

Fund Summary

Fund Name	AVARI 1st Mortgage Real Estate Fund
Fund Manager	AVARI Capital Partners
Asset Class	Private Debt
Sub-asset class	Property
Strategy Description	The Fund will originate and invest in loans secured by 1 st mortgages over Australian real estate. The loans will include loans taken out in respect of land, construction, commercial properties and residual stock loans. The Fund targets an average Loan-To-Value Ratio (LVR) of 65% or under.
Return Objective*	BBSW + 6% p.a. (equivalent to 9.8% as at 19 May 25)
Distributions Frequency	Monthly
Fund Structure	Australian Unit Trust
Terms of the investment	<ul style="list-style-type: none"> • Evergreen, open-ended with monthly applications • No initial lock-up • Monthly redemptions (provided that a redemption request is made at least 1 month prior to the next redemption date)
Fees (exclusive of GST)	<ul style="list-style-type: none"> • Management fee – 0.80% of Net Asset Value • Performance fee – Nil • Loan Establishment Fee – Generally 1%-1.5% of the facility limit of each loan • Other fund related expenses – Approx 0.05% p.a.
Drawdown Profile	Fully drawn on day one into an existing portfolio
Minimum Investment	\$50,000
Key Dates	Refer to: https://www.partnersprivate.com.au/investments/unlisted/avari-1st-mortgage-real-estate-fund/
Offer Documents	Information Memorandum

*Return Objectives are not guaranteed, and total returns may be above or below target range. This summary has been provided for illustrative purposes only. All terms and conditions contained herein are subject to and will be superseded by the final documentation. Please refer to the Fund's Information Memorandum for further details. This summary is not an offer or solicitation to purchase interests in the Fund. Such interests are only offered pursuant to the terms of the Information Memorandum, which should be reviewed carefully prior to investing. Past performance and/or forward-looking statements are not a reliable indicator of future performance.

AVARI 1st Mortgage Real Estate Fund



The Opportunity

Private debt as an asset class has seen an astounding rate of growth in Australia but adoption is well below that of the USA and Europe* – providing runway for further growth. In particular, property private debt is also expected to benefit as the banks continue to step back, providing more opportunity to lend to quality borrowers.

Banks stepping back

Several structural and regulatory shifts are driving banks out of property development and commercial real estate lending:

- Stricter capital requirements under Basel III have required banks to hold more capital for property loans which reduces their profitability and the banks' appetite to lend.
- Banks have tightened their lending standards, often requiring stringent criteria such as 100% pre-sales and high serviceability whilst overlooking other important factors that can reduce downside risk.
- Banks are reducing lending and support to non-core businesses which may include longer-term development or commercial real estate loans to mid sized firms.

1st Mortgage Loans

1st Mortgage real estate loans generally represent the lowest risk within the private debt asset class. A registered 1st mortgage over the asset gives lenders the rights to sell this asset in the case of a default and is the first loan to be repaid. Holding a hard asset as security for each loan gives investors significant protection, especially when LVR is low.

The borrower's equity will generally be first provisioned which provides them with strong incentive to see the loan repaid, if adequately structured. In addition, personal and corporate guarantees can also be put in place to further reduce risk.

* Source: <https://privitycredit.com/news/private-credit-trends-in-australia-2025/>

The Fund Manager

Established in 2014, AVARI Capital Partners manages over \$1.5bn across property private debt and property direct assets.

The Manager is run by an experienced group of operators who are well versed in this space and can traverse problems if they arise. AVARI is led by the CIO, Ben Coughlin and CEO Alan Liao. Ben was previously the Head of Real Estate at Oaktree Capital and Head of Real Estate at Macquarie. Alan is the founder of AVARI and has a lengthy background in real estate development and investment banking.

AVARI prides itself on conducting deep due diligence with an institutional lens. They have a fully integrated property team including architects, project managers, tenant managers, interior designers and development managers.

Within the Manager's credit business, they have not lost capital on a single loan. Where there were default situations (two to date), they were able to recover principal back as well default interest for the benefit of investors.



AVARI 1st Mortgage Real Estate Fund



The Strategy

The AVARI 1st Mortgage Real Estate Fund is an open-ended, unlisted fund that invests in a portfolio of real estate backed loans, secured by first ranked mortgages.

AVARI aims to achieve the best risk/reward for investors through a risk-led investment process that combines robust due diligence and hands on risk management.

They have a low selection rate of investments in their origination network (of brokers, sponsors and developers) and evaluate transactions on a bottom-up basis, always seeking to structure credible exit paths and protection in each loan.

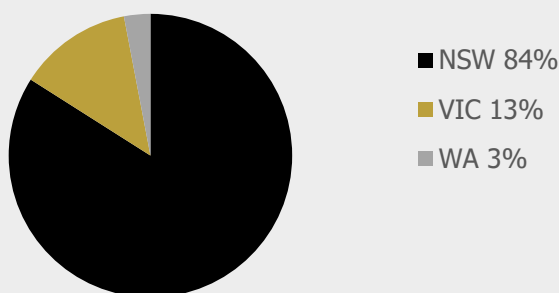
The target return for the fund is BBSW+6% p.a. after fees. The Fund has outperformed this return by 1.95% p.a. since inception in 2021 without funding any high-rise apartment construction loans.*

As at March 2025, the current portfolio has a FUM of \$320 across 24 loans with the following attributes:

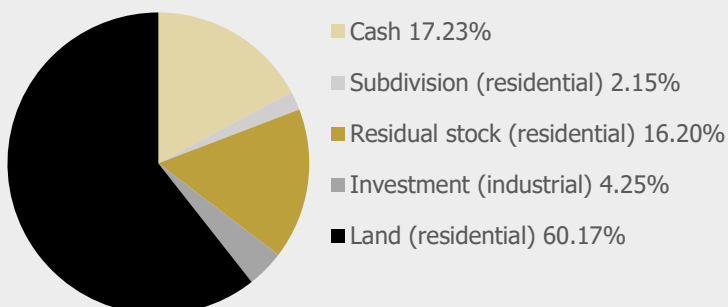
- LVR of 52.1%
- 9.4 months in weighted average duration
- 84% to NSW
- 95% of the invested loans are in residential

**Past performance is not a reliable indicator of future performance*

Geographic allocation



Asset allocation



Partners Private View

We believe now is the right time to invest in Property Private Debt. Specifically, we like 1st mortgage property debt compared to subordinated property debt given the current business cycle and macro volatility.

While all investments carry risk, 1st mortgage property debt is more supported by the structural protections of a hard asset and the borrower's profits and equity, prior to capital loss. Moreover, given the residential housing supply demand imbalance nationally, residential focused lending can capture tailwinds to equity values and additional capital loss buffers.

Alongside diversification, choosing the right manager to originate, manage and act in the investor's best interest is particularly essential in property private debt.

We like that AVARI has strong credit frameworks and institutional influenced due diligence processes in place. This has been evident as our team have sat with members of the AVARI investment team who took us through a number of transactions from origination to repayment, including a review of their credit papers. We highlight that capital preservation is their primary focus as they look to structure innovative ways to mitigate risks for investors (such as setting up covenants milestones that notch up interest rates if not met) and compensate them adequately.

AVARI has an integrated inhouse team across key functions which allows them to pre-empt actions before issues surface. Their team is considered to be well resourced and has been further bolstered by the addition of Ben Couglin who brings an institutional skillset from his prior role as Head of Real Estate at Oaktree Capital. AVARI's track record of \$nil capital losses and full recovery of default interest to date can be attributed to their hands on approach and their ability to step in, if needed.

