

FUND UPDATE

Zank Income Fund

ARSN 637 888 307

8 May 2023

Distributions, Redemptions and Applications

Vasco Responsible Entity Services Limited is the Responsible Entity for the Zank Income Fund (ARSN 637 888 307) (**Fund**).

Further to the last update provided on 18 April 2023 the Responsible Entity provides the following update:

1. The current economic environment of rising interest rates and falling property values has put pressure on many borrowers.
2. The Fund currently has a number of loans in default which are being worked through by the Responsible Entity, Investment Manager (Zank) and service providers appointed by the Responsible Entity.
3. Some of these defaults have resulted in receivers being appointed or the Responsible Entity becoming mortgagee in possession. Where the borrower is unable to repay the loan we have effectively taken control of the security property and sought to achieve the best outcome through a sales process.
4. There will undoubtedly be losses resulting from some of these sales processes meaning the full value of the loan will not be recovered.
5. Such losses impact the unit price of the Fund and where there is uncertainty of the likely sale value it also impacts our ability to calculate a unit price with accuracy and confidence. This impacts our ability to accept applications or process redemptions.
6. Accordingly at the current time we do not expect to be in a position to accept new applications or process redemptions until about September 2024.
7. The projected taxable income of the Fund is such that there will be no distribution for the quarter ending 30 June 2023.

8. The income received in the year to 30 June 2023 will contain a proportion of capital due to the likely loss position of the Fund at year end. We will forward you a tax statement following the year end process.
9. Following discussions with the Investment Manager, based on current information and forecasts, we will be looking at the Fund paying a distribution to you at the rate of 3 % per annum for the quarters ending September 2023, December 2023, March 2024 and June 2024.
10. Based upon current information and forecasts we believe that the unit price may revert to \$1.00 on or around September 2024 at which time we will look for the Fund to reopen for applications and redemptions.

As Responsible Entity we are of the view that focusing on the recovery of loans, working towards the unit price recovering to \$1.00 whilst paying a smaller distribution is the best outcome for unitholders.

Please note that the estimates provided in this update cannot be guaranteed and are based on a number of assumptions that may not eventuate and accordingly the amounts and dates estimated above may change.

If you have any questions about the Fund, please do not hesitate to contact the Investment Manager on +61 1300 501 817 or at invest@zank.com.au.