MSQUARED HIGH YIELD MORTGAGE INCOME FUND
MONTHLY REPORT | DECEMBER 2025

MARKET & PORTFOLIO UPDATE*

Persistent inflation has seen Australian interest rates remain elevated relative to other developed markets. While economic growth is moderating, the Reserve Bank of Australia is expected to increase or hold rates throughout 2026. Australian public market credit spreads have been at – or near – multi-decade lows since late 2025. Supply is particularly scarce in high quality segments. This has a spillover effect into private markets, where investor demand is increasing while quality borrowers remain scarce. This heightened supply/demand dynamic has pressured lenders to lower their interest rates to attract quality deal flow. Absent an economic shock or drop in investor demand, we anticipate heightened competition to continue in a similar vein well into 2026. The short-term nature of our loan book insulates the portfolio from the opportunistic refinancing activity seen elsewhere in the market. That said, some borrowers noted enticingly low headline rates from other lenders, yet refinanced with Msquared over the previous year. citing concerns over hidden fees. Credit quality could deteriorate for weaker borrowers impacted by persistent inflation. To attract – and retain – the highest quality deal flow in a competitive market environment, we will be lowering our interest rate by 0.25%. The Fund income distribution will be 9.75% p.a. for the High Yield Fund. The Fund remains well diversified across 56 investments, with a weighted average loan term of 7.61 months and a weighted average loan-to-value ratio of 58.53%.

RECENT RETURNS (ANNUALISED)*

December 25	9.75% p.a.
November 25	10.00% p.a.
October 25	10.00% p.a.

FUND METRICS

No. of Loan Investments in Fund	56
Weighted Portfolio LVR	67.70%
Weighted Portfolio Loan Term	7.61 months
Loans Settled in Last 90 Days	18
Loans Repaid in Last 90 Days	16

OBJECTIVES OF THE FUND

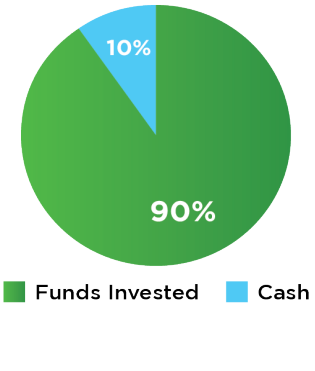
01 **To provide investors an opportunity to access high quality, registered mortgage investments through a professionally managed structure.**

02 **The provision of monthly income distributions at a targeted minimum net return of 9.00% p.a.**

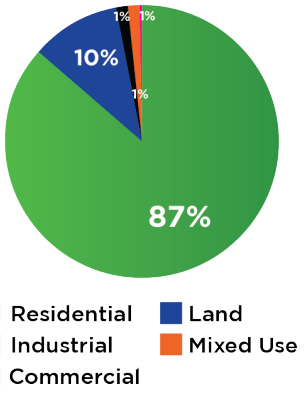
KEY FUND INFORMATION

Maximum LVR	80.00%
Security	Registered Mortgages
Distributions	Payable monthly
Minimum Investment	$50,000
Minimum Investment Term	12 Months
Redemptions	Quarterly with two months' notice
Investment Grade Research Ratings	SQM Ratings

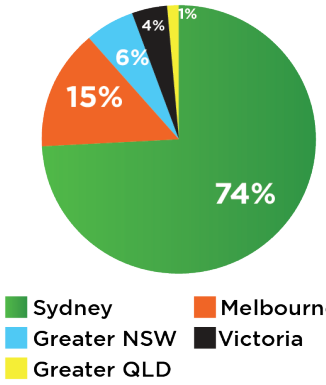
CAPITAL ALLOCATION



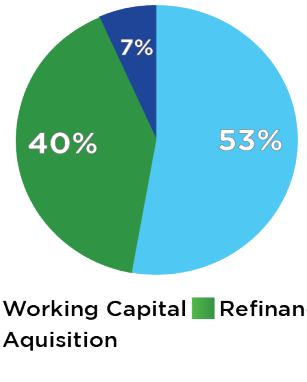
SECURITY TYPE



GEOGRAPHICAL LOCATION



LOAN PURPOSE



DISCLAIMER

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