



**MaxCap**  
Investment Management

**MAXCAP INVESTMENT TRUST**

# High Yield

## Quarterly Investor Report

**SEPTEMBER 2025**

**Commercial In Confidence**



# Fund Update

We are pleased to present the quarterly investor report for the period 1 July 2025 to 30 September 2025 for the MaxCap Investment Trust – First Mortgage (Fund).

## Fund Performance

The Fund delivered another steady quarter, with a trailing 12-month net return of 11.69%, slightly below the Fund's target of 12.06%.

While market conditions generally trended upward, the Fund continued to be disciplined in its approach to capital deployment and portfolio management, ensuring credit standards were, and remain, consistently upheld across all investment opportunities.

Key portfolio metrics remained stable and within expectation, with the weighted-average loan-to-value ratio tracking within the target range at 67.9%, and underlying borrower performance across the portfolio remaining in-line with expectations.

## Quarterly Deployment

The Fund continued to identify and execute on high-quality investment opportunities during the quarter, primarily within the strong-performing industrial and residential sectors. The Fund deployed into or was mandated on 7 new investments, representing total new deployment of A\$185m. The average loan-to-value ratio across these transactions was 64%, broadly consistent with the Fund's risk parameters, and the average gross IRR was 9.87%, reflecting attractive risk-adjusted returns in the current market environment.

## Commercial Real Estate Market

Transaction volumes across Australia reached A\$16.6 billion in Q2 2025, the highest quarterly total since Q4 2021. Over the 12 months to Q2 2025, volumes totalled A\$48.1 billion, marking the strongest annual result since Q3 2022<sup>1</sup>. Encouragingly, this momentum has carried into Q3 2025, with transaction activity estimated between A\$18 and A\$19 billion<sup>2</sup>. These positive trends highlight an improvement in investor sentiment, reflecting confidence in stabilising interest rates, a clearer yield outlook, and renewed capital appetite for high-quality Australian real assets.

New Zealand transaction volumes followed a similar trajectory, with approximately NZ\$1.9 billion in deals recorded in the first six months of 2025, a 50% increase year-on-year.

## Interest Rate Landscape

The Reserve Bank of Australia's (RBA) cautious stance and the Reserve Bank of New Zealand's (RBNZ) recent easing highlight a deviation in monetary policy outlooks for the two economies.

In Australia, inflation for the 12 months to August 2025 rose to 3.0%, up from 2.8% in July 2025, marking the highest annual rate since July 2024<sup>3</sup>. While consensus forecasts still show a 25 basis-point cut at the RBA's November meeting<sup>4</sup>, expectations have become more divided. Three of the four major Australian banks have delayed their rate cut expectations until at least early 2026, a view reinforced by pricing in short-term interest rate futures<sup>5</sup>. Given the RBA's cautious approach to date, the September CPI release is expected to be pivotal in determining the path forward.

In New Zealand, the recent 0.50% cut by the RBNZ represents a clear attempt to stimulate the economy after GDP contracted by 0.90% in Q2<sup>6</sup>. Commentary following the October meeting indicated further cuts remain in scope should inflation fail to settle within the 2% mid-point of the RBNZ's target range over the medium term<sup>7</sup>.

## Outlook and Strategy

We are cautiously positive on the outlook for the remainder of 2025, supported by favourable interest rates and improving market confidence. The Manager remains committed to disciplined deployment and active portfolio management, targeting opportunities benefitting from strong fundamentals while also ensuring broad diversification across all key investable parameters.

We believe the Fund is well-positioned to maintain its consistent performance and capitalise on future deployment opportunities in the market.

We would like to thank investors for their ongoing trust and support.

## Baden Adams

Portfolio Manager



<sup>1</sup>Cushman and Wakefield, Q2 2025 MarketBeat

<sup>2</sup>Dexus Q3 2025 Real Asset Review

<sup>3</sup>Trading Economics, August 2025

<sup>4</sup>Bloomberg, 9 October 2025

<sup>5</sup>The Australian, 5 October 2025

<sup>6</sup>Stats NZ, September 2025

<sup>7</sup>Reuters, 8 October 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% | 0.93% | 0.91% | 0.87% | -     | -     | -     |

## Portfolio Metrics

|                                            |       |
|--------------------------------------------|-------|
| Weighted average LVR                       | 67.9% |
| Weighted average term (months)             | 21    |
| Weighted average time to maturity (months) | 10    |
| Number of loans                            | 78    |
| Sponsors                                   | 58    |
| Largest sponsors exposure                  | 10.1% |
| Fund leverage                              | 8.9%  |
| Percentage of floating rate investments    | 100%  |
| FUM - High Yield (\$m)                     | 226   |
| FUM - MaxCap Investment Trust (\$m)        | 1,143 |

## Returns<sup>1</sup>

|                | 1M    | 3M    | 6M    | 12M          | Incep |
|----------------|-------|-------|-------|--------------|-------|
| RBA cash yield | 0.29% | 0.92% | 1.91% | <b>4.06%</b> | 4.14% |

## Net Return

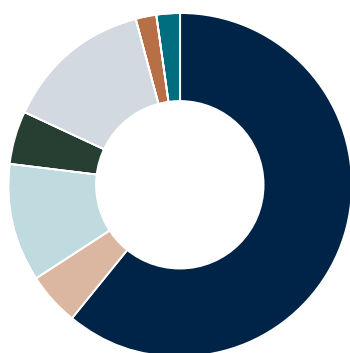
|                                        |       |       |       |               |        |
|----------------------------------------|-------|-------|-------|---------------|--------|
| Target net return                      | 0.91% | 2.83% | 5.77% | <b>12.06%</b> | 12.14% |
| Net return <sup>2</sup>                | 0.87% | 2.68% | 5.51% | <b>11.69%</b> | 11.84% |
| Monthly cash distribution <sup>3</sup> | 0.87% | 3.38% | 5.43% | <b>11.38%</b> |        |

## Portfolio Allocation

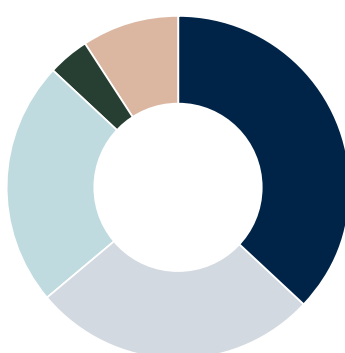
|        | % of Gross Asset Value |
|--------|------------------------|
| Senior | 60.6%                  |
| Junior | 34.8%                  |
| Cash   | 4.5%                   |

## Exposure<sup>4</sup>

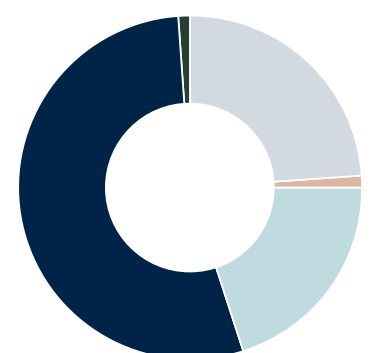
GRAPH 1: SECTOR



GRAPH 2: GEOGRAPHY



GRAPH 3: LOAN TYPE



<sup>1</sup>Returns are calculated using an IRR methodology.

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

<sup>3</sup>Monthly distributions commenced from October 2024.

<sup>4</sup>Exposures are based on the outstanding balances as at the reporting date.



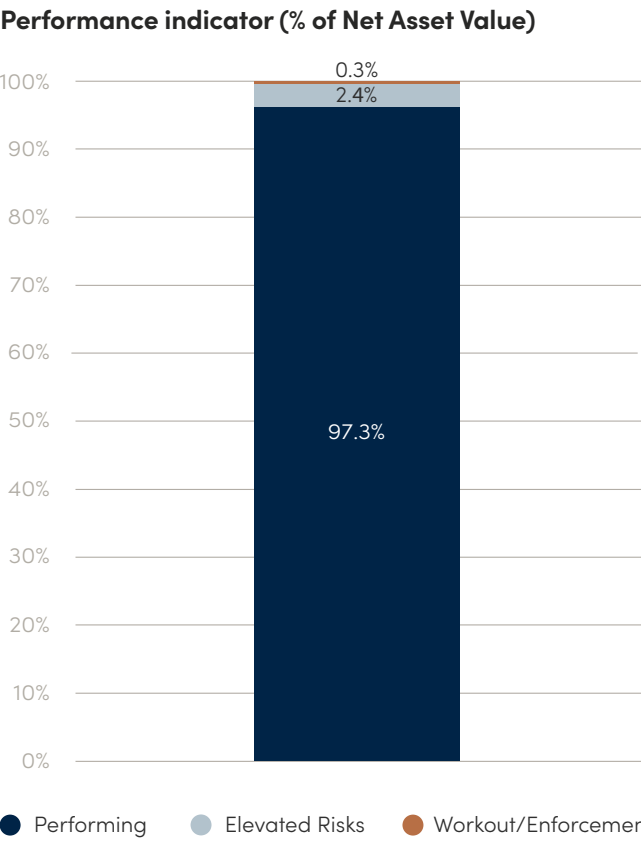
# Portfolio Summary

**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%            | 17.3                        | 7.0%                      |
| Loan 2     | QLD      | 26            | Junior  | Construction     | Residential    | 78.5%            | 11.0                        | 4.5%                      |
| Loan 3     | NSW      | 21            | Senior  | Construction     | Industrial     | 65.0%            | 8.6                         | 3.5%                      |
| Loan 4     | VIC      | 27            | Senior  | Site Acquisition | Residential    | 67.5%            | 8.5                         | 3.5%                      |
| Loan 5     | QLD      | 27            | Junior  | Construction     | Residential    | 75.9%            | 8.0                         | 3.2%                      |
| Loan 6     | QLD      | 18            | Junior  | Construction     | Residential    | 73.0%            | 7.7                         | 3.1%                      |
| Loan 7     | VIC      | 15            | Senior  | Site Acquisition | Residential    | 55.0%            | 7.7                         | 3.1%                      |
| Loan 8     | VIC      | 24            | Senior  | Construction     | Residential    | 65.0%            | 7.6                         | 3.1%                      |
| Loan 9     | QLD      | 25            | Junior  | Construction     | Residential    | 75.0%            | 7.6                         | 3.1%                      |
| Loan 10    | WA       | 24            | Junior  | Investment       | Hotel          | 66.0%            | 7.3                         | 3.0%                      |
| Loan 11    | NSW      | 18            | Senior  | Site Acquisition | Residential    | 75.0%            | 6.0                         | 2.5%                      |
| Loan 12    | VIC      | 19            | Senior  | Investment       | Med. & Science | 65.0%            | 5.8                         | 2.4%                      |
| Loan 13    | NZ       | 26            | Junior  | Construction     | Residential    | 70.0%            | 5.8                         | 2.4%                      |
| Loan 14    | NSW      | 25            | Senior  | Construction     | Hotel          | 65.0%            | 5.7                         | 2.3%                      |
| Loan 15    | VIC      | 11            | Senior  | Site Acquisition | Residential    | 65.0%            | 5.5                         | 2.2%                      |
| Loan 16    | VIC      | 12            | Senior  | Site Acquisition | Mixed-Use      | 70.0%            | 5.4                         | 2.2%                      |



# Portfolio Health



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 |

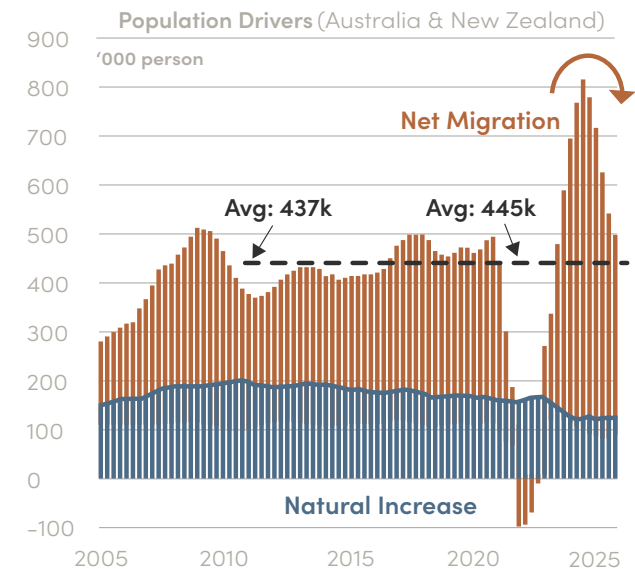


# Economic And Market Update

## The local economic outlooks are being affected by a challenging global market environment.

- The global economic outlook has moderated in the latter part of 2025, influenced by uncertain global trade policies, which has contributed to slower growth, softer business confidence, and elevated. According to the International Monetary Fund, the risks are tilted to the downside, as major economies are being challenged by rising fiscal debt, weakened policy institutions and potential for financial market adjustments. Specifically, US share markets have traded above earnings fundamentals, lifted by hopes of productivity gains in earnings, enabled by artificial intelligence. However, the possibility of an AI-driven share price bubble and the prospect of market correction remains a source of caution for investors.
- Amid a mixed global backdrop, the Australian economy has remained relatively resilient. GDP growth has been below trend, though recent data indicates gradual improvement supported by lower interest rates. Persistently strong population growth, even after moderating from its 2023 peak, continues to underpin domestic economic activity and housing demand across major capital cities. These internal drivers are well placed to support growth at a time of softer external conditions.
- Meanwhile, the New Zealand economy has struggled to generate consistent GDP growth in recent years, with a further contraction recorded in Q2 2025. Fundamental drivers remain subdued, as population growth continues to moderate—not due to weaker inbound migration, but ongoing outward flows to Australia. The central bank has responded with rate cuts to support activity, though additional easing into early 2026 may be required to help re-energise the recovery.
- It is important to note that, as small open economies, both Australia and New Zealand benefit from key shock-absorbing mechanisms during periods of global disruption, including those stemming from the current US-driven trade tensions. Historically, lower interest rates and currency depreciation have provided reliable support, helping to cushion the impact of global downturns, as observed during the Asian Financial Crisis and the Global Financial Crisis. While recent and prospective rate cuts are expected to offer meaningful support again in this cycle, the currency channel is proving more mixed, given the simultaneous depreciation of the US dollar.

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



Source: ABS, Stat NZ, MaxCap Group (October 2025)

## Inflation is sitting near the top of the target band.

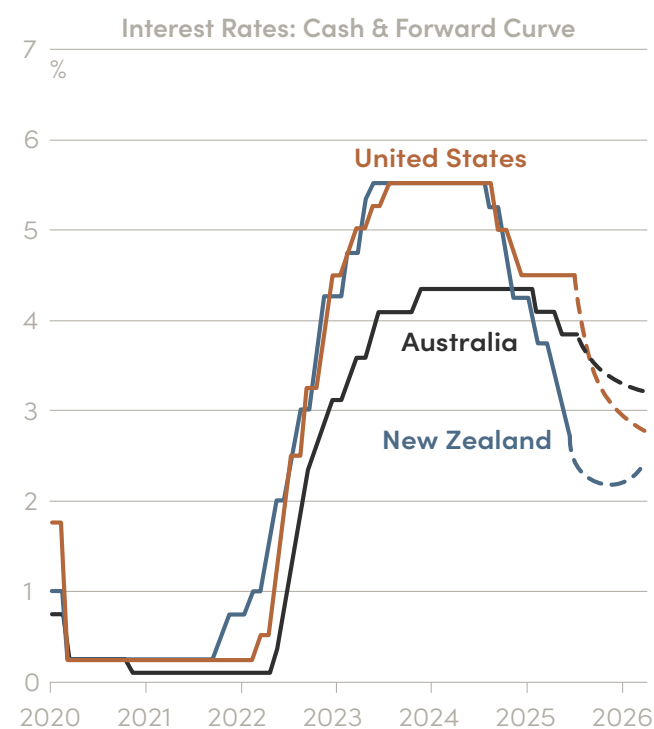
- Following the supply chain disruptions of 2021 and the sharp inflation surge in 2022, both economies have now entered a period of inflation normalisation. Headline consumer price indicators in Australia and New Zealand are moving more firmly back within their respective target bands.
- There are still risks to the inflation outlook in both markets, though they appear more balanced than in recent months. On the upside, tariff-related pressures continue to pose an inflationary risk. On the downside, a more stable geopolitical environment in the Middle East could contribute to easing crude oil prices.
- Meanwhile, construction costs have followed a similar inflation cycle and are showing greater stability through 2025. Builders are experiencing less imported price pressure relative to the broader economy, as a significant share of building materials are sourced from China. In this context, the potential impact of US tariffs may lead to more competitive pricing for Australian and New Zealand buyers.



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

- With ongoing concerns over a global economic slowdown, money markets continue to price in rate cuts into early 2026, particularly in the US. However, upside risks to inflation remain a focus, most notably the potential impact of tariff-related cost pressures. These lingering inflation concerns are tempering expectations for the scale and pace of policy easing, even though the subdued economic outlook—especially in the US—provides a clear case for rate cuts.
- Nevertheless, money markets are beginning to price in the end of the monetary easing cycles in Australia and New Zealand. In Australia, there are valid concerns that excessive rate cuts could reignite upward pressure on housing prices. In contrast, further easing in New Zealand appears more justified, given the softer outlook for economic growth and local asset markets.

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



## Asset markets are surging ahead on the back of AI, raising concerns of a share price bubble.

- In recent months, global share markets have rallied strongly, driven by investor optimism about the potential economic impact of generative artificial intelligence, particularly large language models. This rally has been concentrated in a small group of major technology companies, while broader market performance has remained more subdued. The rapid accumulation of

capital in this sector has also supported a surge in data centre developments in the US, which has been one of the factors helping to sustain economic momentum. At the same time, the sharp divergence between share prices and earnings expectations has increased concerns about a potential AI-related market correction and the risk of broader spillovers into other asset classes and sectors.

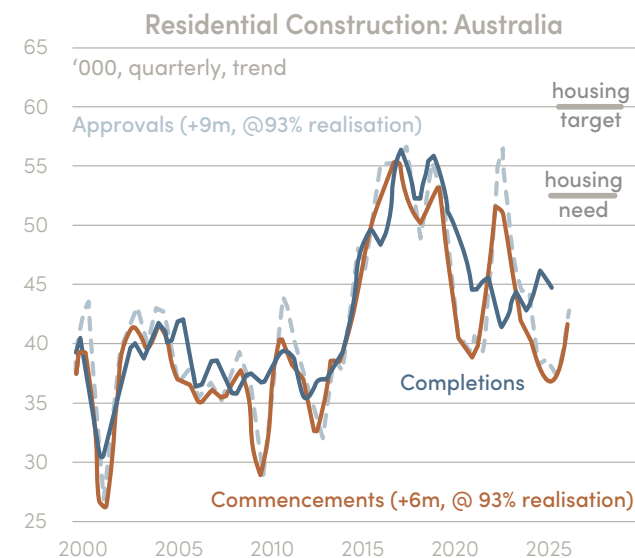
- For Australia and New Zealand, the potential impact of these developments is expected to be relatively contained. Unlike in the US, there has not been a comparable surge in speculative data centre construction. Local project activity has remained at a more measured pace, supported by strong underlying demand and solid absorption of new supply.

## Housing market remains undersupplied.

- There remains a persistent housing undersupply, particularly across Australia's major capital cities. Although net migration inflows have moderated as expected, population growth continues at a pace consistent with strong housing demand. While housing construction activity has picked up, the rate of new supply still lags well behind demand. This imbalance is reflected in low rental vacancy rates and ongoing price growth and is expected to take several years to unwind. Regionally, the shortfall is most pronounced in Perth, Adelaide, and Brisbane.
- Since the Australian Federal election outcome in May, policy risks to the housing market outlook have eased. This shift is less about the positions of the major political parties and more about reduced influence from minor parties that may have held the balance of power. Prior to the election, there were potential risks from proposals to significantly lower migration intake and introduce tax and regulatory changes affecting builders and investors. A sharp reduction in migration—similar to recent developments in Canada—could have had a material impact on housing prices and the development pipeline. However, no such adverse policy changes are currently expected in either 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**

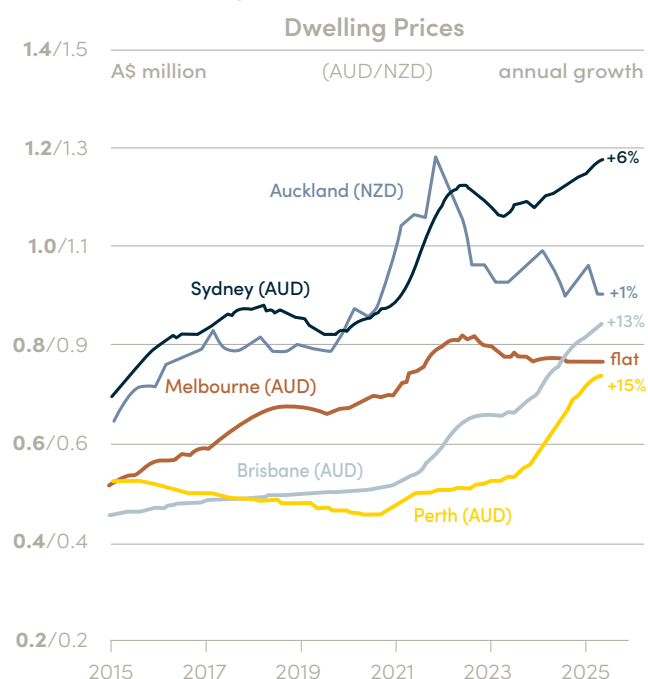


Source: ABS, MaxCap Group (October 2025)

**Residential rents and prices are still rising.**

- The ongoing shortage of housing is having a clear and predictable impact on the residential market. Vacancy rates remain exceptionally low—1.2% as of September—well below the structural balance level of around 3%.

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



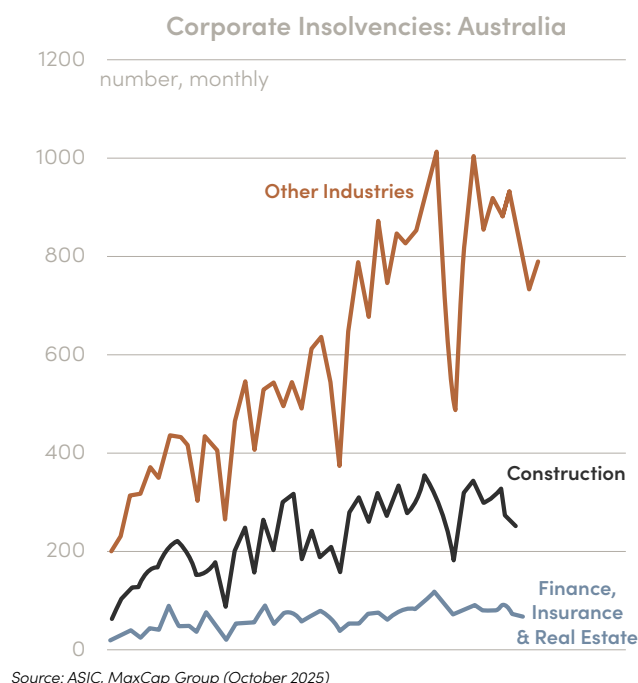
Source: Proptrack, REINZ, MaxCap Group (October 2025)

- Dwelling prices continue to rise, with the strongest growth recorded in Perth (+15% p.a.), Adelaide (+13%), and Brisbane (+13%). Among the larger cities, Sydney has also posted solid gains (+6%), while Melbourne (flat) and Auckland (+1%) have lagged this cycle, reflecting the impact of higher state taxes in Melbourne and slower population growth in Auckland.

**Builder insolvencies remain a key watch point.**

- Looking at the macroeconomic drivers, the period of greatest pressure on builder margins is now behind us, with the industry having moved past the cost inflation and interest rate shocks of 2022. In the years since, construction costs have stabilised and interest rates have begun to decline. However, insolvency trends typically lag broader economic conditions by one to two years. As the economy continues to work through a period of financial stress, a gradual moderation in corporate insolvencies is expected ahead.
- We continue to closely monitor builder distress and their capacity to meet loan repayment obligations. In our view, these risks are already moderating through 2025 and are well positioned to improve further in 2026.

**Corporate insolvencies are easing from their cyclical highs, particularly in the construction sector**



Source: ASIC, MaxCap Group (October 2025)

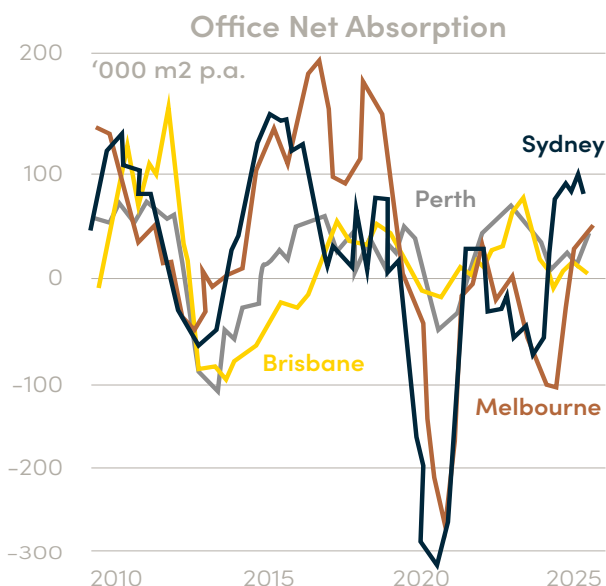




### Commercial markets are set to improve in 2025.

- There are increasingly positive indicators for commercial property markets in 2025. Asset values across most office, industrial, and retail sectors appear to be moving beyond their cyclical lows reached in late 2024, with Melbourne office remaining the notable laggard in this recovery phase.
- Importantly, the major structural headwinds that have weighed on demand and dampened investor sentiment in recent years have now eased significantly.
- Specifically, the work-from-home trend is no longer detracting from office space demand to the same extent. While this subject continues to be a matter of debate and was a temporary topic during the election before the promise was fulfilled back), the forward demand profile is now better aligned with business conditions, without being a persistent drag to leasing demand.
- Specifically, the work-from-home trend is no longer weighing on office demand to the same extent. While the topic remains part of broader public debate and featured briefly in the election cycle, forward demand is now more closely aligned with prevailing business conditions and is no longer acting as a persistent drag on leasing activity.
- For now, the industrial sector remains the most attractive segment within the commercial property market. The structural demand for new warehouse capacity continues to underpin its strength, particularly in inner-ring, urban infill locations supporting last-mile logistics. While new supply is beginning to ease stock shortages and moderate rental growth pressures, the sector remains well positioned to deliver stable rental income over the coming years.

### Office demand is improving on a broader basis, even for Sydney and Melbourne, with their international tenancy base

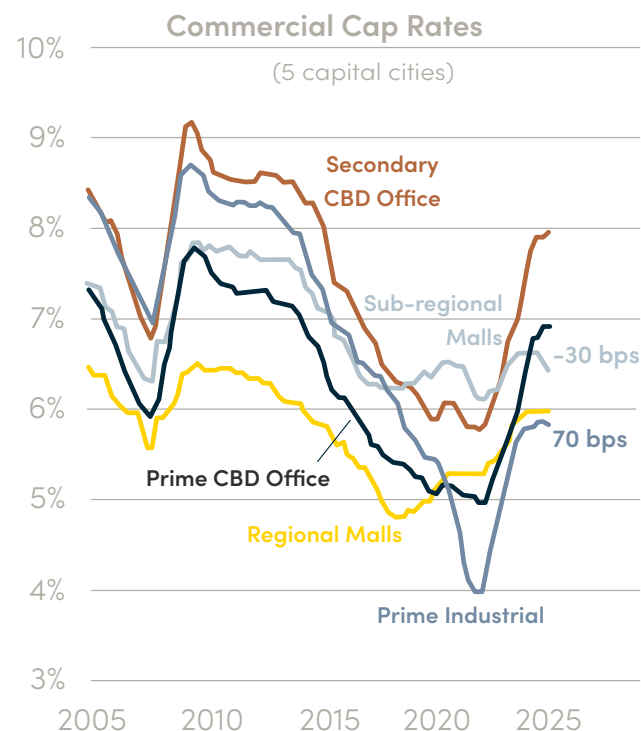


Source: Bloomberg, JLL REIS, MaxCap Group (October 2025)

### Commercial markets are set to lift as investors return.

- From an investor perspective, the market appears to be on track for improvement into early 2026. The key factors that previously contributed to cap rate softening—most notably higher interest rates—have shifted direction. Lower interest rates are now acting as a catalyst for improved project feasibility and are driving a broader trend toward cap rate compression through 2025.
- Equity investors in real estate are entering a more favourable environment, with lower interest rates acting as the key catalyst supporting both transaction activity and asset values. There is currently strong investor appetite for the living sector, driven by the significant imbalance between housing demand and supply. At the same time, interest across commercial property segments is rebounding, led by industrial, with retail showing surprising resilience and office continuing to lag in this cycle.

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



Source: JLL REIS, MaxCap Group (October 2025)



**MaxCap**  
Investment Management

## MAXCAP GROUP PTY LTD

### CONTACT US

[info@maxcapgroup.com.au](mailto:info@maxcapgroup.com.au)

#### HEAD OFFICE | MELBOURNE

Level 34, Queen & Collins Tower,  
376-390 Collins Street Melbourne, VIC 3000  
+613 9620 2220

#### SYDNEY

Level 27, Governor Phillip Tower,  
1 Farrer Place Sydney, NSW 2000  
+612 8397 7200

#### BRISBANE

Central Plaza 1, Level 22,  
345 Queen St, Brisbane QLD 4000  
+617 3303 0885

#### PERTH

Level 19, Exchange Tower 2  
The Esplanade, Perth 6000  
+618 6189 8629

#### AUCKLAND

Level 15, 1 Albert Street,  
Auckland 1010  
+64 21 995 2611

#### TRUSTEE

MaxCap Master Fund Nominee Pty Ltd  
ACN 663 210 875  
Level 34, 376-390 Collins Street  
Melbourne VIC 3000  
Tel +613 9620 2220  
Fax +613 9620 2221  
[legal@maxcapgroup.com.au](mailto:legal@maxcapgroup.com.au)

#### MANAGER

MaxCap Investment Management Pty Ltd  
ABN 68 169 902 005  
AFSL 462086  
Level 34, 376-390 Collins Street  
Melbourne VIC 3000  
Tel +613 9620 2220  
Fax +613 9620 2221  
[legal@maxcapgroup.com.au](mailto:legal@maxcapgroup.com.au)

[maxcapgroup.com.au](http://maxcapgroup.com.au)

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