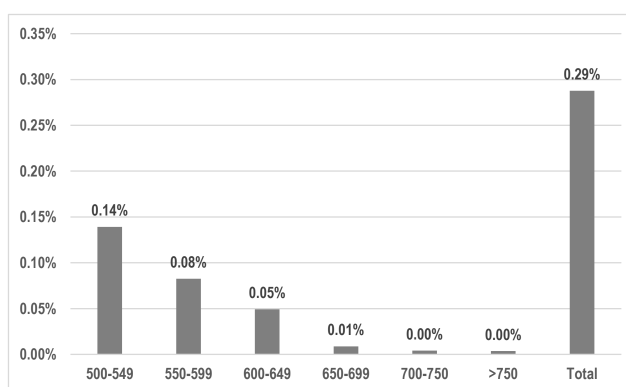


Exhibit 15: Implied Net Losses by Equifax Category



Source: Foresight

ORIGINATION

Origination channels vary according to the lending vertical. For business loans and asset finance, approximately 90% of prospective loans are generated by a panel of external brokers. These brokers furnish Grow with lending prospects that are consistent with Grow's credit metrics, credit profile and the assets Grow typically finances.

With insurance premium funding finance, lending prospects are introduced by insurance brokers. These relationships are critical to IPF lending as the insurance broker has power of attorney over the insurance policy with Grow and the ability to cancel it.

Trade and invoice finance, which is more of the structured receivable cash flow credit, is typically originated by way of introductions through accountants and advisors. There is an element that comes through the broker community, but finance brokers are generally not well-versed in these more structured credits.

Real estate financing is originated in very much the conventional way for the industry, specifically a mix of broker referrals and direct relationships with pre-existing borrowers (often developers).

DEAL STRUCTURING

Both originators prioritise capital preservation which is evident by their focus on Prime borrowers. In each lending vertical, there are detailed specifications for industry risk, geographic risk, probability of default, level of security at the borrower level and level of credit enhancement at the borrower level. The investments, in decreasing order of priority, are capital preservation, level of income and longevity of investments.

Over and above parameters at the lending level, Trust structuring is done in conjunction with external senior funders, legal counsel and the custodians of the Trust.

ONGOING PORTFOLIO MANAGEMENT

Remara reviews and analyses their exposure on a monthly basis, including full transparency of the loans, their maturities, delinquencies, and processes to manage defaults within the portfolio.

Remara Credit Trust 2023-1 – Related Performance

The Trust is a newly issued vehicle, and the vast bulk of the initial portfolio has very limited seasoning. As such, the credit performance track record is very limited. To provide a guide to indicative performance, we have used 2 separate but related forms of analysis.

First, to assess the historical performance of Grow that is pertinent to the Trust, we examined the track record of both the asset finance and business loans verticals. Remara Credit Pty. Ltd. (property loans) has a very limited track record, but based on its limited number of lends, it has recorded zero losses, zero defaults and no arrears.

Second, we examined the historical performance of a managed discretionary account (MDA) launched in February 2020, which incorporates all the lending verticals the Remara Group engages in and which we anticipate will be added to the Trust over time.

The first assessment process provides a guide to the potential performance of the Trust from its outset. The second assessment indicates the potential performance over the longer term as the number of lending verticals increase.

Finally, we note the performance of the predecessor Remara Credit Trust 2021-1, which has the same lending vertical eligibility as the Trust. Based on the information provided, the Remara Credit Trust 2021-1 is performing as expected and remains in compliance with the terms and conditions of the Notes. Over the 3 years to date, credit losses through this Trust have been less than 0.25%, and total arrears are currently less than 1.00% (well within the Stop Origination limit of 90+ days arrears of 5%).

All data below is to February 2023, unless explicitly stated otherwise.

ASSET FINANCE

As noted, Grow was established in 2015 and started originating primary asset chattel mortgages with significant volumes in late 2019. We have considered Grow's asset finance static loss data across the full history of its originations, as well as the more limited origination vintages from Q1 2020 to Q4 2022, which align with the pivot in Grow's origination strategy towards funding primary assets.

We have highlighted the key performance points below:

- Arrears have historically averaged 0.66% (which includes the 'abnormal' COVID-19 period) and tracked materially lower over the last 12-month period at 0.37%.
- Post the acquisition of Eclipx (post 3Q 2019), gross and net losses declined materially, averaging 0.49% and 0.22% specifically. This compares to pre-acquisition figures of 2.40% and 1.17%, respectively (refer to Exhibits 20 and 21 below). According to a Moody's assessment, we note the post-acquisition loss figures are materially lower than the lending vertical sector average, reflecting the strength of Grow's lending assessment processes.
- Based on the above, we note a historical recovery rate of circa 50%. Truck and Trailers has the highest exposure at 43% of the underlying pool and has excellent recovery value and a liquid secondary market for recoveries.

Exhibit 16: Asset Finance – Arrears

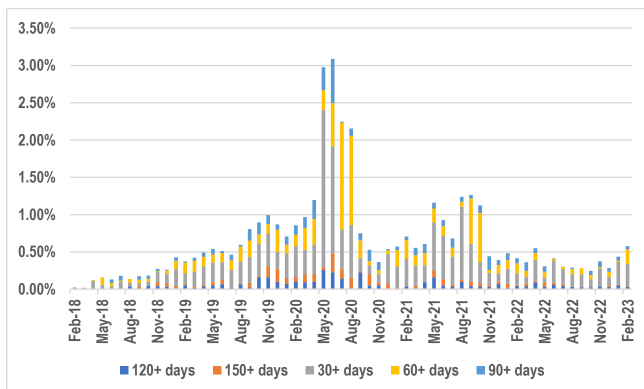


Exhibit 17: Asset Finance – Net Losses by Year

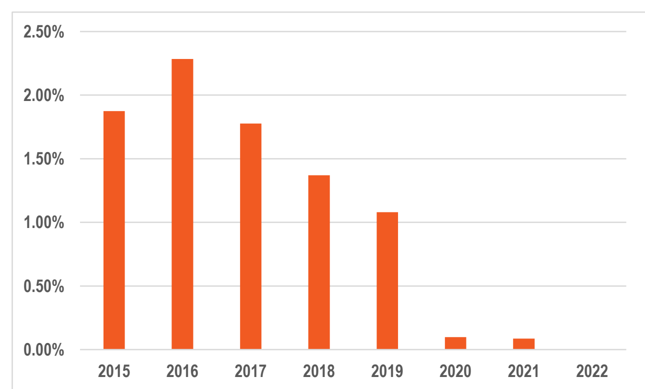


Exhibit 18: Asset Finance – Gross Losses by Vintage

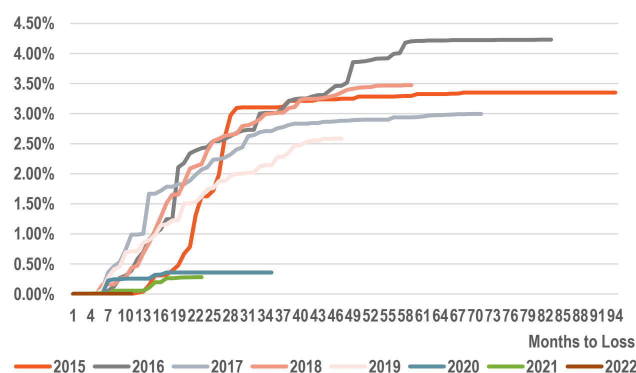


Exhibit 19: Asset Finance – Net Losses by Vintage

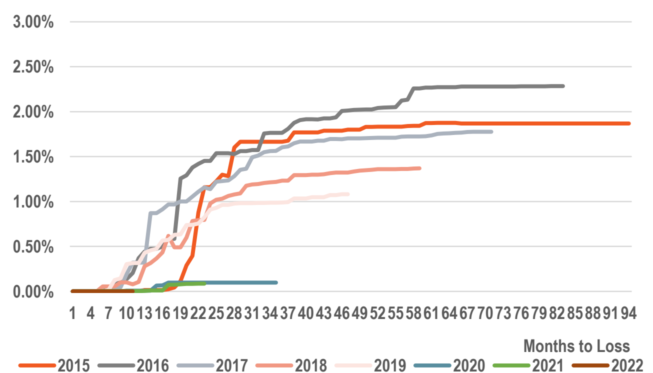


Exhibit 20: Asset Finance – Net Losses Post-3Q 2019

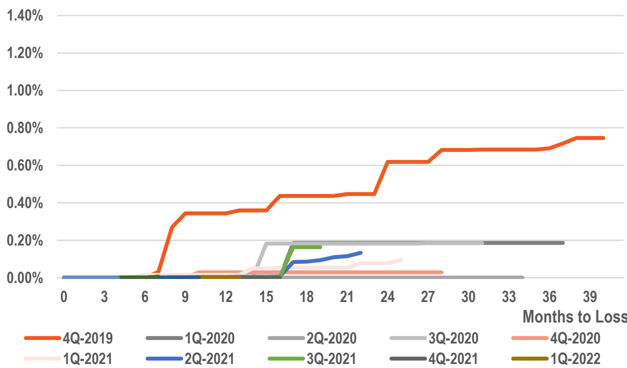
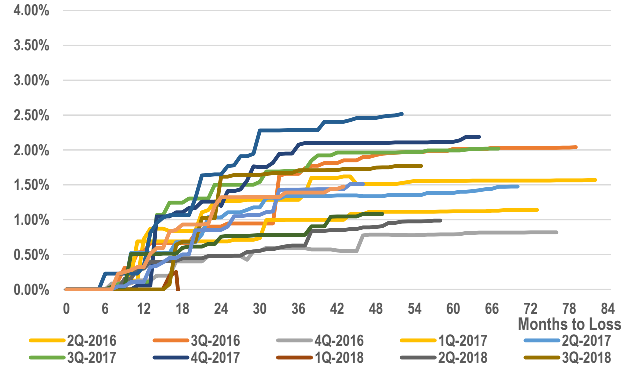


Exhibit 21: Asset Finance – Net Losses Pre-3Q 2019



BUSINESS LOANS

We have highlighted the key performance points below:

- Arrears have historically averaged 1.37%.
- Gross and net losses have been negligible, recording an average of 0.0% and 0.0% respectively, as of January 2023.

Exhibit 22: Business Loans – Monthly Equifax Score

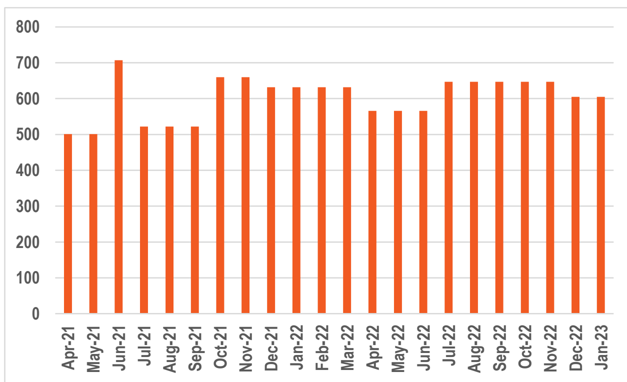


Exhibit 23: Business Loans – Arrears

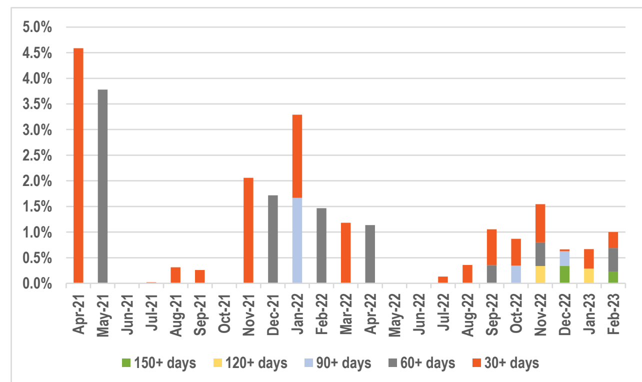


Exhibit 24: Business Loans – Gross Losses by Vintage

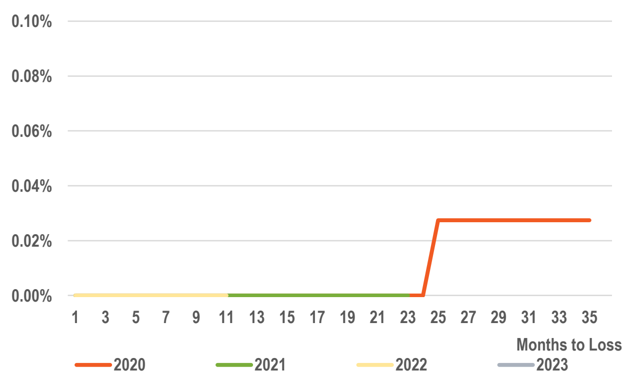
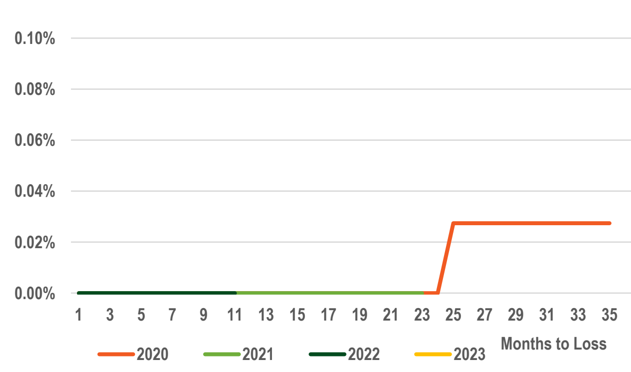


Exhibit 25: Business Loans – Net Losses by Vintage



MDA MANDATE

We've highlighted the key points here:

- Arrears have historically averaged 1.33% and tracked materially lower over the last 12-month period at 0.32%.
- Gross and net losses, with the latter factoring in recoveries on defaulted loans, were 1.45% and 0.43% respectively, as of January 2023. We note that the NIM component added to the CE levels is materially higher than 3x (the multiplier applied to determining the NIM to an assumed net loss rate) is materially 3x this historic level.
- Based on the businesses' and directors' credit scores (Equifax), the majority of the portfolio is above 600. This is very strong.
- Truck and Trailers has the highest exposure at 36% of the underlying pool and has excellent recovery value and a liquid secondary market for recoveries.
- Less than 2% of the portfolio was written as a policy exception. This is very strong, and usually the exception is time is business standards as the Manager allow continuity of operations of past experience if a new borrower entity is used.
- The top 10 obligors comprise 3.54% of the portfolio, reflecting the strategy of higher quality, smaller loans as an LGD mitigant.

Exhibit 26: Portfolio by Arrears

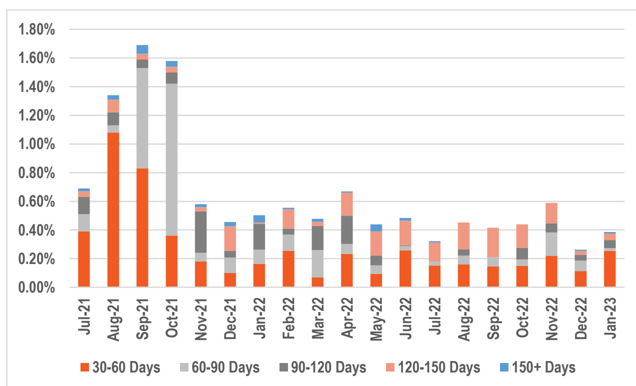
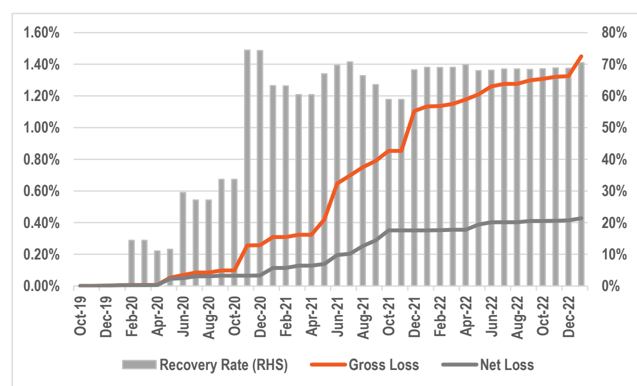


Exhibit 27: Gross Losses, Net Losses & Recovery Rates



Foresight Analytics

FORESIGHT CREDIT ASSESSMENT

The Foresight Analytics' Credit Assessment is a quality and evidence based evaluation of cashflow and capital risk associated with a credit SPV or Trust.

Assessment	Definition
Approved	Indicates our high quality and evidence-based conviction that no noteholder tranche will incur either a disruption to periodic income payments or an impairment of capital. The assessment is based on 5 key pillars: Asset Quality & Performance, Capital Structure, Credit Capability, Business & Operations and SPV Legal Structure.
Qualified	Indicates our moderate quality and evidence-based conviction that no noteholder tranche will incur either a disruption to periodic income payments or an impairment of capital. The assessment is based on 5 key pillars: Asset Quality & Performance, Capital Structure, Credit Capability, Business & Operations and SPV Legal Structure.
Not Approved	Indicates our low quality and evidence-based conviction that no noteholder tranche will incur either a disruption to periodic income payments or an impairment of capital. The assessment is based on 5 key pillars: Asset Quality & Performance, Capital Structure, Credit Capability, Business & Operations and SPV Legal Structure.

Foresight Credit Assessment Methodology

Foresight Analytics and Ratings uses a Quality and Risk-based assessment framework for credit vehicles. There are 5 pillars underpinning this analysis. These include:

1. Asset Quality & Performance (30%)
2. Capital Structure (25%)
3. Credit Capability (25%)
4. Business and Operations (10%)
5. SPV Legal Structure (10%)

Foresight Analytics and Ratings' methodology for credit assessment can be downloaded from our website.

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Financial Services Guide

A copy of the Foresight Analytics' Financial Services Guide is available on our website. It can also be obtained by calling 02 8883 1369.