



25 September 2018

Investment Manager's Report to Investors
Zank Income Fund

Dear Investors,

Zank & Company is a pioneering Australian financial institution specialising in property and crowd funding. Our aim is to build and grow the best investment portfolio for our investors.

INTRODUCTION

The rate of return for the past 12 months was 10% net of all fees and expenses of the Fund and we consider the Fund to be in reasonable shape moving into the next financial year. Australia is in a low interest rate environment which has seen rates on deposits fall to historically low levels. We believe our returns to investors remain attractive in this current climate.

PRINCIPAL ACTIVITY

Our investment objective is to invest in mortgage-based loan opportunities in a diverse Australian property sector, with an aim to generating stable income for investors.

The Fund's mandate is to lend to profitable Australian businesses as well as property development companies. When making lending decisions, we focus on following the fundamentals of the projects or companies, financial performance, operational execution, management and sustainable growth.

The Fund's investment strategy is to invest in mortgage backed loans secured by Australian real estate. The loans will be made to borrowers to use for business or investment purposes. The fund will be recycled, subject to withdrawals from the Fund, such that monies from loans that have matured and been repaid are reinvested.

INVESTMENTS

The Fund has made loans to the following parties and the status of each loan is outlined below.

Out of the nine investments made by the Fund, four are in default. Interest repayments are being made on a regular basis by other Borrowers. We are extremely confident of achieving a positive outcome either via our negotiations with the respective borrowers or taking legal action where required to take possession of and sell the secured property.

1) Pavlovic:

The mortgagor is in default of its obligations and we are in the process of completing some minor improvements with the intention of going to auction. From the correspondence that we have received in relation to the market value of the secured property, there will be sufficient funds to finalise the loan facility.

Loan Performance:

- The Investment settled on 7 April 2017.
- The opening balance upon settlement was \$1,100,000.00.
- The closing balance as at 19 September 2018 is \$1,492,251.72.
- Interest received to date has been \$68,750.00.
- The performance Year to Date has been unsatisfactory.

2) Nicson:

Settlement of a secured property is expected to occur by December 2018 to cover both the loan principal and default interest owed.

Loan Performance:

- The investment settled on 11 October 2017.
- The opening balance upon settlement was \$1,295,000.00.
- The closing balance as at 19 September 2018 is \$1,295,000.00.
- Interest received to date has been \$105,758.31.
- Performance of the Investment prior to the sale of the property has been satisfactory.

3) Golden Horse:

Loan Performance:

- The investment settled on 21 June 2017.
- The opening balance upon settlement was \$111,000.00.
- As at 4 September 2018, the account was finalised.
- Total interest received has been \$124,320.00.
- Overall performance of the investment has been excellent.

4) Anteaus:

A Notice of Default has been issued to and sale of the security property is being negotiated.

Loan Performance:

- The investment settled on 15 February 2017
- The opening balance upon settlement was \$2,380,000.00.
- The closing balance as at 19 September 2018 is \$2,380,000.00.
- Interest received to date has been \$434,597.02.

- The overall performance has been reasonable and we are in the process of negotiating with a prospective buyer to buy the property and clear the debt entirely.

5) Property Holding Group:

Interest paid monthly in accordance with the loan agreement.

Loan Performance:

- The investment settled on 16 March 2017.
- The opening balance upon settlement was \$250,000.00.
- The closing balance as at 16 September 2018 is \$250,000.00.
- Interest received to date has been \$71,250.00.
- The performance Year to Date has been excellent.

6) Five Elements:

We are negotiating with this defaulting Borrower regarding the payment of both the principal and default interest. If this fails, we will proceed with formal enforcement proceedings whereby the security property will be sold.

Loan Performance:

- The investment settled on 29 August 2017.
- The opening balance upon settlement was \$520,000.00.
- The closing balance as at 19 September is \$520,000.00.
- Interest received to date has been \$35,100.00 however we have not received any interest in over a year.
- The performance Year to Date has been unsatisfactory.

7) Dila:

The Borrower has been paying their account sporadically and requires regular monitoring and follow-up.

Loan Performance:

- The investment settled on 12 September 2016.
- The opening balance upon settlement was \$1,650,000.00.
- The closing balance as at 19 September 2018 is \$2,139,628.39.
- A further advance of \$370,000.00 occurred on 11 March 2017
- Interest received to date has been \$584,877.71 but the last interest payment was made in May.
- Performance Year to Date has been unsatisfactory.

8) Brucam:

12 months Interest already has already been pre-paid.

Loan Performance:

- The investment settled on 23 May 2018.
- The opening balance upon settlement was \$3,500,000.00.
- The closing balance as at 19 September 2018 is \$3,500,000.00.
- Interest received to date is \$525,000.00.
- The investment has performed well thus far.

9) Applgold:

Loan Performance:

- The initial investment settled on 3 July 2018 for \$1,000,000.00 and the Borrower has paid interest on a monthly basis as required.

FUTURE INVESTMENT STRATEGY

The Fund will use the following points as its strategy over the next 12 months:

1. Government supported areas: We will only select areas supported by government policies.
2. Trends following investment: We only place our investments where there is a possibility of substantial cash flow.
3. School zones: With education being one of the most important industries in Australia, properties in school zones are in constant high demand.

AUSTRALIA'S ECONOMIC OUTLOOK

The outlook for the Australian economy is positive. Unemployment is at a six-year low and consumer spending has increased following income tax cuts and despite going from strength to strength over the course of the last decade, the real estate market has cooled slightly due to the measures implemented by regulators to curtail predatory lending. However, growing populations in metropolitan centres on the east coast of will ensure the real estate market grows at a steady rate.

We would like to thank you for your continued support in the Fund. Please do not hesitate to contact our office if you have any questions.

Kind regards



Conghan Hu
Board Member