

PRESS RELEASE

Sydney, 10 April 2024– Foresight Reaffirms Aura High Yield SME Fund Rating as ‘Very Strong.’

Foresight Analytics & Ratings has recently completed its’ ratings assessment of the **Aura High Yield SME Fund**.

The Fund rating has been rated as **VERY STRONG**, indicating a very strong level of confidence that the Fund can deliver a risk-adjusted return in line with its investment objectives at this stage of the growth of online lending in Australia. Aura’s support and resourcing, under the strong leadership of Brett Craig, continues to grow and expand, taking advantage of strong tailwinds behind alternative income and private credit investments.

A Foresight Product Complexity Indicator (PCI) for the **Aura High Yield SME Fund** has also been designated as **COMPLEX**, which partly reflects the inherent complexity of multiple underlying warehouse vehicles and the multiplicity of parameters that relate to each particular warehouse. It also partly reflects the multiplicity of SME lending verticals, with each vertical having different key performance parameters.

The **Aura High Yield SME Fund** was launched in August 2017 and is managed by **Aura Credit Holdings Pty Ltd**. The Fund provides funding to niche (non-bank) lenders that specialise in providing finance to small-to-medium businesses (SMEs) in Australia by way of warehouse financing structures. Within these warehouse facilities, which are typically 3-note structures, the Fund ranks either first or second or a combination of both. The third is the first loss buffer (the Equity Note), contributed by the particular third-party loan originator. Aura has screened over 90 lending platforms since 2017. Growth in lending through these platforms is expected to increase rapidly in the coming years, given an ongoing lack of competitiveness for SME lending from Australian banks, a supportive government and maturity in the self-regulatory efforts of the industry.

In line with this mix of both senior and higher-risk junior positioning in warehouse facilities, the Fund aims to generate a return in excess of the performance benchmark which is the Reserve Bank of Australia Cash Rate + 5% (currently 9.4% p.a.). Since its inception, the Fund has recorded an annualised compound return of 9.6% p.a. with no loss-given-defaults (LGDs). Importantly, investors in the fund have been well rewarded for the level of risk taken.

The Fund currently provides funding to 7 SME lending originators via separate warehouse financing structures. By way of these lending originators, the Fund provides access to a portfolio of over 11,000 loans. Warehouse financing, managed by an adept investment manager (which Aura has proven to be), offers investors a range of substantial protections and benefits over ‘naked’ exposure to SME lending and is by far and away Foresight’s preferred investment structure in which to gain exposure to this fast growing sub-segment of Australian private debt.

Aura’s Management team continues to enhance its private credit capability to maintain its competitive edge. Over the last 6.5 years, Aura has expanded the number of lender platforms approved for investment and the lender platforms themselves have grown. The AHYSMEF now invests through 7 lender platforms, 4 of which have been added since 2020.

In May 2022, Aura announced a distribution partnership with Montgomery Investments. Montgomery has a strong existing retail distribution base, and at the time, Aura was solely wholesale.

More recently, Aura Credit Holdings has established a joint venture with a specialised property backed corporate lender. The lender has substantial experience in originating mid-market direct loans. However, the JV will solely focus on doing smaller lends for SME. These are cashflow lends backed by property collateral. This is a relatively important strategic development for the Manager, being its first foray into the direct origination model. This warehouse vehicle is included in the Fund itself as 1 of the 7 originating / warehouse vehicles.

About Foresight Analytics' Investment Due Diligence Rating (IDD Rating)

The objective of Foresight Analytics' Investment Due Diligence Rating (IDD Rating) is to identify the best funds and opportunities for future investment. We assess the fund's historical risk-adjusted performance - compared to its peers - to form a holistic view of the manager's ability to deliver future returns. The IDD rating indicates the quality of the investment option within the context of a diversified portfolio and full investment cycle.

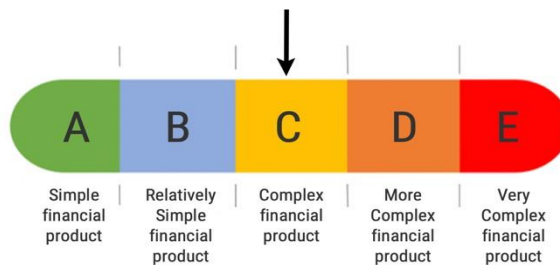
Foresight's analysts use a 5-point scale to determine how the fund will perform against a range of risk factors.

- **SUPERIOR** indicates the highest level of confidence that the fund can deliver a risk-adjusted return in line with its investment objectives and that it is highly suitable for inclusion on APLs.
- **VERY STRONG** indicates a very strong conviction that the fund can deliver a risk-adjusted return in line with its investment objectives and that it is suitable for inclusion on most APLs.
- **STRONG** indicates a strong likelihood that the fund can deliver a risk-adjusted return in line with its investment objectives and that it is suitable for inclusion on most APLs.
- **COMPETENT** indicates the fund may deliver a risk-adjusted return in line with its relevant benchmark and that it may be suitable for APLs.
- **WEAK** indicates the fund is unlikely to deliver a risk-adjusted return in line with its investment objective and that it is not suitable for most APLs.

A **'Hold'** designation is applied to a fund's rating if a material change impacts the fund manager, and we need to review the rating. A **'Sell'** designation indicates the Foresight Investment Ratings Committee considers risk factors to be elevated enough that maintaining an investment in the fund as part of their diversified portfolio is questionable.

Foresight Complexity Indicator

A Foresight Complexity Indicator (FCI) highlights the complexity of an investment product based on a range of indicators. These typically include its terms and conditions, performance-based fees, liquidity structure, financial leverage, use of derivatives, rare and niche asset class/opportunity set, currency exposure and the level of transparency offered for investors. Foresight believes these factors can disproportionately affect risk-adjusted return outcomes for investors even if a manager is very skilled. Investors can use FCI as a guide to portfolio position sizing within a diversified portfolio context.



The full research report is available for subscribers on the Foresight 360 Digital platform. The platform can be accessed via [Register](#) | [Sign In](#) - [Foresight Analytics \(foresight-analytics.com\)](https://foresight-analytics.com) by registered Financial Advisers.

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About Foresight Analytics

Foresight Analytics, an independent Sydney- based firm, provides investment ratings, data analytics, assurance and advisory solutions to leading investment management companies, superannuation funds and wealth groups across the Asia Pacific.

Foresight’s innovative, evidence-based approach blends both human and forensic insights into the analyses of economies, markets, themes, investments products and portfolios. Foresight Analytics was founded in 2015 by Jay Kumar, a former executive of Morningstar, Optimix Investment Management, ANZ Wealth & Private Bank and the Reserve Bank of Fiji.

Foresight Analytics & Ratings platform provides investment and operational due diligence ratings on both public and private market strategies. As a niche investment ratings house, Foresight Analytics & Ratings focuses on complex alternative investments, including domestic and international alternative credit.

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