

Investor Communique Q3

March 2021

The New Year has seen a more positive outlook with improved business confidence and a general upswing in the housing market. This level of confidence has been bolstered by historically low interest rates fueling a strong resurgence in residential property prices across Australia.

As a result of record low interest rates investors have been reviewing the performance of their portfolio's seeking out investments that will deliver reliable monthly income whilst still maintaining a strong focus on capital preservation.

Historically, term deposits have represented a safe haven offering investors security coupled with reasonable rates of return. Whilst term deposits continue to provide security, falling interest rates have heavily impacted returns meaning investors seeking out other income based opportunities.

The latest RBA Announcement

As has been the case since November of 2020, the Reserve Bank of Australia has left the cash rate unchanged at 0.1%.

Reserve Bank Governor, Philip Lowe has emphasised Australia's strong position through the COVID pandemic, stating that "the economic recovery is well under way and has been stronger than was earlier expected".

It has been made clear that the cash rate will not be adjusted until the inflation rate is comfortably within the 2-3% target range.

To read the full RBA statement visit www.rba.gov.au/media-releases/2021/mr-21-01.html

That said, we are seeing Bond rates jump quite quickly at the moment. Only a few months ago, the Australian 10-year bond rate was at 1 per cent.

Westpac's Chief Economist, Bill Evans expects it to get to 1.9 per cent by the end of the year – and it appears to be moving quickly in that direction.

Does that mean that the Reserve Bank is going to be raising interest rates now? The general consensus among leading economists is no.

Bond rates are reflecting long term inflation risks and the long term growth recovery that we're going to see around the world, whereas the RBA is looking at inflation and wages growth as it is today. And that, of course, is very, very weak.

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We believe that the RBA will keep rates on hold for three years or so. While the RBA keeps interest rates as low as they are at the moment, that means fixed term deposits and mortgage rates will continue to hold at record lows. We expect that to continue for the next couple of years.

Other sectors such as the stock market appear to be somewhat volatile if not “over cooked” in some sectors. We have seen investors reducing their exposure to the stock market in the search for stable monthly income based investments.

One particular investment category is the private mortgage sector such as the **Briars Monthly Income Fund**.

Briars believes, under its structure, capital is well protected and the risk adjusted returns represent fair value for investors.

Investor Benefits:

- » Briars has no exposure to construction funding;
- » First mortgage security;
- » Shorter loan terms (12 month – 3 years maximum);
- » Stable risk adjusted returns.

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Understanding property backed private mortgage funds:

Prominent property market commentator, SQM Research, has attributed the popularity of mortgage funds to the restrictions on bank lending enforced by the Australian Prudential Regulation Authority and the continued demand for loans. As such, non-bank lenders are building a solid portfolio of loans backed by quality management and investors are benefiting from competitive returns and a source of income.

Best described, a mortgage fund is an investment vehicle whereby investors' money is lent to borrowers in exchange for registered first mortgages over property as the primary security. In return for their investment, investors receive a regular income called a 'distribution' which is generally derived from the interest paid by borrowers.

The private mortgage loan sector continues to show steady growth as many Australians seek income and yield from an investment that isn't directly correlated to the share market.

Mortgage Fund structures summarised:

Pooled Mortgage Fund

Your money is pooled with that of other investors to finance a portfolio or 'pool' of loans. You do not hold an ownership right in respect of any particular loan, just a right to the number of units that you subscribe for. Together with all investors, you share in the income generated by the entire pool of loans proportionately to the number of units you each hold. The risks associated with the individual loans are diversified across the portfolio and are all outlined in the fund's Information Memorandum. You may redeem your investment subject to the terms and conditions outlined in the Information Memorandum.

Contributory Mortgage Fund

After reviewing the specific features, benefits, and risks associated with a specific loan investors acquire a fractional interest in a specific mortgage. Investors money is then joined with other investors and lent to the borrower. Similar to the pooled fund, distributions are derived from the interest paid by the borrower.

At Briars, we offer investors the option of a pooled mortgage investment or a contributory mortgage investment where you choose the first mortgage you wish to invest in.

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Fund Update.

We're pleased to update you on some of the recent improvements we've made to the Briars Monthly Income Fund.

- » **Targeted returns have increased from 6.5% pa to 7% pa.**
- » **Minimum investment period has been reduced from a minimum investment term of 12 months to a minimum investment period of 3 months.**
- » **Notice period for redemptions has been reduced to 3 months subject to the redemption provisions set out in the Information Memorandum.**
- » **Loan terms are generally ranging from 12 months to 3 years maximum.**
- » **After several months of Due Diligence, Briars Funds Management has entered into a \$20m joint funding agreement with a subsidiary of one of Australia's largest private home loan lenders. This arrangement will further strengthen Briars' position in the non-bank marketplace.**

To find out more about an investment in the Briars Monthly Income Fund visit our website

www.briarsfundsmanagement.com.au or
contact us directly on **1800 870 550**

Profile



James McNally

Briars Compliance Officer

James has over 25 years' experience in the funds management industry, having worked in both property trust administration and compliance roles for Perpetual Trustees Australia Limited and MIA Services Pty Limited, a company that specialises in compliance services to property, equity and infrastructure fund managers.

For the past 20 years, James has provided independent compliance and management services to many of Australia's leading fund managers.

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