

Bedrock Mortgage Fund

Fact Sheet - September 2024



Fund Details

Fund:
Ark Bedrock Mortgage Fund

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

Fund Manager:
Ark Capital Funds Management Pty 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:
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0455 554 120

Shane Wakelin
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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

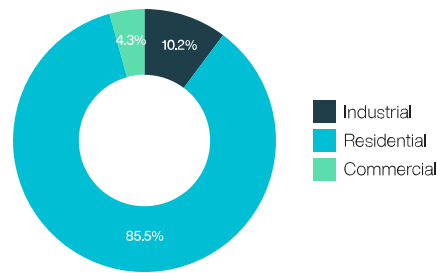
Fund Performance	Jul24	Aug24	Sep24
Mth Return (net of fees)	0.96%	0.96%	0.93%
Annualised	11.30%	11.25%	11.27%
Periodic Performance	Raw	Annl	
1 Mth	0.93%	11.27%	
3 Mths	2.84%	11.30%	
Fin YTD	9.42%	11.32%	
Since Inception	9.42%	11.32%	

11.27% p.a.
Annualised Return for September 24

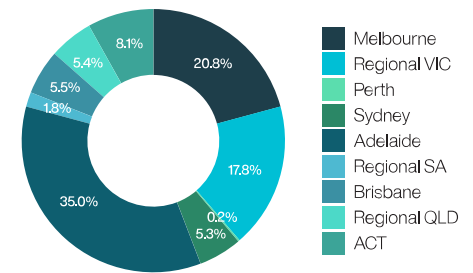
Fund Details	Jul24	Aug24	Sep24
Funds under Management	\$41.0 m	\$43.7 m	\$48.5 m
Number of Unitholders	114	121	130
Number of Borrowers	13	13	14
Number of Loans	19	20	22
Average Loan Size	\$2.0m	\$2.2 m	\$2.2 m
Average LVR	61.9%	63.9%	63.6%
Average Interest Rate	11.44%	11.30%	11.36%
Average Fee Income	1.43%	1.43%	1.44%
Average Loan Maturity	11 mths	12 mths	11 mths
Loans in Arrears	nil	nil	nil
Loans with Prepaid Interest	100%	100%	100%

Portfolio Diversity

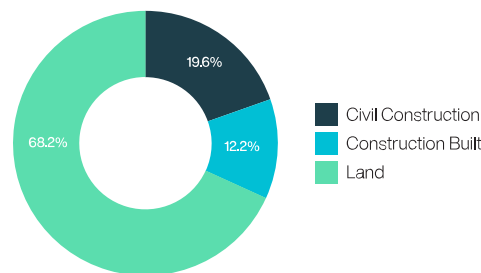
Investment Sectors - September 24



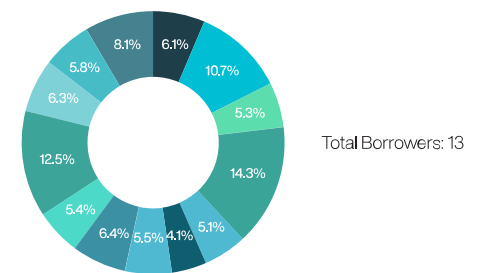
Geographic Location - September 24



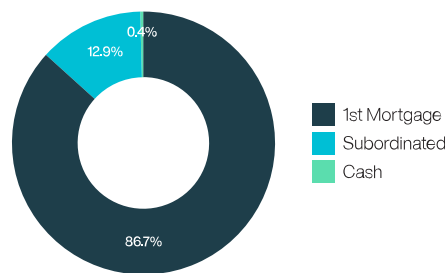
Loan Type / Purpose - September 24



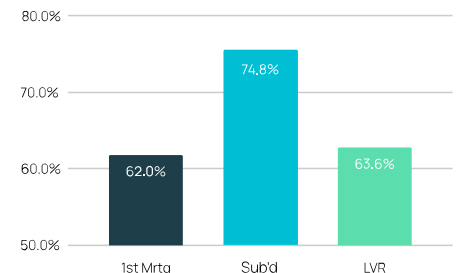
Borrower Mix - September 24



Portfolio Investment Mix - September 24



LVR Profile - September 24



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Fund Manager Commentary

September 2024 Update

September 2024 saw Ark Capital's Bedrock fund (the "Fund") maintain its record of consistency, with another strong monthly return at 0.93% (11.27% annualised). This is the 10th straight month the Fund has delivered a return within the band 11.20% to 11.35%, a record of consistency our unitholders tell us they very much appreciate. The annualised year-to-date (and inception-to-date) Bedrock return is a healthy 11.32%. Funds under management rose to \$48.5m at the end of the month, with an expected \$5.0 million of units to be issued in October 2024 pushing Bedrock over the \$50 million mark for the first time.

The diversity of the Fund's investments, a key focus of the Fund Manager and broader Ark team has been improved throughout the month, with the portfolio now comprised of 22 unique loans to 14 borrowers, across 9 different regions in 6 states, and spanning Industrial, Residential and Commercial loans. The portfolio's largest exposure to a single borrower is 14% and the maximum single loan exposure is also 14%... metrics we expect to improve further as the Fund grows.

Land and civil construction loans, which we very much see as the lower end of the risk spectrum continue to make up the bulk of the portfolio at 88% of the total, with the remaining 12% invested in commercial and industrial built-form loans.

There were two significant additions to the portfolio in September, namely a \$2m investment in an industrial built-form construction loan in the northern suburbs of Adelaide, and a \$2.9m investment in a residential land bank loan in the ACT. There were several other "re-weightings" between existing loans during the month, to better balance the portfolio. The average loan-to-value ratio (LVR) reduced slightly to 63.6%.

The Development Landscape

Last month we provided commentary on the pressures facing property borrowers in various states and development sectors (most notably in Victoria and NSW) and noted that for some time now Ark has placed its investment focus on South Australia, South East Queensland, Western Australia and the ACT. It follows that of the pipeline of opportunities for the Fund the majority are in these locations. Ark Capital continues to receive applications for, and conduct detailed due diligence on potential development loans in Victoria and NSW, with only a small number in these states being assessed as creditworthy in recent times.

We reiterate something we have been saying for many months now, that Ark and the Fund's preferred loan types are the lower-risk land and civil construction loans, where we (and our advisors) see less trouble amongst construction companies engaged by our borrowers. We also continue to see value in industrial built-form construction loan projects, where construction is typically more straight forward, time to complete shorter and regulation less onerous.

What impact will interest rates "higher for longer" this have on the Ark Bedrock Fund?

With the political volleyball that interest rate setting has become and the ongoing media speculation around interest rates, it is important that our investors understand Ark's approach to interest rates.

For several years now the interest rate on most Ark Capital loans has included a minimum or floor interest rate (typically the RBA cash rate plus a margin) set at inception of the loan, whilst being variable if rates rise during the loan term. This obviously gives investors comfort that the real value of their investment returns will be maintained even in arising rate environment. Ark Bedrock, investing exclusively as it does in loans written by Ark Capital's Ark Wholesale Mortgage Fund enjoys the benefits from this "ratchet" feature, and whilst not guaranteed to always be the case, this clause is typically standard in Ark Capital loans.

Outlook for Bedrock

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

About the Fund

What does Bedrock invest in?

Bedrock invests exclusively in Ark Wholesale loans alongside other syndicate investors, meaning Bedrock investors aren't entirely exposed to a single loan, rather a portfolio of loans. The Manager reduces portfolio risk by ensuring maximum loan, borrower, geographical, development sector and loan type diversity.

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. Fees and costs are capped at 1.0%.