



MaxCap
Investment Management

MAXCAP INVESTMENT TRUST

High Yield

Quarterly Investor Report

JUNE 2025

Commercial In Confidence



Fund Update

We are pleased to present the Quarterly Investor Report for the period 1 April 2025 to 30 June 2025 for the MaxCap Investment Trust – High Yield (Fund).

Fund Performance

While public markets rebounded in the second quarter, persistent geopolitical tensions continue to cloud the macroeconomic outlook, creating uncertainty around the most effective capital deployment strategies. By comparison, the Fund has maintained steady performance, with the Manager reporting a trailing 12-month net return of 11.94%, slightly below its target of 12.23%. While we anticipate performance to return to target within the next six months, we remain unwavering in our risk management approach, and are not willing to pursue higher-returning opportunities unless we have full confidence in the underlying risk profile.

Fund Milestones

We are pleased to report that the MaxCap Investment Trust (MIT) achieved several key milestones during the quarter, most notably its First Mortgage Fund securing a \$75m investment from funds and accounts managed by Apollo Global Management, demonstrating strong general partner alignment. This capital inflow has lifted the MIT's total Funds Under Management (FUM) to over \$1 billion – a significant milestone that underscores the strength and continued growth of the platform.

We thank our investors for their support and patience as we continue to refine operationalisation of this platform.

Fund Investments

During the quarter the Fund was deployed into, or was mandated on, 16 new investment opportunities, bringing the portfolio to a total of 80 loans. These investments were underwritten at an average LVR of 66.5% and a gross IRR of 10.1%. We continue to identify high-quality opportunities in market consistent with our disciplined portfolio construction strategy, which remains focused on the resilient and well-performing living-sector across Australia's eastern seaboard.

Market Summary

Following a strong start to the calendar year, preliminary data suggests market activity softened in Q2, with transaction volumes declining 7% quarter-on-quarter¹, and down 32% against Q2 2024². While investor sentiment remains cautious, Savill's reports approximately \$2.7 billion in pending deals, which could support an uplift in transaction volumes over

the remainder of the calendar year. We view this as a sign of gradually improving investor confidence, underpinned by expectations of further cash rate reductions, stabilising asset values and more favourable market conditions, all of which should enhance the appeal of commercial real estate for investors.

Portfolio Health

During the quarter, the Manager commenced the recognition of a provision for future income on a loan secured by a medical and life sciences asset in Victoria. Whilst we remain confident in full recovery, it is prudent to adopt a conservative approach to valuation in light of the uncertainty surrounding the asset. We will continue to keep investors informed as material developments arise.

Interest Rate Overview

In a move that surprised markets, the Reserve Bank of Australia (RBA) held the cash rate steady at 3.85% at its July meeting, citing the decision as a change in timing rather than policy direction pending further economic data. Subsequent data indicators showed unemployment rising in June to 4.3% (from 4.1% in May) and annual inflation easing to 2.1% as of May (down from 2.4% in April)³. Against this backdrop, the latest Bloomberg survey reflects an overwhelming market consensus for a rate cut at the RBA's meeting in early August, with 98% of respondents expecting a reduction of at least 25 basis points⁴.

Outlook and Strategy

We maintain a cautiously optimistic outlook for market conditions and believe further cash rate reductions should support the continued uplift in market activity observed during the first half of the calendar year.

We remain focused on our core objective: maintaining a well-diversified portfolio that delivers strong risk-adjusted returns for investors. We believe that you don't have to sacrifice fund performance for prudent risk management and remain confident that the Fund is appropriately structured to capitalise on future deployment opportunities while also providing investors with capital flexibility.

Baden Adams

Portfolio Manager



¹Savills – Investment Quarterly, Asia Pacific, Q2 2025.

²MSCI Real Capital Analytics

³Australia Bureau of Statistics

⁴Bloomberg, 21 July 2025



Returns And Portfolio Metrics

Net Monthly Returns since Inception

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2023	-	-	1.21%	0.71%	0.66%	0.77%	0.93%	0.99%	0.98%	1.04%	1.03%	0.97%
2024	0.94%	1.01%	1.03%	0.98%	1.41%	0.83%	1.01%	1.01%	0.89%	1.03%	0.64%	1.21%
2025	1.06%	0.90%	0.99%	1.00%	0.87%	0.96%	-	-	-	-	-	-

Portfolio Metrics

Weighted average LVR	68.0%
Weighted average term (months)	22
Weighted average time to maturity (months)	12
Number of loans	80
Sponsors	56
Largest sponsors exposure	10.7%
Fund leverage	8.7%
Percentage of floating rate investments	100%
FUM - High Yield (\$m)	190
FUM - MaxCap Investment Trust (\$m)	929

Returns¹

	1M	3M	6M	12M	Incep
RBA cash yield	0.31%	0.98%	2.02%	4.23%	4.19%

Net Return

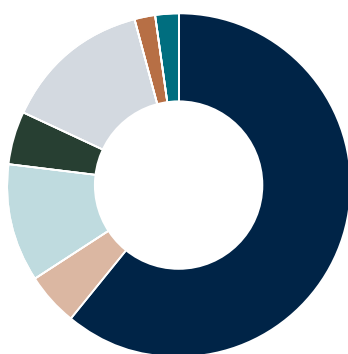
Target net return	0.92%	2.86%	5.83%	12.23%	12.19%
Net return ²	0.96%	2.79%	5.75%	11.94%	12.07%
Monthly cash distribution ³	0.96%	2.83%	5.72%		

Portfolio Allocation

	% of Gross Asset Value
Senior	53.4%
Junior	44.7%
Cash	1.9%
Total	100.0%

Exposure⁴

GRAPH 1: SECTOR



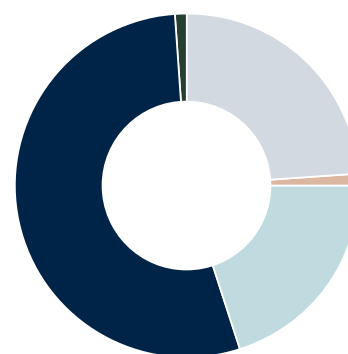
Residential (61%)	Office (5%)
Retail (11%)	Industrial (5%)
Hotel (14%)	Medical and Life Sciences (2%)
Mixed-Use (2%)	

GRAPH 2: GEOGRAPHY



VIC (37%)	QLD (27%)
NSW (23%)	WA (4%)
NZ (9%)	

GRAPH 3: LOAN TYPE



Site Acquisition (24%)	Residual Stock (1%)
Investment (20%)	Construction (54%)
Subdivision (1%)	

¹Returns are calculated using an IRR methodology.

²Net return (after management fees and performance fees) is calculated based on the private management fee and performance fee rates.

³Monthly distributions commenced from October 2024. 1M figure is an estimate pending finalisation of financial accounts.

⁴Exposures are based on the outstanding balances as at the reporting date.



Portfolio Summary

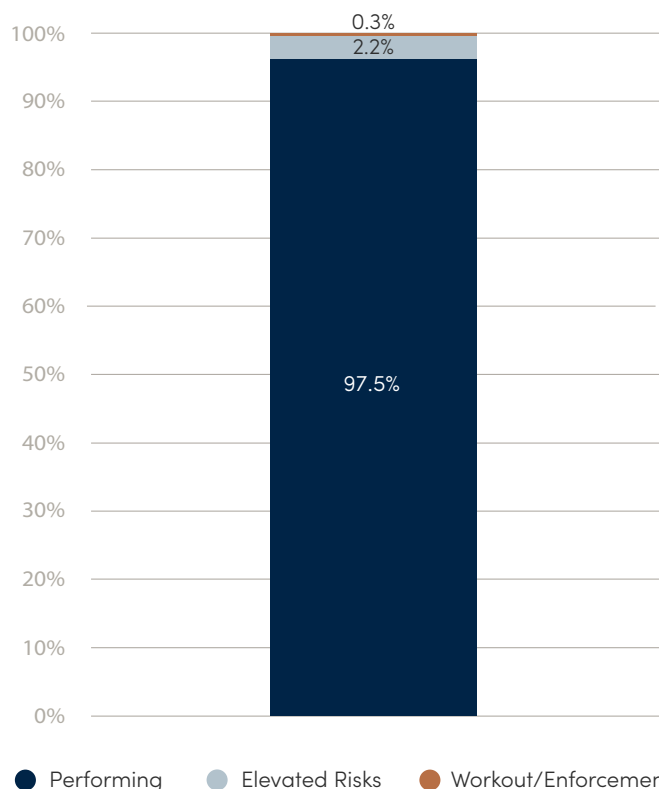
TABLE 1: SUMMARY OF CURRENT INVESTMENTS IN THE PORTFOLIO WITH GREATER THAN 2% CURRENT EXPOSURE.
FOR A FULL PORTFOLIO SUMMARY, PLEASE REACH OUT TO YOUR CAPITAL REPRESENTATIVE FOR ACCESS TO THE DATAROOM.

INVESTMENT	LOCATION	TERM (MONTHS)	RANKING	TYPE	SECTOR	LVR COVENANT (%)	FUND CURRENT EXPOSURE (\$m)	FUND CURRENT EXPOSURE (%)
Loan 1	VIC	24	Junior	Construction	Residential	80.0%	16.4	7.6%
Loan 2	NSW	24	Junior	Investment	Hotel	65.0%	11.2	5.2%
Loan 3	QLD	26	Junior	Construction	Residential	78.5%	8.4	3.9%
Loan 4	QLD	27	Junior	Construction	Residential	75.9%	8.0	3.7%
Loan 5	QLD	24	Junior	Construction	Residential	73.0%	7.8	3.6%
Loan 6	WA	24	Junior	Investment	Hotel	66.0%	7.5	3.5%
Loan 7	QLD	25	Junior	Construction	Residential	75.0%	7.0	3.3%
Loan 8	VIC	24	Senior	Construction	Residential	65.0%	6.7	3.1%
Loan 9	VIC	15	Senior	Site Acquisition	Residential	55.0%	6.2	2.9%
Loan 10	VIC	26	Senior	Site Acquisition	Residential	67.5%	6.2	2.9%
Loan 11	NSW	21	Senior	Construction	Industrial	65.0%	6.0	2.8%
Loan 12	NZ	26	Junior	Construction	Residential	70.0%	5.8	2.7%
Loan 13	VIC	24	Senior	Investment	Med. & Science	65.0%	4.7	2.2%
Loan 14	VIC	18	Senior	Construction	Residential	70.0%	4.7	2.2%
Loan 15	VIC	15	Senior	Site Acquisition	Residential	65.0%	4.6	2.1%
Loan 16	NZ	45	Junior	Investment	Retail	65.0%	4.5	2.1%
Loan 17	QLD	18	Junior	Construction	Residential	78.0%	4.5	2.1%
Loan 18	VIC	12	Senior	Site Acquisition	Mixed-Use	70.0%	4.4	2.1%
Loan 19	NSW	25	Senior	Construction	Hotel	65.0%	4.4	2.1%



Portfolio Health

Performance indicator (% of Net Asset Value)



Performance indicator descriptions

Performing

Position is performing in line with expectations, with risk factors neutral or improved since underwriting.

Enhanced Monitoring

Performance is below expectations. Positions are under enhanced monitoring with proactive risk mitigation strategies in place.

Workout/Enforcement

Manager is actively working to stabilise, protect, and recover value.

Redemptions Metrics

Redemptions Outstanding?	No
Expected Time to Full Redemption	<1-month

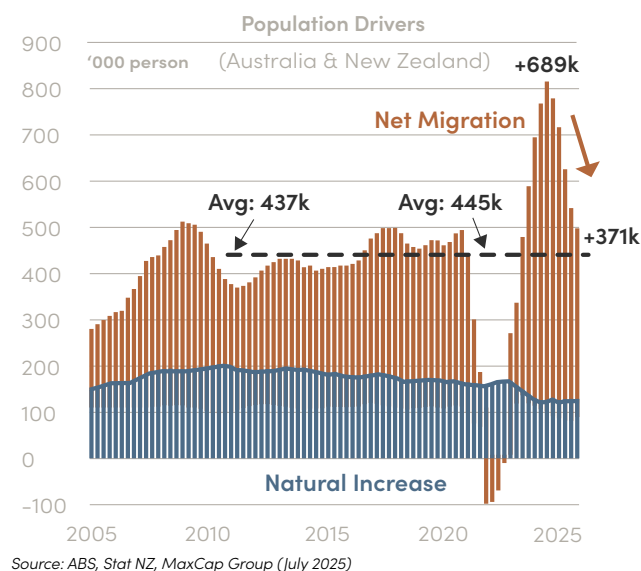


Economic And Market Update

Our local economies continue to hold up well amid a challenging global economic environment.

- The global economy is looking challenging. There is considerable uncertainty prevailing over the global trade outlook, as the US administration threatens trading partners with import tariffs. Already, there are some slowdowns in both the US, Chinese and other major economies, with elevated risks of recession in developed markets later this year. Financial markets have become much more volatile, as share prices dipped and recovered, bond yields lifted with rising fiscal debt and the US dollar fell sharply as flighty investors moved onto safer havens.
- Amid this global disruption, the Australian economy has fared relatively well. We continued to see positive (albeit sub-par) growth in the economy in early 2025. The main reason for this resilience was driven by robust population growth, even as output declined on a per capita basis. Inflation has moderated clearly since its peak in 2022, allowing for more accommodating interest rates to come in 2025. The combination of firm migration and lower rates are the key factors behind the resilience in the economy and the diminished likelihood of a recessionary downturn, unlike what we are seeing abroad.
- Meanwhile, the New Zealand economy is also tracking to a path of positive, but subdued, growth. Indeed, there is a little more momentum in GDP growth in 2025, as the economy emerged from a moderate recession in 2024. The forward signals for this recovery are quite subdued, however, given a softening pace for population growth, driven mostly by increased emigration out of the country. Moreover, there are diminishing market expectations for rate cuts later in 2025, given an earlier start to the local interest rate easing cycle. For the housing market, particularly in Auckland, there are steadily more signs of stabilisation in prices taking hold in 2025.
- It is important to note that for Australia and New Zealand – both being small open economies – that there are important shock absorbers at work in the event of a global economic shock, like this US-instigated trade war. Lower interest rates and depreciating currencies have been very reliable support drivers for these markets, which greatly helped to dilute the worse impacts from these shocks, as we have seen in previous cycles, particularly during the Asian Financial Crisis and the Global Financial Crisis. Certainly, rate cuts to date (and rate cuts to come) will provide considerable support to the outlook. The currency support is mixed in this cycle, however, given a concurrent depreciation in the US dollar.

The population growth profile is clearly moderating, but it is still consistent with a robust pace of housing demand



Inflation stable within the official target bands.

- After the massive supply chain disruptions of 2021, and the subsequent surge in price inflation in 2022, we are well into the normalisation phase for consumer price inflation, with headline indicators for both Australia and New Zealand better entrenched within each countries' respective inflation target bands. Certainly, there are risks to the inflation outlooks for both markets, mostly stemming from the volatile outlook for crude oil prices. Indeed, there was a short-lived spike in oil prices in June, following missile strikes in and around Iran, which threatened the supply of crude oil through the Strait of Hormuz. For now, these oil-based inflation risks are subsiding, although the situation is extremely volatile and may deteriorate at short notice.
- Meanwhile, construction costs have also moved through a similar inflation cycle, to the point where we are seeing more stable pricing in 2025. Notably, builders have relatively less imported price pressures compared to the broader economy. Moreover, the primary sources of imported building products are typically coming from China, where the prospects of US tariffs may prompt cheaper pricing for Australian and New Zealand buyers.

Central banks are cutting interest rates to support the softening global economy.

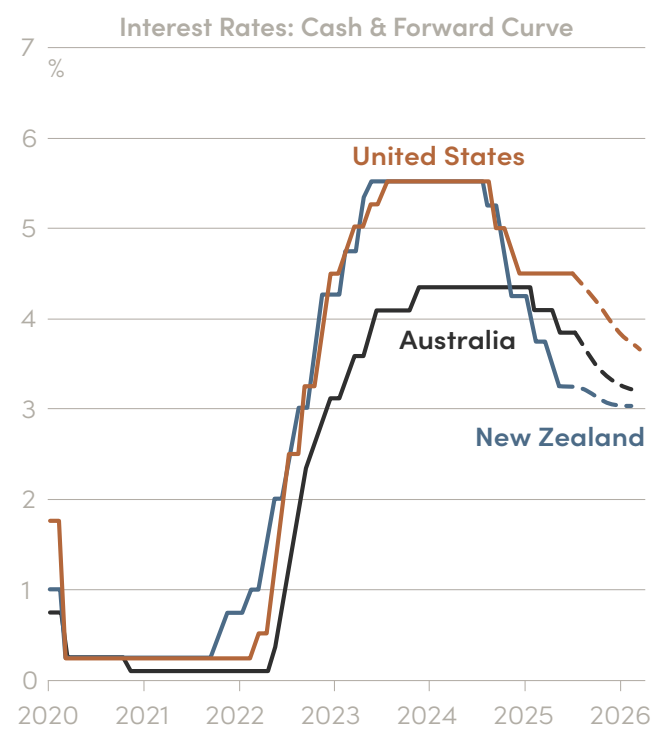
- In the face of escalating fears about the forthcoming global economic slowdown and specifically a US recession, money markets are still pricing in rate cuts in the second half of 2025.



That said, there are persistent concerns about the upside risks to the inflation outlook, most notably with the threat of higher crude oil prices generally, and also with tariff-induced inflation for the US. It is these lingering inflationary fears that are winding back market expectations for rate cuts, even though rate cuts are well warranted by the subdued economic outlooks, both here and abroad.

- Nevertheless, money markets continue to expect modest reductions in cash rates in late 2025. The path to that point is likely to be cautious and uneven, however, given the ongoing uncertainty with global trade and the Middle East. In a broader context, we are likely nearing the end of this interest rate easing cycle in Australia and New Zealand, either in late 2025 or early 2026.

Most central banks are still embarking rate cuts in 2025, but we are now nearing the latter stages of this easing cycle.



Capital markets have flitted quickly between greed and fear in a highly uncertain environment.

- After a period of heightened volatility in financial markets in early 2025, global investors are steadily getting more accustomed to the bluff and bluster around the threats of tariffs and the potential disruptions to global trade. Indeed, share markets bounced back across most regions,

in many cases exceeding the prior highs from February 2025 – the peak ahead of the Liberation Day announcements. That said, there are seemingly permanent impacts from these movements, given a sharp depreciation in the US dollar, a step up in long bond yields and escalating concerns about the long-term sustainability of US fiscal finances, with the passing of the *One Big Beautiful Bill* through the US Congress. For now, we are seeing some degree of irrational exuberance playing out in global share markets, willing to take aggressive valuations and discount the expected slowdown in earnings.

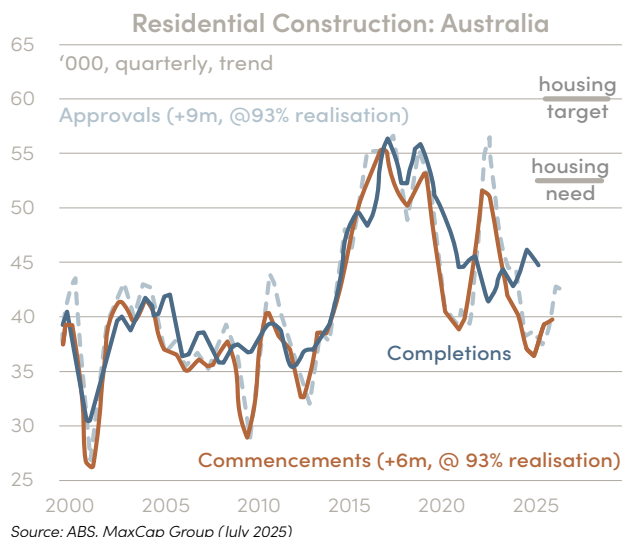
- For Australia and New Zealand, we have seen the same volatility play out in local financial markets. In terms of downside effects, the volatility in share markets are impacting adversely on investor sentiment and household wealth. However, there are some upside effects, most notably from the continuation of interest rate cuts, which will be immensely supportive via reduced borrowing costs, particularly for consumer spending and housing construction.

Housing market remains undersupplied.

- There is still a persistent state of housing undersupply, particularly in Australian capital cities. While we have seen an expected moderation in net migration inflows, the pace of population growth is still running at a pace consistent with robust housing demand. Meanwhile, there has been some welcome uplift in housing construction. Altogether, the pace of supply is still running well behind the overall pace of demand, resulting in a state of housing undersupply, as evidenced by the combination of low rental vacancies and sustained gains in prices. This situation will likely take some years to unwind. At a regional level, this imbalance is most notable in Australian capital cities, particularly Perth, Adelaide, and Brisbane.
- Since the Australian Federal election outcome in May, we see diminishing policy risks to the housing market outlook, not so much with the policy stances of the major political parties, but more with the policy stances of the minor political parties who might have taken the balance of power. Specifically, there was some potential risks from populist policy proposals to markedly reduce immigration intake and enact tax and regulatory changes for builders and investors. Indeed, any sharp, sudden reduction to the migration intake – as we have seen this year in Canada – might prove to be quite detrimental to prices and the development outlook. In any event, no such adverse policy changes are forthcoming in Australia or New Zealand.



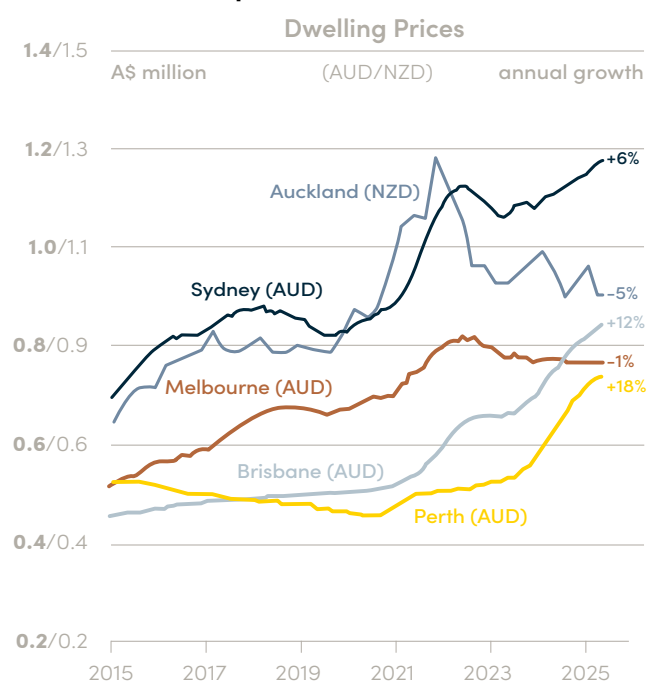
There is an encouraging pick-up in housing construction, but it continues to lag underlying housing demand by a large margin



Residential rents and prices are still rising.

- The persistent shortage of housing is playing out predictably in the residential market. Current vacancy rates are still tracking to very low levels (June 1.3%), and well below the structural balance point of around 3%.

Housing prices are rising broadly across major cities, with the clear exceptions of Melbourne and Auckland

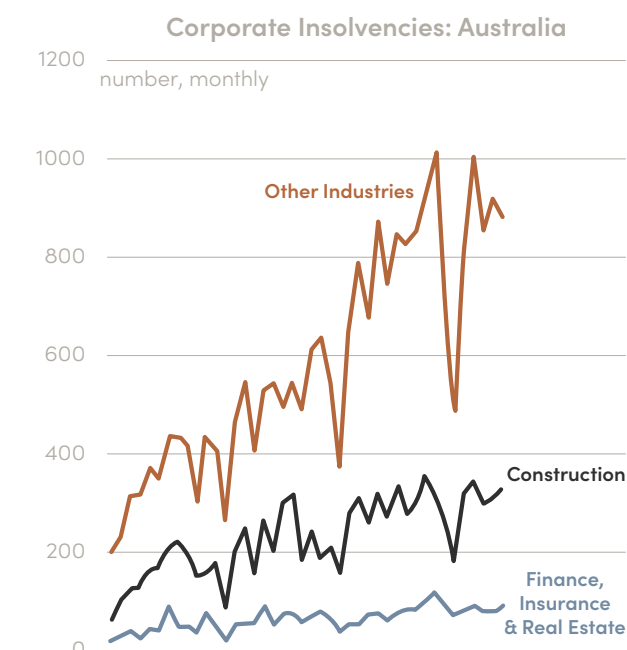


- Dwelling prices continue to grow, albeit more strongly in markets like Perth (+18% p.a.), Adelaide (+14%), and Brisbane (+12%). Looking at the larger cities, we see that Sydney continues to post respectable price gains (+6%), while Melbourne (-1%) and Auckland (-5%) clearly lag behind in this cycle, given the adverse drag (at least for Melbourne) from higher state taxes and relatively weaker investor sentiment.

Builder insolvencies remain a key watch point.

- Looking at the macroeconomic drivers, the period of maximum drag for builder profits is well behind us, as we have moved beyond the cost inflation and interest rate shocks of 2022. In subsequent years, construction costs have stabilised, while interest rates have started to fall. Nevertheless, the insolvency cycle lags the economy by 1-2 years. While the broader economy is still working through a period of financial stress, we are likely to be past the peak of construction insolvencies.
- Certainly, we continue to keep a close watchful eye on builder distress and their capacity to repay outstanding loans. In our view, those risks should be steadily moderating over the course of 2025 and beyond.

Insolvencies continue to be high in a sluggish economy, although the construction sector is tracking to a flatter trend

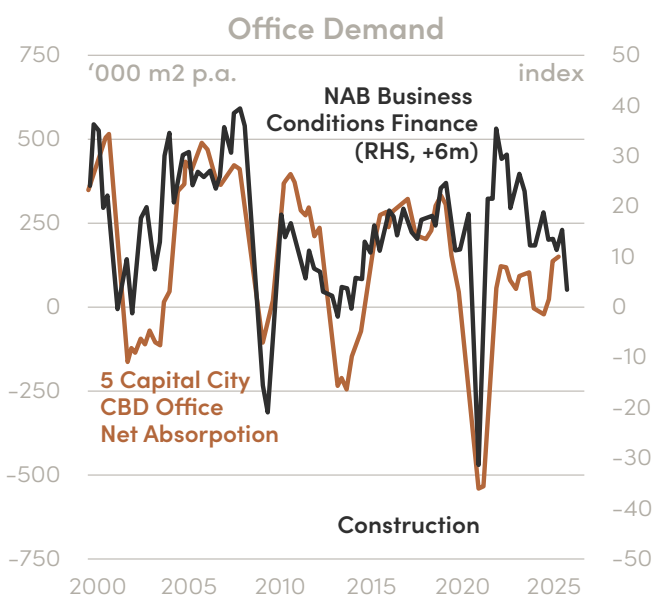




Commercial markets are set to improve in 2025.

- There are more positive signals for commercial markets in 2025. Asset values – across most office, industrial and retail sectors – are progressively moving past their cyclical low points in late 2024, although Melbourne office is the clear laggard in this commercial market cycle.
- Importantly, the big structural headwinds that have impeded demand (and discouraged investors) over the past several years have certainly subsided.
- Specifically, the work-from-home trend is no longer detracting from office space demand to the same extent. While this topic is still a matter of popular debate (and a temporary topic during the election before the promise was walked back), the forward demand profile is now better aligned with business conditions, without a persistent drag to leasing demand.
- Similarly, the shift from physical to online shopping looks to have run its natural course. The recent cut to mortgage interest rates is supporting a recovery in both online and offline retail spending growth. The structural trend for online substitution of spending is mostly done, as the retail market finds its new equilibrium.
- For now, the industrial sector looks to be the most attractive among the commercial segments, largely because the structural need for newer industrial warehouse capacity remains well in place, particularly for inner-ring, urban-infill facilities to serve last-mile logistics demand. With new supply additions, the shortage of stock and the uplift in rents are becoming slightly less urgent, but the sector is still well placed to deliver on stronger rental incomes in coming years.

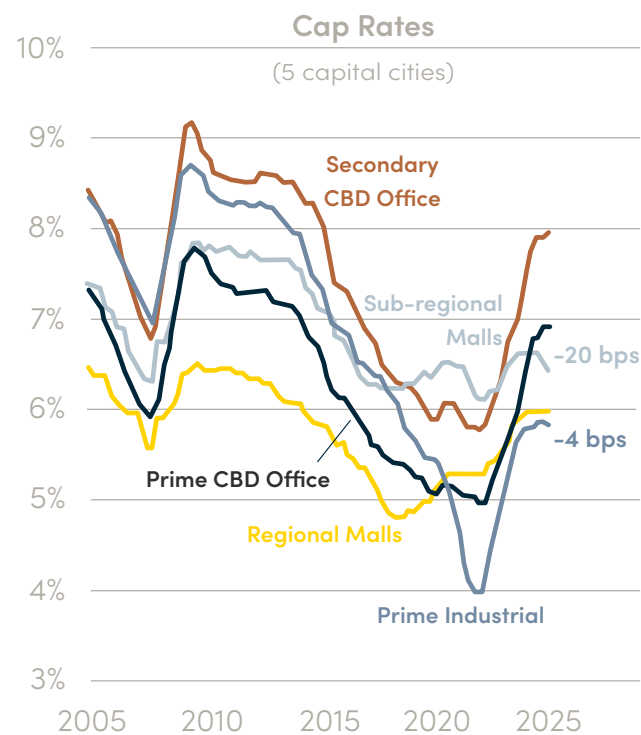
Office demand is moderating with weaker cyclical conditions, as the structural work-from-home headwinds slowly subside



Commercial markets are set to lift as investors return.

- From an investor perspective, the market should be on track for some improvement in late 2025. The drivers that led to a softening in cap rates – particularly higher interest rates – have turned decisively. Lower interest rates will be a key catalyst for deals to stack up better, driving an eventual phase of cap rate recompression to take hold sometime in 2025.
- Amid all the extraordinary volatility and turmoil in global public markets, we expect to see some structural reallocation of capital into private markets, including for real estate assets with more tangible and reliable incomes.
- Equity investors in real estate are looking in better shape, again with lower interest rates being the key catalyst that support deal-making and asset valuation. For now, there is considerable investor appetite for the living sector, given the dramatic mismatch between housing demand and supply. At the same time, we are seeing resurgent interest across commercial sectors, with industrial in the lead, retail with a surprisingly resilient rebound and office lagging the other sectors this cycle.

Cap rates have reached their cyclical peak, as some sectors start to recompress on the back of lower borrowing costs





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