



## INVESTOR UPDATE

# Tangram Investment Fund ARSN 632 672 336

**19 November 2021**

## New Investments – Tangram Spark and Tangram Seed

Vasco Trustees Limited is the Responsible Entity for Tangram Seed and Tangram Spark, which are investment options of the Tangram Investment Fund (ARSN 632 672 336) (**Fund**).

The Responsible Entity issued Supplementary Product Disclosure Statements for both investment options dated 26 October 2021 (**SPDS**) which relate to the offer of units in Tangram Seed and Tangram Spark.

The SPDS document for Tangram Seed stated:

The Investment Manager intends to extend its mandate to also invest in other managed investment funds that will invest in diversified loan portfolios comprising of business loans and personal loans, such as small-to-medium enterprise debt securities. The Investment Manager has identified an investment opportunity in the business and personal loans asset class and believes the new investment(s) would add diversification value to investors whilst maintaining stable returns and capital stability. The Investment Manager is currently undergoing due diligence and engaging in discussions with portfolio managers in this space to better understand their investment process and risk strategies prior to selecting the fund(s) to invest in.

In a similar vein, the SPDS document for Tangram Spark stated:

The Investment Manager intends to extend its mandate to also invest in other managed investment funds that will invest in diversified loan portfolios comprising of business loans and personal loans, such as small-to-medium enterprise debt securities. The Investment Manager has identified an investment opportunity in the business and personal loans asset class and believes the new investment(s) would add diversification value to investors whilst maintaining stable returns and capital stability. The Investment Manager is currently undergoing due diligence and engaging in discussions with portfolio managers in this space to better understand their investment process and risk strategies prior to selecting the fund(s) to invest in.

Further to these disclosures, the Investment Manager has decided to reallocate the investment portfolio of Tangram Investment Fund - Seed and Spark to include and invest in two new funds: Aura High Yield SME Fund and Banner Low LVR Income Fund. The Investment Manager, following research and market analysis, believes that adding Aura and Banner to the investment portfolio aligns with its investment strategy and objectives to generate steady income and preserve capital.

The Investment Manager has chosen to invest in Aura due to the following reasons:

- Access to the SME sector and diversify our current exposure to mortgage sector;



- Longest track record and largest AUM fund focusing on SME debt funds;
- A target return of 8% to 11% p.a.;
- Satisfactory due diligence on loan originators, including their major loan originator, Banjo Bank; and
- Strong ratings from independent research reports.

The Investment Manager has chosen to invest in Banner due to the following reasons:

- To reduce reliance on the Fund's existing investments in Trilogy and diversify the interest rate risk of the Trilogy investment, as their returns decrease over time;
- The low LVR of the Banner fund (<55%) indicates a focus on robust risk control;
- A target return 6% to 8% p.a.;
- Satisfactory due diligence and research on Banner's projects discussion papers with projections on their projects.

It is intended that the allocation of these investments will be up to 10% of the gross asset value of Seed and Spark, however there is no guarantee that the Fund will exhibit this exact allocation at any point in time. As stated in the SPDS documents, the Investment Manager reserves the right to alter this allocation where it believes the decision will add value to the investment portfolio of the Fund. The Investment Manager believes that the addition of these new funds does not have a material impact on the risk profile of the Fund.

The fees of each investment are estimated to be:

	<b>Management Fee (per annum)</b>	<b>Performance Fee (per annum)</b>
Aura High Yield SME Fund	1.25%	20% of the return > benchmark
Banner Low LVR Income Fund	1.50%	0.00%

Fees will be deducted from the assets of each investment. For more information on fees of these investments, investors should read the relevant Information Memorandum provided for each investment.

Lastly, the Investment Manager reiterates that investors should be aware that the target returns stated are targets only and are not forecasts or a guaranteed return. Actual returns may be lower than the target return. In particular, should the Fund not generate sufficient income in any given month, the actual return to investors may be lower than the target return. Any payment of returns by the Fund is not guaranteed, and past performance is not an indicator of future performance.

If you have any questions about the Fund's investments, please do not hesitate to contact the Investment Manager on 1300 099 777.

Otherwise, please contact the Responsible Entity on +61 3 8352 7120.