

Bedrock Mortgage Fund

Fact Sheet - August 2024



Fund Details

Fund:
Ark Bedrock Mortgage Fund

Trustee:
Ark Capital Funds Ltd
ACN 604 775 573
AFSL 476209

Fund Manager:
Ark Capital Funds Ltd

Fund Commenced:
December 2023

Fund Type:
Pooled mortgage fund
for wholesale investors

Distributions Paid:
Monthly

Distribution Reinvestment Available:
Yes

Minimum Subscription:
\$50,000

Minimum Investment Term:
6 months

Redemption:
Quarterly

Target Return:
RBA cash rate + 5%

Investor share of origination fees:
Minimum 1% of investment size

Management Fee:
0.75% of FUM

Direct Costs:
Capped at 0.25% of FUM

Performance Fees:
Nil

Application Fees:
Nil

Redemption Fees:
Nil

Investor Contacts:
Stephan DeSilva
stephan.desilva@arkcapitalfunds.com.au
0455 554 120

Shane Wakelin
shane.wakelin@arkcapitalfunds.com.au
0409 985 986

Ark Capital Funds Ltd is the trustee for Ark Bedrock Mortgage Fund (the Fund), an unregistered unit trust, which is only available to wholesale investors (as defined under the Corporations Act 2001). The investment manager for the Fund is Coinlot Pty Ltd atf Nambawan Management Trust (ABN 48 745 786 335).

This material has been prepared for general information only and does not constitute financial advice nor an offer of any financial product. An Information Memorandum including an Application Form for the Fund is available upon request for wholesale investors and contains among other things a description of the risks associated with an investment in the Fund.

Key Metrics

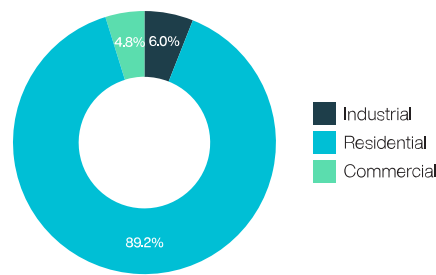
Fund Performance	Jun24	Jul24	Aug24
Mth Return (net of fees)	0.93%	0.96%	0.96%
Annualised	11.30%	11.30%	11.25%
Periodic Performance	Raw	Annl	
1 Mth	0.96%	11.25%	
3 Mths	2.84%	11.31%	
Fin YTD	8.50%	11.35%	
Since Inception	8.50%	11.35%	

11.25% p.a.
Annualised Return for August 24

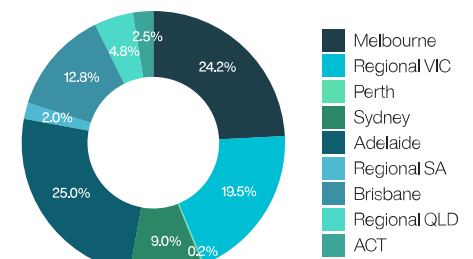
Fund Details	Jun24	Jul24	Aug24
Funds under Management	\$40.2 m	\$41.0 m	\$43.7 m
Number of Unitholders	110	114	121
Number of Borrowers	14	13	13
Number of Loans	18	19	20
Average Loan Size	\$2.0m	\$2.0m	\$2.2 m
Average LVR	62.8%	61.9%	63.9%
Average Interest Rate	10.98%	11.44%	11.30%
Average Fee Income	1.29%	1.43%	1.43%
Average Loan Maturity	11 mths	11 mths	12 mths
Loans in Arrears	nil	nil	nil
Loans with Prepaid Interest	100%	100%	100%

Portfolio Diversity

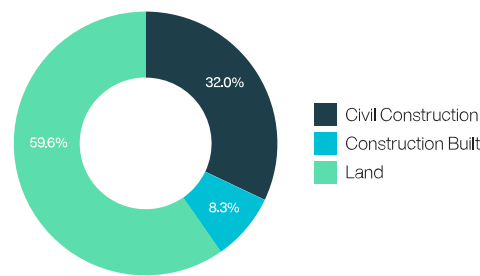
Investment Sectors - August 24



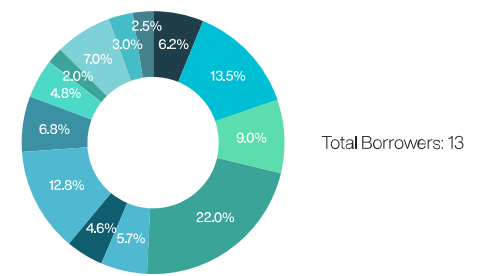
Geographic Location - August 24



Loan Type / Purpose - August 24

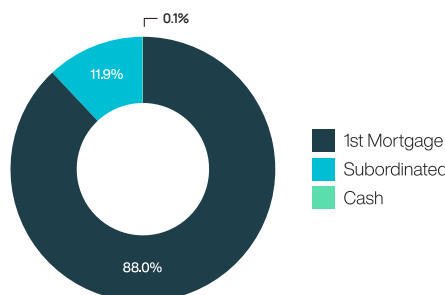


Borrower Mix - August 24

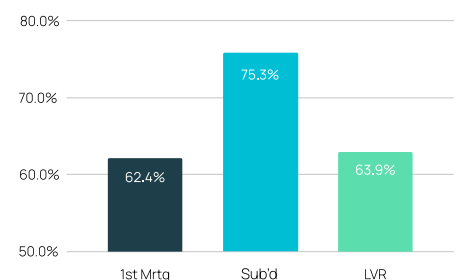


Total Borrowers: 13

Portfolio Investment Mix - August 24



LVR Profile - August 24



Fund Details

Fund:

Ark Bedrock Mortgage Fund

Trustee:

Ark Capital Funds Ltd
ACN 604 775 573
AFSL 476209

Fund Manager:

Ark Capital Funds Ltd

Fund Commenced:

December 2023

Fund Type:

Pooled mortgage fund
for wholesale investors

Distributions Paid:

Monthly

Distribution Reinvestment Available:

Yes

Minimum Subscription:

\$50,000

Minimum Investment Term:

6 months

Redemption:

Quarterly

Target Return:

RBA cash rate + 5%

Investor share of origination fees:

Minimum 1% of investment size

Management Fee:

0.75% of FUM

Direct Costs:

Capped at 0.25% of FUM

Performance Fees:

Nil

Application Fees:

Nil

Redemption Fees:

Nil

Investor Contacts:

Stephan DeSilva
stephan.desilva@arkcapitalfunds.com.au
0455 554 120

Shane Wakelin

shane.wakelin@arkcapitalfunds.com.au
0409 985 986

Ark Capital Funds Ltd is the trustee for Ark Bedrock Mortgage Fund (the Fund), an unregistered unit trust, which is only available to wholesale investors (as defined under the Corporations Act 2001). The investment manager for the Fund is Coinlot Pty Ltd atf Nambawan Management Trust (ABN 48 745 786 335).

This material has been prepared for general information only and does not constitute financial advice nor an offer of any financial product. An Information Memorandum including an Application Form for the Fund is available upon request for wholesale investors and contains among other things a description of the risks associated with an investment in the Fund.

Fund Manager Commentary

August 2024 Update

August 2024 saw Ark Bedrock deliver another strong return of 0.95% (11.25% annualised). Funds under management (FUM) rose by \$2.7 million, ending August at \$43.7 million, with an additional \$3.0 million received for unit issuance in September. The year-to-date (and inception-to-date) Bedrock return is 11.35% annualised. At the end of August, the portfolio comprised 20 unique loans to 13 borrowers across 9 different geographies in 6 states/territories, spanning 3 different development sectors and 3 different loan types. Land and civil construction loans continue to make up the bulk of the portfolio at 91.7% of the total, with the remainder invested in commercial and industrial built-form loans.

There were two notable changes to the portfolio in August, with \$4m invested in a civil construction loan for a residential land subdivision in Burpengary East, Brisbane and a reduction of \$1.25m in a residential land banking loan in Ballarat, regional Victoria. The average loan-to-value ratio (LVR) increased slightly to 63.9%

The Development Environment

In recent months, we have provided commentary on the pressures facing property borrowers in various states and development sectors (most notably in Victoria and NSW, specifically in built-form projects). Ark has maintained its focus toward geographies such as South Australia, South East Queensland, and Western Australia, where the development sectors have been displaying more favourable investment conditions with strong demand and supply metrics. We have also discussed Ark's response in terms of the types of loans we are issuing, with a focus on lower-risk land and civil construction loans. Furthermore, we have emphasised our commitment to providing a truly diversified investment portfolio in Bedrock, recognising that many investors have chosen Bedrock due to the risk-reducing benefits of diversity. Pleasingly, we continue to achieve this. All of these messages remain relevant as we move forward.

It is becoming increasingly apparent however that lenders who typically offer larger loans for built-form construction projects are beginning to compete more in our mid-market, land, and civil works space, and in the geographies we have been active in. This is leading to increased competition for higher quality investments and we expect that this, and forecasts of lower future RBA rates may have a downward impact on new loan interest rates and, consequently, returns to the fund. We view this competitiveness as part of the cycle, something Ark's loan origination team, with its extensive experience across numerous credit cycles, has encountered multiple times before. During competitive cycles, our focus on due diligence discipline is even more critical, micro-analysing loan projects, scrutinising the stability of contractors engaged by the borrower, and thoroughly understanding the value of the security we are accepting. In these environments, Ark's leadership team is content to hold capital on the sidelines rather than deploy it into loans with unacceptable risk/return metrics. We anticipate that when the challenges impacting built-form construction loans dissipate, many of the lenders currently entering our space will likely shift back up the "loan size" curve into their traditionally core lending projects.

Defaulting Loans and Transparency

Ark dedicates significant time and resources to loan management, which typically gives us the advantage of identifying problem loans or delayed projects at an early stage. Our Executive Directors' experience as property developers, combined with their extensive market knowledge enables Ark to proactively address potential issues, and work on solutions before they fully emerge. Importantly for our investors, in the event we need to enforce a loan, we are workout specialists, capable of identifying and bringing to the table multiple repayment options. This contrasts with other lenders who might simply seize and sell the security property, writing off any shortfall and negatively impacting investors.

Much has recently been written in the media about "secrecy," "opaqueness," and "private lenders with problem loans", with calls (often by the large banks) for greater regulation in the Private Credit space. Ark expects that ASIC will respond to this by imposing greater regulation, oversight, and transparency in the real estate private debt sector in due course, and to an extent welcomes it. Ark takes an "investor first" approach to all our decisions and continues to build on and invest in our compliance, governance and management processes and structures, to ensure that communication and transparency with our investors and stakeholders is at the forefront of everything we do.

Outlook for Bedrock

The Ark Wholesale Mortgage Fund, into which Bedrock makes all its syndicate investments, has a strong pipeline of potential loans for origination and settlement in the coming months. As existing investments mature and new investor FUM is received, the Fund Manager remains confident that there will be sufficient investment opportunities to maintain both portfolio quality and high cash utilisation in the Fund, enabling Bedrock to continue delivering consistent 11%+ returns to investors in the medium term.

Fund Details

Fund:

Ark Bedrock Mortgage Fund

Trustee:

Ark Capital Funds Ltd
ACN 604 775 573
AFSL 476209

Fund Manager:

Ark Capital Funds Ltd

Fund Commenced:

December 2023

Fund Type:

Pooled mortgage fund
for wholesale investors

Distributions Paid:

Monthly

Distribution Reinvestment Available:

Yes

Minimum Subscription:

\$50,000

Minimum Investment Term:

6 months

Redemption:

Quarterly

Target Return:

RBA cash rate + 5%

Investor share of origination fees:

Minimum 1% of investment size

Management Fee:

0.75% of FUM

Direct Costs:

Capped at 0.25% of FUM

Performance Fees:

Nil

Application Fees:

Nil

Redemption Fees:

Nil

Investor Contacts:

Stephan DeSilva
stephan.desilva@arkcapitalfunds.com.au
0455 554 120

Shane Wakelin

shane.wakelin@arkcapitalfunds.com.au
0409 985 986

Ark Capital Funds Ltd is the trustee for Ark Bedrock Mortgage Fund (the Fund), an unregistered unit trust, which is only available to wholesale investors (as defined under the Corporations Act 2001). The investment manager for the Fund is Coinlot Pty Ltd atf Nambawan Management Trust (ABN 48 745 786 335).

This material has been prepared for general information only and does not constitute financial advice nor an offer of any financial product. An Information Memorandum including an Application Form for the Fund is available upon request for wholesale investors and contains among other things a description of the risks associated with an investment in the Fund.

About the Fund

What does Bedrock invest in?

Bedrock invests in multiple Ark Wholesale loan deals alongside other syndicate investors, currently holding investments in 10 individual loans to 9 individual borrowers. This means Bedrock investors aren't entirely exposed to a single loan, rather a portfolio of loans. This diversity of course reduces an investor's concentration risk. Bedrock investors still get the benefit of the same, specialist property & development due diligence undertaken for all of Ark Wholesale's loans.

How are Bedrock's returns determined?

Bedrock investors receive the same % interest rate from the loans as other syndicate investors, plus the Bedrock Manager rebates to Bedrock a minimum 1% loan management fee on each investment.

Ark Capital does this because it believes we should not double dip on fees (ie, we shouldn't take a loan management fee from the borrower AND take a fund management fee from Bedrock investors).

To Bedrock investors, the 1% loan management fee rebate effectively offsets the Bedrock 0.75% Fund Manager's fee and the (up to) 0.25% direct costs of the fund.

Distribution reinvestment

Distribution reinvestment is offered to all investors in Ark Bedrock by the fund manager, and we are pleased to see investors beginning to take up this opportunity to compound their returns. Units are issued for reinvested distributions immediately - ie, on the first day of the month following that which the distribution relates to.