



ZANK&Co.

INVESTMENT MANAGER'S REPORT TO INVESTORS

Zank Income Fund

As at 30
June
2021



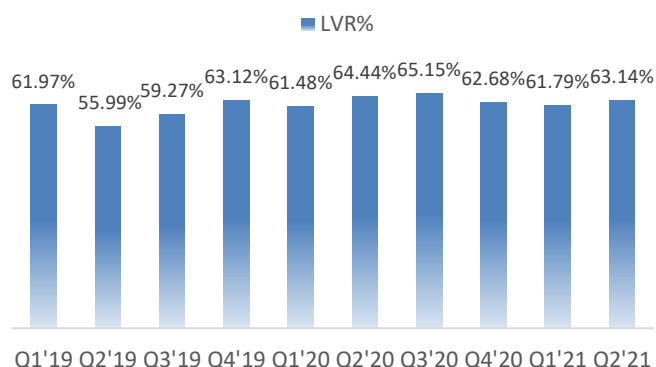
DEAR INVESTORS

Zank & Company Pty Ltd (Zank) would like to thank you for your investment in the Zank Income Fund (Fund). The product disclosure statement for Zank Income Fund was issued on 30 January 2020 and has subsequently been supplemented by the supplementary product disclosure statement dated 30 October 2020 and the second supplementary product disclosure statement dated 31 May 2021 (collectively, the PDS).

The Fund is a registered managed investment scheme which provides investors with access to the attractive returns available from the Fund's investments, and which has 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.

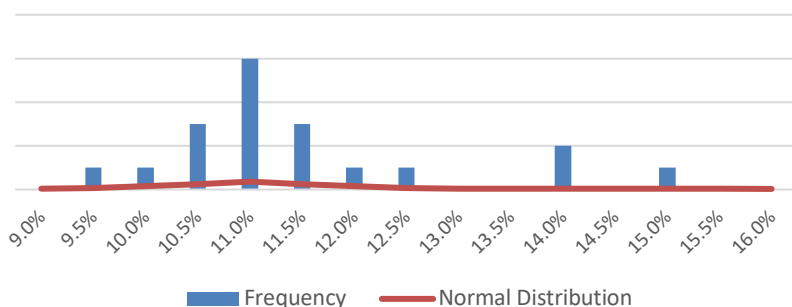
AVERAGE LOAN TO VALUATION RATIO



Q1'19 Q2'19 Q3'19 Q4'19 Q1'20 Q2'20 Q3'20 Q4'20 Q1'21 Q2'21

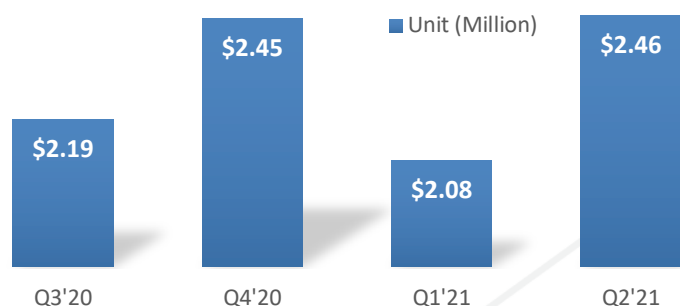
The Australian government decided to adopt a lower rate and decreased the cash rate twice in March 2020, to 0.25 per cent, and to 0.1 per cent on 3 November 2020 to stimulate the cash flow of businesses and the household sector during the whole 2020/21 financial year. Compared to previous quarters, the average LVR provided by Zank & Company Pty Ltd in Q2'21 has firmed again, although the ratio in Q1'21 has dropped slightly.

AVERAGE INTEREST RATE



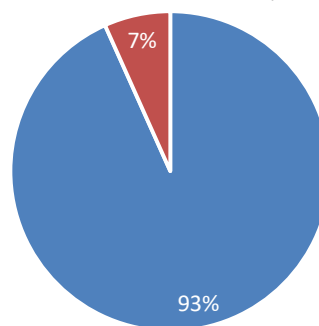
Based on our data of the interest rates charged on the loans the Fund has invested into, as at 30 June 2021, the average interest rate was approximately 11.51%.

AVERAGE LOAN SIZE

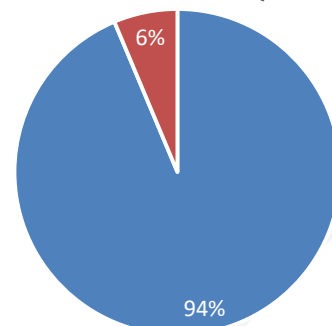


Per the bar chart above, with the increasing number of loan projects and the total loan amount, the average loan amount has a trend of fluctuation and the size in Q2'21 almost reached the highest level during Q3'20 to Q2'21.

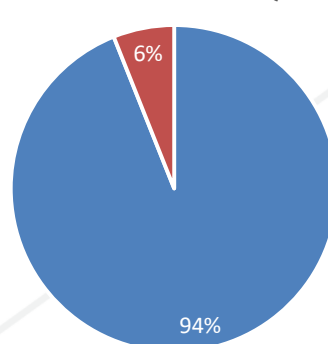
Sector Allocation in Q3'20



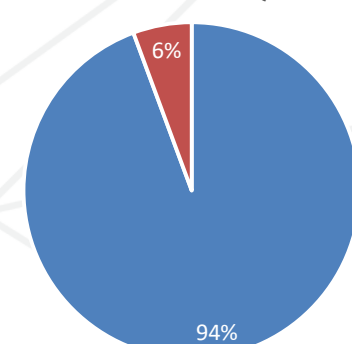
Sector Allocation in Q4'20



Sector Allocation in Q1'21



Sector Allocation in Q2'21



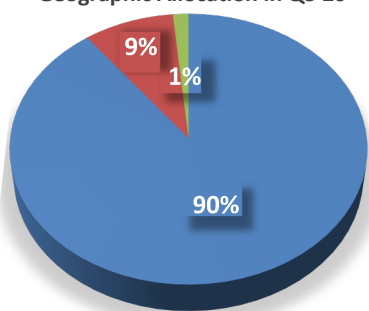
■ First Mortgage ■ Second Mortgage ■ First Mortgage ■ Second Mortgage

In regard to our current mortgage portfolio, the percentage of second registered mortgages in our portfolio was shrunk from Q3'20 to Q4'20 and remained constant during the period Q1'21 to Q2'21. In order to further reduce risks, as Investment Manager, Zank will consider continuing to reduce the proportion of second mortgages in the whole mortgage portfolio.

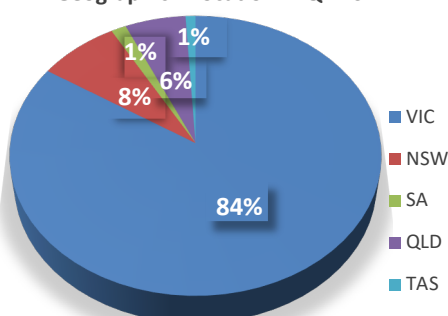
Contact Us

Zank & Company Pty Ltd
invest@zank.com.au 1300 501 817
Level 2 115 Collins St, Melbourne VIC 3000

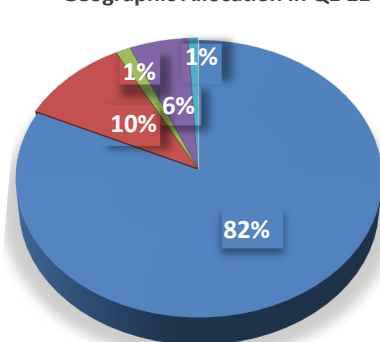
Geographic Allocation in Q3'20



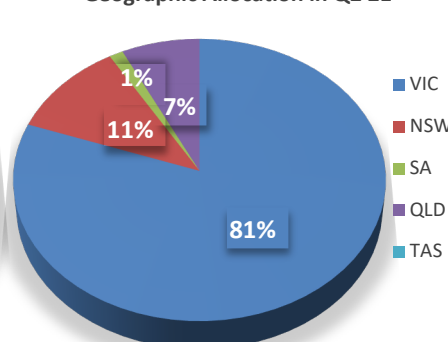
Geographic Allocation in Q4'20



Geographic Allocation in Q1'21



Geographic Allocation in Q2'21



Based on the geographical allocation data collected, due to the increase of loan projects located in Queensland and Tasmania during Q4'20 and Q1' 21, the proportion of loans in Victoria decreased from 90% in Q3' 2020 to 82% in Q1'21. However, the majority of the portfolio is still located in Victoria. In the meantime, the percentage of loans located in New South Wales increased from 9% to 11% as at 30 June 2021.

Please view the following table below which summarises the overall performance for the 2020/21 financial year:

Overall performance for the 2020/21 financial year

Number of loans as at 30 June 2020	15
Total loan balance as at 30 June 2020	\$35,191,364.85
Number of loans as at 30 June 2021	19
Total loan balance as at 30 June 2021	\$46,718,068.67
Number of repaid loans	6
Number of new loan projects	9

As at 30 June 2021, the Fund has about \$46 million of loans under management across 19 different borrowers as follows:

Authorized investments

Cash	13.93%	\$7,559,633.30
Land - vacant	44.94%	\$24,390,000.00
Commercial	12.40%	\$6,728,750.00
Construction & Development	28.74%	\$15,599,318.67
Total	100.00%	\$54,277,701.97

Mortgage Investment Portfolio Metrics

Weighted Average LVR	63.14%	-
Largest Mortgage Investment	-	\$6,300,000.00
Pre-paid & capitalized interest loans	-	\$2,634,865.00

Mortgage Investments by State

NSW	11.02%	\$5,149,298.41
VIC	80.47%	\$37,593,770.26
QLD	7.22%	\$3,375,000.00
SA	1.28%	\$600,000.00
WA	0.00%	\$0.00
TAS	0.00%	\$0

LVR Profile ¹

<50%	6.16%	\$2,878,750
50%-59.99%	17.61%	\$8,225,000
60%-69.99%	54.84%	\$25,618,768
= 70%	21.40%	\$9,995,551
> 70%	0.00%	\$0

Mortgage Investments Interest rate profile

<8.00%	0.00%	\$0
8.00% - 9.99%	7.45%	\$3,478,805
10.00% - 11.99%	58.01%	\$27,098,848
12.00% - 13.99%	12.43%	\$5,805,551
14.00% - 15.99%	22.12%	\$10,334,865
> OR = 16.00%	0.00%	\$0

Maturity Profile

0 - 6 months	3.28%	\$1,530,551
7 - 12 months	93.73%	\$43,787,518
13 - 24 months	3.00%	\$1,400,000
25+ months	0.00%	\$0

Security Location

Metro	63.29%	\$29,568,804.72
Regional	36.71%	\$17,149,263.95
Rural	0.00%	\$0.00

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. 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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COVID-19 is having a profound and unprecedented impact on global economies, stock markets, capital markets and real estate markets. Governments around the world, whom have all but exhausted the prospect on monetary policy stimulus given the already low interest rate environment, are rapidly developing fiscal stimulus strategies to avert a prolonged recessionary environment and unpin economic activity.

Several pharmaceutical companies have developed vaccines and some countries have commenced rolling out vaccinations including England, Germany and several other European nations, America and Australia. But it will take some time for vaccines to be rolled out on a sufficient scale to contain the virus. The recovery is likely to be bumpy and uneven, and dependent both on the health situation and ongoing fiscal and monetary policy support.

The longer-term aftereffects of the COVID-19 Pandemic are still unknown, so there still remains some risk of further lockdowns as well as short-term rolling lockdowns as experienced in Melbourne in June 2021. However, the recent housing prices in Melbourne have shown an increasing trend.

Per the Real Estate, Domain records, the clearance rate is 70% as at 26 June 2021¹ which is 29.63% more than the clearance rate of 54% as at 13 July 2020². In addition, the total sale of the 777 properties is \$600,876,212³.

Zank Income Fund has been working well as of 30 June 2021 and most of our borrowers have been able to meet interest payments on time and repaid as required by the legal documents. In the meantime, Zank & Company Pty Ltd. (Zank) aims to be fully aware of market changes and is closely monitoring market fluctuation. We will be more conservatives on lending parameters in the near future to keep the best interest of our investors.

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

Disclaimer

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This document is not a Product Disclosure Statement 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.