



ZANK&Co.

INVESTMENT MANAGER'S REPORT TO INVESTORS

Zank Income Fund

20 July
2020



DEAR INVESTORS

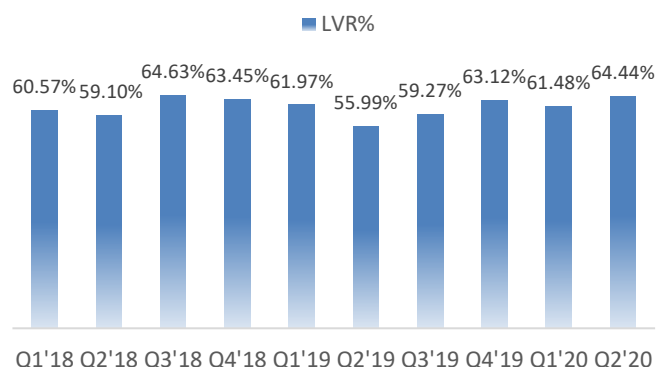
Zank & Company Pty Ltd (Zank) would like to thank you for your investment in the Zank Income Fund (Fund). The PDS for Zank Income Fund was issued on 30 January 2020.

The Fund is a wholesale mortgage managed investment scheme which provides investors with access to the attractive returns available from investments and has successfully been in operation since 31 May 2016. The Fund aims to generate the Target Return by investing in business and investment loans predominantly secured by registered first mortgages. In some instances, the Fund may make loans secured by a second registered mortgage where the Investment Manager considers that the return is appropriate to the risk profile of the loan.

As Investment Manager of the Fund, Zank manages the Fund's investment portfolio. A review of each borrower's serviceability and ability to repay debt is conducted on an ongoing basis.

The objective of the Fund is to invest in mortgage backed loans secured by Australian real estate with the aim to generate a stable income for investors. Loans will be made to borrowers to use for commercial or investment purposes.

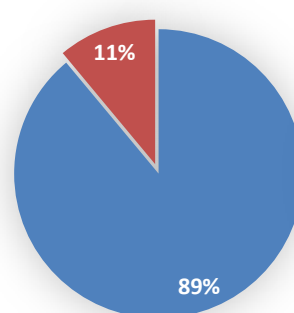
AVERAGE LOAN TO VALUATION RATIO



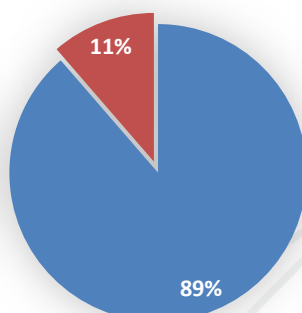
Q1'18 Q2'18 Q3'18 Q4'18 Q1'19 Q2'19 Q3'19 Q4'19 Q1'20 Q2'20

The Australian government decided to adopt a lower rate and decreased from 1.25 per cent to 0.25 per cent to stimulate market liquidity during the whole 2019/20 financial year. As a result, compared to previous quarters, the average LVR provided by Zank & Company Pty Ltd has risen gradually. Although the LVR in Q1' 20 has dropped slightly, the ratio in Q2' 20 almost reached the highest level in history.

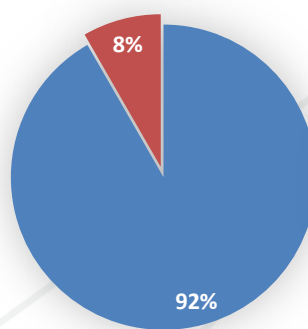
Sector Allocation in Q3'19



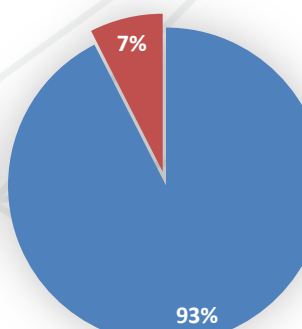
Sector Allocation in Q4'19



Sector Allocation in Q1'20



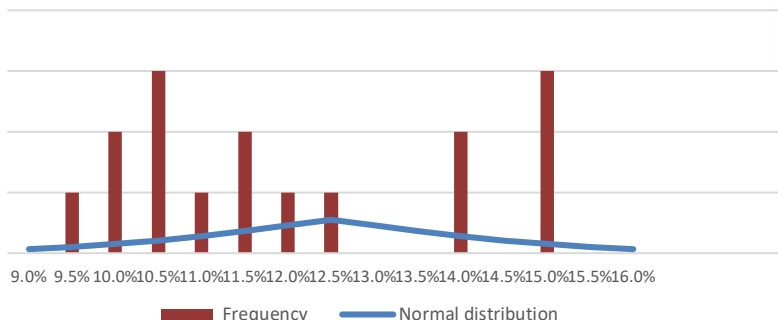
Sector Allocation in Q2'20



■ First Mortgage ■ Second Mortgage ■ First Mortgage ■ Second Mortgage

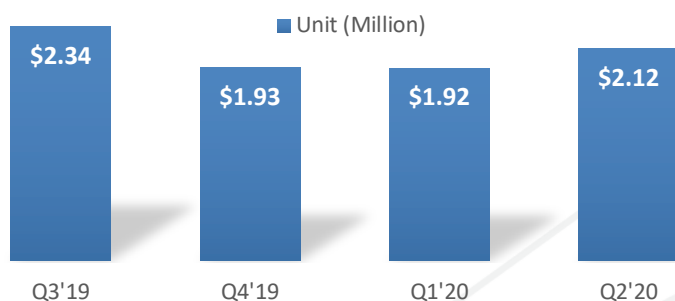
In regard to our current mortgage portfolio, the percentage of second registered mortgages in our portfolio has been shrinking from Q3'19 to Q2'20. In order to further reduce risks, as a fund manager, Zank will consider continuing to reduce the proportion of the second mortgages in the whole mortgage portfolio.

Average interest rate



Based on our data of the interest rates charged on the loans the Fund has invested into, as at 30 June 2020, the average interest rate was approximately 12.23%.

AVERAGE LOAN SIZE

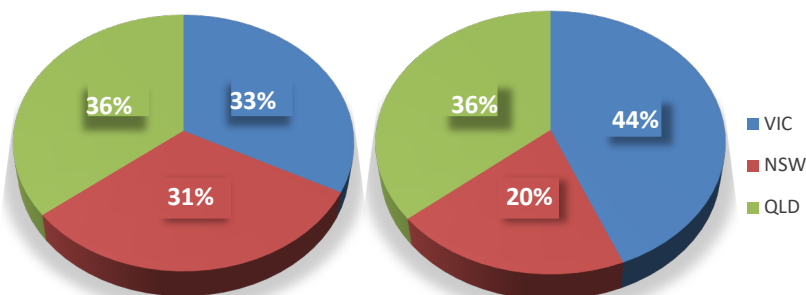


Per the bar chart above, with the increasing number of loan projects and the total loan amount, the average loan amount has shown a trend of gradually decreased in Q4'19 and Q1'20.

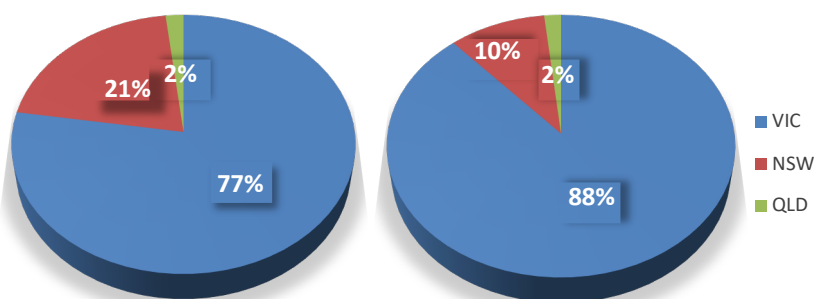
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Geographic Allocation in Q3'19 Geographic Allocation in Q4'19



Geographic Allocation in Q1'20 Geographic Allocation in Q2'20



As at 30 June 2020, the Fund has about \$35 million of loans under management across 17 different borrowers as follows:

Authorized investments		
Cash	20.53%	\$9,092,109.15
Land - vacant	64.76%	\$28,679,034.15
Commercial	2.37%	\$1,050,000.00
Construction & Development	12.33%	\$5,462,330.70
Total	100.00%	\$44,283,474.00
Mortgage Investment Portfolio Metrics		
Weighted Average LVR	64.29%	-
Largest Mortgage Investment	-	\$8,250,000.00
Pre-paid & capitalized interest loans	-	\$4,553,709.15

Mortgage Investments Interest rate profile		
<8.00%	0.00%	\$0
8.00% - 9.99%	4.89%	\$1,722,566
10.00% - 11.99%	45.09%	\$15,869,400
12.00% - 13.99%	14.96%	\$5,265,000
14.00% - 15.99%	35.05%	\$12,334,399
> OR = 16.00%	0.00%	\$0
Maturity Profile		
0 - 6 months	8.71%	\$3,065,000
7 - 12 months	87.31%	\$30,726,365
13 - 24 months	3.98%	\$1,400,000
25+ months	0.00%	\$0
Security Location		
Metro	89.45%	\$31,476,999.85
Regional	10.55%	\$3,714,365.00
Rural	0.00%	\$0.00

Based on the geographical allocation data collected, the majority of repaid loan projects were located in Queensland and New South Wales during Q1 and Q2' 20. So, the proportion of registered mortgage loans in Victoria was increased, raised from 33% in Q3' 2019 to 88% in Q2'20. In the meantime, the percentage of the registered mortgages located in Queensland and New South Wales were 2% and 10% respectively, as at 30 June 2020.

Please view the following table below which summarises the overall performance for the 2019/20 financial year:

Overall performance for the 2019/20 financial year	
Number of loans outstanding as at 1 July 2019	9
Value of loans outstanding	\$18,319,817.69
Number of loans outstanding as at 30 June 2020	17
Value of loans outstanding	\$35,191,364.85
Number of repaid loans	6
Number of new loan projects	14

Mortgage Investments by State		
NSW	9.87%	\$3,475,000.00
VIC	88.42%	\$31,116,364.85
QLD	0.00%	\$0.00
SA	1.70%	\$600,000.00
WA	0.00%	\$0.00
LVR Profile ¹		
<50%	0.23%	\$80,690
50%-59.99%	25.15%	\$8,850,000
60%-69.99%	54.76%	\$19,271,175
= 70%	19.86%	\$6,989,500
> 70%	0.00%	\$0

NOTES: All figures shown as percentages are based on dollar values and are reported on loan balances in the Fund. These may differ from figures provided in the statutory accounts which are based on the investment balances in the Fund. The Investment Accounts may invest in the same mortgage. Loan numbers refer to the number of loans only and do not reflect the number of individual securities. 1. Loan to Value Ratio (LVR) represents the value of the security property at the start of the loan compared to the approved loan amount, reflecting the LVR used in the Fund's lending criteria.

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Since March, COVID-19 has had far-reaching consequences for the global economy that made financial markets everywhere are experiencing a historic crunch, it may have never happened before, and further global financial and economic crises are increasingly imminent.

Per the Reserve Bank of Australia stated, the outbreak of COVID-19 infections and the measures implemented to contain the spread of the virus have significantly affected the Australian economy. The economy will record a severe contraction in the June quarter but is expected to start recovering as containment measures are progressively lifted.¹

It's worth mentioning that Zank Income Fund has been working well as at 30 June 2020, and most of the borrowers could pay interest on time as required under the facility agreements without being adversely affected by COVID-19. In the meantime, Zank & Company Pty. Ltd. (Zank) are fully aware of the market changes and are closely monitoring the market fluctuation. Zank has noticed the liquidity of the property market has significantly reduced, so Zank would adopt a more cautious approach on lending parameters and further reduce the proportion of second mortgages in the coming 2020/21.

A description of the Fund's current portfolio of loans has been prepared by the Fund's Investment Manager as at 30 June 2020. Over time this portfolio will change. For up-to-date information about the Fund's portfolio, see 'Current Portfolio for Zank Income Fund' online at www.vascofm.com.

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
Managing Director

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This document is not an Information Memorandum for the purposes of the Act. Accordingly, it does not purport to contain all information that potential investors may need to make an informed assessment as to whether or not to invest in the Fund.

Some numerical figures in this publication have been subject to rounding adjustments.

1. Source RBA