Payton Capital Limited

Report Date: June 2022

STRONG

FORESIGHT ANALYTICS ODD RATING

Foresight Overall Rating	Operational Capability Strengths	Key Risk Factors
Operational Due Diligence Assessment 'STRONG' An assessment of 'STRONG' reflects the STRONG capacity of an operating party to perform its operational role and assist the issuer or fund in meeting financial obligations in a timely manner.	▪ Consistent performance over 3 years for the Payton Select Investment Fund. The Payton Pooled Investment Fund has achieved its target returns but has only traded for 12 months. ▪ Positive outlook for future growth opportunities given regulatory pressure on APRA-regulated competitors. ▪ Highly skilled and experienced management and executive team. ▪ Strong resource investment to support the growth of the business. ▪ Strong and clear strategic objectives and plan for growth, supported by appropriate investment in staff, i.e., business acquisition, business distribution and corporate services teams.	▪ Concentrated exposure to the commercial real estate sector. ▪ Whilst most processes are automated, we note that some processes and procedures involve manual components that may not remain scalable as the business' growth escalates.

ODD Ranking - STRONG

Foresight Analytics has assigned a 'STRONG' Operational Due Diligence (ODD) Assessment for Payton Capital Limited (Payton). This has been driven by Payton's track record of consistently delivering target returns, its highly experienced management team, and its investment to support scalability and growth in the business.

This assessment is underpinned by Payton's consistent investment management and financial performance since the first managed fund was launched in 2018, which has allowed it to weather the COVID-19 pandemic event. Payton has consistently delivered target returns for its investments and has experienced steady growth in assets under management (AUM) and funds under management (FUM) since it was established.

Payton also enjoys a 'STRONG' future outlook in terms of opportunities for growth within the Commercial Real Estate (CRE) lending sector in Australia due to the withdrawal of the banks from the domestic CRE lending market and an increase in capital inflows. A strong investment has been made in business development staff and marketing strategy to mature the previous method, which relied on networks and introducers to source new clients.

Payton's 'STRONG' ranking is also reflective of its highly specialised and experienced management team and staff across all key business functions. Payton is also currently seeking to upgrade its current manual risk and compliance monitoring and reporting process to an online GRC system.

Foresight Analytics has considered the operational and financial profiles of Payton and its key operating companies.

Foresight Analytics' ODD Assessment of Payton included a review and ranking of Payton's operational components. The combination of the weighted rankings of these components underlies Payton's 'STRONG' ODD Assessment. The rankings of each operational component are outlined in Table 1.

Table 1: Rating of Payton's Operational Risk Factors

Ownership, Performance, Outlook	**Strong**
Experience and Skill of Management and Staff	**Very Strong**
Governance	**Strong**
Risk Management and Compliance	**Strong**
Asset and Data Security	**Strong**
Data Systems and Technology	**Strong**
Financial Adequacy and Stability	**Very Strong**

Payton Select Investment Fund

The Payton Select Investment Fund (the 'PSIF') is an unlisted managed investment scheme (MIS) that is structured as a unit trust with classes of units. Investors are able to select investment products that are linked to loans and classes of units. It is open to wholesale clients only. Payton is the Trustee of PSIF. Payton is Corporate Authorised Representative of PFM AFSL No. 284280.

The PSIF has 5 investment categorisations:

1. Capital Secure – Improved property only
2. Capital Stable – Improved property and vacant land
3. Balanced – Active property construction and development sites
4. Growth – Improved property only
5. High Yield – Active property construction and unregistered securities.

The key features of each investment option are as follows:

	Capital Secure	Capital Stable	Balanced	Growth	High Yield
Security	First mortgages on improved properties	First mortgages on improved properties and vacant land	First mortgages on development sites/specialised sites/construction sites	Second registered mortgages on improved properties (non-development)	Second registered or unregistered mortgages on a construction site
Maximum LVR	60%	65%	65%	75%	Up to 80% 'as if complete' or 90% of total development cost

Target Investor Return	5%-7% p.a.	6%-8% p.a.	7%-9% p.a.	10%-12% p.a.	12%-14% p.a.
Income Distributions	Monthly	Monthly	Monthly	Monthly	Monthly or at maturity
Typical Term	6-12 months	6-12 months	3-18 months	3-12 months	6-18 months

The PSIF aims to provide investors with regular income and capital stability through a selection of investments in mortgage-backed loans with a short duration. Its target investors are those seeking a competitive return with regular income distributions. Payton's investment strategy actively manages risk to preserve investor capital.

Payton targets a balanced portfolio between construction and non-construction and a mix of first and second mortgages. Concentration risk is managed in terms of single loans and through aggregate exposures to borrowers. The target portfolio composition is as follows:

Type	Portfolio Risk Level	Maximum LVR	Limit of Single Loan (% of AUM)	Target Portfolio Concentration	Acceptable Portfolio Concentration Range
Registered first mortgages Level 1: Improved property Level 2: Improved property or vacant metro land	1 & 2	Level 1: 60% Level 2: 65%	20%	30%	10%-100%
Registered first mortgages development site/ construction/specialised asset/vacant regional land	3	65%	15%	45%	0%-50%
Registered second mortgages improved property	4	75%	15%	10%	0%-50%
Registered second mortgages development site / construction	5	80% of *NRV 90% of *TDC	10%	10%	0%-50%
Unregistered second mortgages/preference equity Construction	6	95% of TDC	5%	5%	0%-25%

* NRV = Net Realisable Value
* TDC = Total Development Cost

Key PSIF Metrics are detailed as below:

KEY METRICS

Weighted Average Return*	11%
Limits Committed	$704.4M
Aggregate Loan Balances	$516.7M
Senior Debt Allocation	89%
Junior Debt Allocation	11%
Number of Loans	150
Weighted Average LVR (range 60%-95%)	63.82%

Source: Payton Capital Ltd.

* Net of fees, since inception to 31 March 2022

Loans in the PSIF are currently divided between Victoria (79%) and NSW (21%) to leverage Payton's developer network in these states. Further geographical diversification is currently being pursued, with a Brisbane office set to be opened in January 2023.

As of 31 March 2022, the PSIF has delivered a weighted average return across its portfolio of 11% since inception in 2018, with all 5 investment options remaining relatively stable over this period.

Payton Pooled Investment Fund

The Payton Pooled Investment Fund ('PPIF') is an unlisted managed investment scheme (MIS) that invests in a diversified portfolio secure by first and second mortgages on Australian real estate assets. Investors' funds are pooled and invested collectively through a unit trust. Payton Funds Management Pty Ltd (PFM) is the Trustee of PPIF. Payton in the Investment Manager.

Investments are assigned to 3 sub-funds, each linked to a different pool of investments. These are Cash Plus, Core, and Opportunity. It is open to Wholesale investors and has a minimum subscription of AUD$100,000. Target returns are between 2.75% and 10%, depending on the investment option selected by the investor. Distributions are payable monthly.

The 3 PPIF investment options each represent different classes of units:

1. Cash Plus – Large cash allocation, small allocation first mortgages
2. Core – Small cash allocation, large allocation in first mortgages
3. Core – Small cash allocation, equal allocations first and second mortgages.

A unit in a sub-fund provides an undivided interest in all the assets of the sub-fund, but no interest in a specific asset of the sub-fund, or assets of other sub-funds.

The below table shows target allocations:

	Cash-Plus	Core	Opportunity
Cash	60%	10%	5%
First Mortgages Allocation	40%	90%	45%
Second Mortgages Allocation	Nil	Nil	50%
Target Blended Portfolio LVR (incl. Cash)	35%	55%	65%
Maximum LVR Per Loan	65%	65%	80%
Target Return (Net of Fees)	2.75% p.a.	6.5% p.a.	10.0% p.a.

The PPIF invests in cash and cash-like investments and in a portfolio of loans secured by registered first and second mortgages against real property. Portfolio diversification is achieved in terms of location, borrower, loan purpose, asset class, and maturity.

The PPIF offers investors exposure to a diversified real estate debt portfolio that targets the following portfolio composition for each of the sub-funds:

	Cash-Plus		Core		Opportunity	
	Range	Target	Range %	Target %	Range %	Target %
Cash	40%-100%	60%	10%-100%	10%	5%-100%	5%
First Mortgage Improved	10%-60%	10%	20%-90%	30%	10%-50%	10%
First Mortgage Land	0%-50%	10%	20%-60%	30%	10%-50%	15%
First Mortgage Construction	0%-30%	20%	20%-60%	30%	10%-50%	20%
Second Mortgage Improved	0%	0%	0%	0%	10%-50%	20%

Second Mortgage Construction	0%	0%	0%	0%	10%-30%	30%

The PPIF predominantly invests in residential assets but also has the ability to lend on commercial, retail, industrial and rural assets. A strategic preference is given to well-located Victorian and NSW residential assets to leverage Payton's extensive Victorian and NSW developer network, and the portfolio is supplemented by select qualifying investments in other states.

Loans have a term of 3-24 months, and the opportunities with the following profiles are targeted:

Indicative First & Second Mortgage Improved Property Loan		
Description	**First Mortgage Loan**	**Second Mortgage Loan**
Purpose	To provide working capital to borrowers or to refinance an existing facility	
LVR	Up to 65%	Up to 75%
Loan Interest Rate	8%-10% p.a.	14%-16% p.a.
Facility Size	Up to $100M	Up to $25M
Target Property Profile	● Well-located and saleable property in eastern seaboard metropolitan areas or key regional locations ● Ideally, income-generating, or ability to be income-generating ● Preference for non-owner-occupied properties	
Sponsor Profile	Borrowers who can demonstrate financial capacity to service the loan, and a viable exit strategy for repayment of the loan	
Security	Registered first mortgage over the property, GSA, personal and corporate guarantees	Registered second mortgage over the property, GSA, personal and corporate guarantees

Indicative First & Second Mortgage Land Loan (Development Sites)		
Description	**First Mortgage Loan**	**Second Mortgage Loan**
Purpose	Finance to assist with the acquisition or refinance of land to prepare the land for development	
LVR	Up to 60%	Up to 70%
Loan Interest Rate	10%-12% p.a.	14%-16% p.a.
Facility Size	Up to $25M	Up to $10M
Target Property Profile	● Eastern seaboard assets, concentrating on metropolitan areas or key regional locations ● Preference for land in Victoria, with augmented exposure to New South Wales and Queensland ● 'Shovel-ready' projects that have existing or pending (6-12 months) planning/development approvals ● Projects to include broadacre land subdivisions and built-form developments ● Clear exit strategy – repayment via refinancing with a construction loan, or sale of the land	
Sponsor Profile	Borrowers with an appropriate track record demonstrating the capacity to deliver the project plan (financial capacity, project-specific expertise, experienced management team)	
Security	Registered first mortgage over the property, GSA, personal and corporate guarantees	Registered second mortgage over the property, GSA, personal and corporate guarantees. Deed of Priority with first mortgagee if appropriate

Indicative Construction Property Loan		
Description	**First Mortgage Loan**	**Second Mortgage Loan**
Purpose	Finance for construction of residential, commercial, or industrial development (built-form and broadacre land subdivision) on a progressive monthly-drawdown-cost-to-complete basis.	
LVR	Up to 65% of NRV	Up to 80% of NRV
Loan interest rate	8% - 10% p.a. interest plus 1.5% - 2.0% p.a. line fee, paying monthly	16% - 20% p.a.

Facility size	Up to \$100m	Up to \$20m
Target property profile	• In a residential context, preference for townhouses or low-to-medium density apartment buildings, with a bias for owner-occupier style developments • For broadacre land developments, ideally located in an urban growth corridor or areas with strong underlying demand • Preference for developments in Victoria and NSW • Sufficient pre-sales to demonstrate a residual LVR of <60% (1st) and <70% (2nd)	
Sponsor profile	Borrowers with an appropriate track record demonstrating the capacity to deliver the project (financial capacity, project-specific expertise, experienced management team).	
Security	Registered first mortgage security over property, GSA, personal and corporate guarantees. Multi-party Deed between Payton, the borrower, and the builder / civil contractor. Attendance by Payton staff at regular project control group meetings.	Registered first mortgage security over property, GSA, personal and corporate guarantees. Multi-party Deed between Payton, the borrower, and the builder / civil contractor. Attendance by Payton staff at regular project control group meetings.

*GSA means a General Security Agreement, which creates a security interest in all present and future assets of the borrower and is registered on the Personal Property Securities Register maintained by the government.

NRV = Net Realisable Value

TDC = Total Development Cost

As of 31 March 2022, the PPIF had \$261M FUM and had met its target returns over its first 12 months.

Ownership, Performance, Outlook

Payton's ownership structure is split between the Payton family (40%), the Payton Foundation (20%) and its staff (40%). Payton's CEO is currently David Payton. Kelly Jarrett (CFO/COO), Jamie Westlake (Head of Risk), Craig Schloeffel (Head of Investment) and Jeremy Townsend (Head of Lending) make up the rest of the Executive team.

Payton was originally founded in 1966 as an accounting practice and has become a reputable funds management business. Payton underwent a restructure to become an investment manager in 2010 and entered the Australian private real estate debt market.

Since acquiring its securities issuing AFSL in 2017, Payton has issued two wholesale mortgage funds – the Payton Select Investment Fund in 2018 and the Payton Pooled Investment Fund in 2021 – and has had a growth in profit, balance sheet, revenue and FUM, enabling it to weather the challenges presented by the COVID-19 pandemic.

The Payton Group is made up of a number of wholly owned entities, all of which serve different purposes. In the context of the mortgage funds, the key entity is Payton Funds Management Pty. Ltd., which acts as trustee of the Payton Pooled Investment Fund. In the same way, Payton acts as the trustee of the Payton Select Investment Fund. Payton currently invests across the capital stack. Of its 150 current loans, 92% are first mortgages, and 53% are funding active construction projects.

Payton has had a compounded annual growth rate since FY17 of 40% in AUM and 35% in revenue and it is forecasted to surpass \$1bn in the next 6 months and deliver \$30M in revenue in FY23. As of April 2022, Payton has funded over \$1.5bn in loans.

Seeking to grow and scale up its business, Payton has invested heavily in its resources, implemented process improvements, and continues to build IT infrastructure. Historically, while much of Payton's growth in investors has come from referrals and introducers, the company is implementing a more proactive marketing strategy that will seek to leverage Payton's sponsorships and strategic partnerships. Experienced property and private wealth managers were also recently hired to help with this strategy. Part of the growth strategy is the development of new lending and investment products. Payton has a 5-year plan in place, which is supported by its current strategic initiatives to implement its marketing plan, expand sources of institutional capital, drive down costs and expand geographically.

Foresight Analytics ranks Payton's ownership, performance, and outlook as Strong.

Experience and Skill of Management and Staff

Payton's Board of Directors, senior management and Investment Committee bring together an excess of 200 years of relevant experience in funds management, property development, banking, law, valuation, and commercial mortgage lending.

The Board of Directors is comprised of 7 directors, of which 2 are executive, and 5 are non-executive:

- Andrew Tyndale: Chairman, Non-Executive Director
- David Payton: Executive Director, CEO
- Rob Fellows: Executive Director
- Meredith Scott: Non-Executive Director
- Claire Rogers: Non-Executive Director
- Jason Pater: Non-Executive Director
- Cameron Schwaiger: Non-Executive Director

Management is through a series of segregated functional teams, including Borrower Services, Investor Services, Finance, Funds Management, Operations and Human Resources, and Risk. There are 4 established committees that report to the board: Investment, Risk and Compliance, Finance, and Remuneration.

The CEO, David Payton, brings more than 20 years of experience in the financial services sector. David has been an investment adviser with Lend Lease and Lifespan, and prior to Payton, was Dealer Principal and Head of Funds Management for a large not-for-profit organisation. In these roles, David established financial planning and lending businesses, including the creation of wholesale commercial mortgage portfolios with Westpac and ANCU. David holds a Bachelor of Business, a Diploma in Financial Services and a Diploma in Finance and is a member of the Financial Planners Association of Australia (FPA).

There is currently 46 staff members, a number projected to grow to 60 during FY23. There has been strong investment to support the strategic investment initiatives to grow the business. Key staff, including highly experienced senior property specialists and a People & Culture Manager, have been recruited.

The latest staff engagement survey showed positive results among Payton staff. In addition, measures to improve staff wellness have been implemented. These include a Workplace Health & Safety Policy and Program, offering flexible working arrangements and regular gender pay gap analysis as part of remuneration benchmarking.

The combination of skills and experience of the Payton staff, especially management and executives, supports Payton's Strong performance and is considered by Foresight Analytics to be a Very Strong factor of Payton's ODD Assessment.

Governance

Payton has implemented appropriate governance procedures which provide solid direction to Payton's strategic and business objectives, operational capability, and management of risk and compliance matters.

The Payton Board is currently comprised of 2 executive directors and 5 non-executive directors. Payton has established formal committee structures to support the operation of the Board, including an Investment Committee, a Finance Committee, a Risk & Compliance Committee, and a Remuneration Committee.

All committees of the Board operate under an approved charter that governs the formation, membership, voting, and remit of the relevant committee. A Fund Management Sub-Committee (under the Investment Committee) manages and approves the PPIF unit price changes (as required) and monthly returns, approves impairment-related fund asset write-downs, and movements in the credit loss provision.

Dr Pasquale Franzese sits on both the Risk & Compliance Committee and Investment Committee as an independent expert and brings over 35 years of experience in banking, property finance and investment. He has previously held positions at NAB and is a recognised Supreme Court banking expert witness and therefore brings vast expertise to the committees.

Payton's current and future ESG considerations are in accordance with its Credit Policy, corporate values and ownership structure which includes a 20% ownership by the Payton Foundation, which partners with charities. As part of these ESG considerations, Payton will only facilitate loans to companies and industries that adhere to financial best practices, social responsibility, and environmental care.

In addition to its commitment to sound and fair governance and gender diversity on its board, Payton intends to strengthen its environmental and sustainability practices. This involves bolstering the credit assessment process to preference loans with sound ESG practices.

Payton is in the process of developing a formal ESG Policy and plans to roll it out in early FY23.

Foresight Analytics ranks the current governance as Strong.

Risk Management and Compliance

Foresight Analytics ranks Payton Risk Management and Compliance policies and procedures as Strong as there is strong experience within the function, noting the framework and policies continue to be refined as applicable.

The Risk and Compliance function across the Payton Group is the responsibility of the Head of Risk, Jamie Westlake. Jamie is supported by the Risk & Compliance Manager, Linda D'Intino, who is responsible for the quarterly reporting to the Risk & Compliance Committee and the Board.

Jamie has extensive experience in the banking and finance sector, including roles at CBA and on the Family Business Australia Advisory Committee, and 4 years in the private property finance space. Jamie is also chair of the Risk & Compliance Committee.

Linda has over 30 years of experience in governance, compliance, and risk management across a range of sectors and has previously held risk and compliance roles at NAB, Australian Unity, Heine Management, and Bupa.

Other Risk & Compliance Committee members are the CEO David Payton, CFO Kelly Jarrett, Financial Controller Violet Fan, Independent Director Meredith Scott, and Dr Pasquale Franzese. Dr Franzese also acts as the AFSL Responsible Manager.

Payton uses a risk-based approach to monitoring and oversight activities. The Risk & Compliance Plan sets out the key areas of focus for each financial year. The Risk Management Plan sets out how the Payton Group will identify, evaluate, manage, and mitigate the risk inherent in its operations. A risk register and risk appetite matrix are in place in addition to the Risk Management Plan.

Key activities in FY21/22 included review of the compliance risk controls and their effectiveness. A key area of focus for FY22/23 is the assessment of a GRC tool to assist with the automation of monitoring and reporting of risks, compliance obligations, and the effectiveness of the associated controls. A Policy & Procedures Register keeps track of Payton's policy documents, including ownership, review dates and approval forums..

Payton has engaged a number of external services providers to assist the risk and compliance function and broader business as required. A legal panel currently including Mills Oakley, HWL Ebsworth, Harding Stenning & Co Lawyers and Makinson d'Apice assist with legal matters for the Funds and the company as well as providing regulatory compliance awareness training to staff as required. Kaplan Ontrack provides tailored training content to Payton staff.

Payton uses Blaze Acumen as their tax accountant and PwC as their external auditor. There have been no adverse audit findings identified in the previous 3 financial years.

Payton and PFM are subject to regulatory oversight by relevant regulators, including ASIC, ATO and AUSTRAC.

Asset and Data Security

The commercial debt instruments in which Payton deals are unregistered Australian managed investment schemes structured as unit trusts.

Commercial debt instruments are held in the name of Payton, and relevant securities and investor details are maintained on the Unit Holder Registry. Payton's legal panel hold mortgage security titles on behalf of the Payton, the trustee.

Payton has corporate banking arrangements with ANZ and a framework of internal payment controls and authorised signatories. All cash and asset transactions are controlled by segregated duties and are monitored with scheduled reconciliations and reviews. Bank accounts are reconciled daily by the Fund Account Manager via the general ledger maintained on Xero.

In terms of data security, Payton has a Privacy Policy in place, confidentiality agreements that are signed by all staff, and physical and access controls in place to ensure the security of confidential and commercially sensitive information adheres to Payton Information Security Policy. User access to data is provided on the principle of least privilege to ensure staff can only access data that is commensurate with their job functions. Additionally, regular and induction training is provided to all staff in matters of cyber security.

The asset and data security of controls of Payton are subject to periodic testing and reporting to the Board and committees. Payton does not undertake GS007 testing.

Foresight Analytics considers the asset and data security controls implemented by Payton to be Strong.

Data Systems and Technology

Payton does not have an in-house IT department and outsources the provision of information technology (IT) services to ANRIC Pty. Ltd. ANRIC provides a broad spectrum of IT services with a focus on antivirus protection, firewall security, patching and updates, spyware protection, backup and restoration, and file system integrity analysis. ANRIC provides monthly reporting on Payton's IT-related metrics, including asset management, service availability, antivirus compliance and patching. The Risk & Compliance Manager and the Office Manager monitor the performance of ANRIC.

Payton launched an online Investor Portal in 2021, allowing clients secure and real-time access to their portfolio and transaction details, as well as standard reporting, statements, etc. Current system enhancements being rolled out include an online borrower portal and a smartphone app by early FY2023.

Internally, Payton has documented policies and procedures regarding system access and controls. Access control is a key element in maintaining information security. Payton utilises the principle of least privilege as well as 2-factor authentication (2FA). Audit logs are created and stored as part of security measures to identify unauthorised changes.

Payton utilises FinPOWER Connect, a market-leading loan and deposit management software system, as its preferred system for end-to-end loan management, funds management and client reporting purposes. FinPOWER Connect currently has over 400 clients in Australasia and the Pacific Islands and has been customised specifically for Payton's business requirements. Payton also utilises CreatioCRM for client relationship management and Xero for accounting and financial reporting,

An overview of Payton's systems shows that whilst many processes are automated, there are a number of processes and procedures in place which are manual and dependent on key personnel for review and/or reconciliation.

IT security, backup, disaster recovery, and business continuity procedures are in place and are subject to regular testing.

Foresight Analytics considers Payton's data systems and technology to be Strong.

Financial Adequacy and Stability

Foresight Analytics ranks Payton's financial viability and stability as Very Strong. Payton has demonstrated sound financial performance and continually manages its finances to ensure all regulatory requirements are satisfied, operational risks are managed, and further business growth is facilitated. Payton maintains a strong balance sheet to allow it to weather tailwinds, as demonstrated by its ability to withstand the challenges of the COVID-19 pandemic.

As of 31 March 2022, Payton had a total of $570M FUM and $758M AUM. The PSIF had $517M FUM and $704M AUM, and the PPIF had FUM/AUM of $261M (noting that $208M of this is invested in the PSIF). The PSIF has delivered a weighted average return across its portfolio of 11%*, with all returns remaining relatively stable. The PPIF has delivered its target returns over its first 12 months of trading.

Payton has achieved consistent growth in revenue, profit and FUM since FY17, with an annual growth rate of 40% in AUM and 35% in revenue. Payton forecasts it will surpass $1bn in the next 6 months and deliver over $30M in revenue during FY23 with an EBIT margin trending towards 50%. The financial accounts for 2021 were audited without qualification.

Payton does not currently use leverage in its Funds; however, debt facilities may be used to provide additional liquidity or enhance investor returns if necessary. Payton is pursuing a corporate overdraft facility to assist with future liquidity requirements, and currently has informal arrangements with a number of smaller businesses to take out its debt position on large assets if required.

Payton monitors the cash flow of the PPIF daily and has a number of liquidity levers available. PPIF modelling is updated daily and forecasts maturing loans and sub-fund investments, redemptions, subscriptions, and forward investment allocations. Furthermore, certain investments may be subject to altered redemptions criteria, which are discussed with investors at commencement.

*Net of fees since inception to 31 March 2022.

Contact Details

Foresight Analytics
Suite 208, 33 Lexington Drive, Bella Vista, 2153, NSW
Telephone: 0435 610 293
Analyst: Natasha Quirk
Email: natasha@foresight-analytics.com
Web: www.foresight-analytics.com

Disclaimer

About Foresight Analytics' Operational Due Diligence Rating (ODD Rating)

An Operational Due Diligence Rating assesses the capacity of an operating entity, special-purpose vehicle, or asset (collectively "operating party") to effectively undertake its defined role of managing the operational risks relating to a pool of financial or physical assets. The ability of an operating party to carry out its role, be it in a superior, adequate, or poor manner, ultimately will have a bearing on the performance of the pool of assets. The overall ODD Ratings assigned by Foresight Analytics are underpinned by 7 risk factors – Ownership, Management talent, Governance, Risk & Compliance, Asset & Data security, Systems & Technology and Financial agility.

The assessment covers operational responsibilities and oversight undertaken for a pool of assets retained by the owner, or alternatively, a pool of assets that underlie a debt issue or managed fund. The assessment addresses how much the operating party enhances or potentially detracts from the ability of the asset pool to pay interest and principal on securities when they're due, and the fund's ability to distribute income according to the Product Disclosure Statement (PDS). It should be noted that operational risks generally exist in addition to credit, market, and liquidity risks.

Foresight Analytics Operational Due Diligence Rating (ODD Rating) Scale and Definitions

ODD Rating Scale	ODD Rating Definitions
Superior	A rating of 'Superior' reflects the superior capability of an operating party to perform its operational role and assist the issuer or fund in meeting financial obligations in a timely manner. An operating party's superior capacity is supported by many superior and reliable operational abilities and strong financial status.
Very Strong	An assessment of 'Very Strong' reflects the very strong capability of an operating party to perform its operational role and assist the issuer or fund in meeting financial obligations in a timely manner. An operating party's very strong capacity is supported by many very strong and reliable operational abilities and some superior qualities.
Strong	A rating of 'Strong' reflects the strong capability of an operational party to perform its operational role and assist the issuer or fund in meeting financial obligations in a timely manner. An operating party's strong capacity is supported by many strong and reliable operational abilities and some very strong qualities.
Adequate	A rating of 'Adequate' reflects the adequate capability of an operational party to perform its operational role and assist the issuer or fund in meeting financial obligations in a timely manner. An operating party adequately performs its role, but its resilience to expected operational or financial changes is limited.
Weak	A rating of 'Weak' reflects the weak capability of an operational party to perform its operational role and assist the issuer or fund in meeting financial obligations in a timely manner. The operating party's weak capacity displays material, operational, financial or risk management and compliance deficiencies.
Failure to Perform	Assigned when a party contracted to perform an operational role has failed to meet the required standards and terms and conditions of the contract.