

PRESS RELEASE

Sydney, 9th May 2024 – Foresight Analytics & Ratings Reaffirms the SocietyOne Personal Loans Trust Rating as 'VERY STRONG.'

Foresight Analytics & Ratings has recently completed a ratings assessment of the **SocietyOne Personal Loans Trust**.

The Investment Rating for the strategy has been retained as **VERY STRONG**. The Product Complexity Rating has been confirmed as **COMPLEX**.

A **VERY STRONG** rating indicates a very high level of conviction that the Trust can deliver risk-adjusted returns in line with its investment objectives. Designation as a **COMPLEX** product indicates that the investment manager will seek to outperform their chosen specialist market sector, in this case, the Australian personal loan market. A key risk is the ability of **SocietyOne** to ensure the currency and integrity of its automated proprietary scoring system (algorithm) for loan applications.

The Trust is a fixed-rate 12-month cash-like product designed to minimise any possible risk of underperformance. At the date of our review, the fixed rate of return for 12 months was 5.5%. The underlying portfolio of the Trust comprises unsecured personal loans and secured vehicle loans. The Trust is managed by **SocietyOne Australia Pty. Ltd.** (the Manager), which was acquired by the similarly-sized listed company **MoneyMe Group** in March 2022.

From a business perspective, SocietyOne has undergone material change over the last two years. In March 2022, SocietyOne was acquired by MoneyMe. But importantly, it was the higher quality credit assessment processes of SocietyOne that was universally adopted across the combined group. That is, the credit assessment processes that underpin the Trust have not changed and John Cummins, the Chief Investment Officer continues to lead the management of the trust. Pleasingly, the combined group is now back on a path of FUM growth.

The essence of the Trust is to deliver the target return with the minimal degree of underperformance. There are two key components of the manager's strategy.

Firstly, the Manager cherry picks the highest quality loans across the **SocietyOne/MoneyMe** platform for inclusion in the underlying portfolio. Reflecting this, Foresight notes that all borrowers are classified as 'Prime', with the portfolio having a very high average Equifax score of 745.

Secondly, a first-loss provision is applicable to the portfolio, which currently sits at the maximum of 4.5% of Trust FUM, and which is replenished to the designated level on a monthly basis. To provide context to the materiality of this buffer, net write-offs recorded in February 2024 were 0.33%. Furthermore, the conservative underwriting standards of the manager has led to a downward trajectory in arrears and write-offs on over the last 6 months.

The quality of the loan book and the first-loss provision are designed to mitigate the risk of the Trust underachieving its fixed-rate return objective. Historically, SocietyOne has consistently delivered the target return and Foresight has a very strong degree of conviction that the manager will continue to do so in the future.

While the FUM of the Trust is relatively small, the combined MoneyMe/SocietyOne entity has approximately \$1.5BN in FUM for the purpose of funding its lending activities. The vast bulk of this has been financed by a broad range of institutional investors through pre-term-out securitised warehouse structures which 'graduate' to the ABS market.

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.

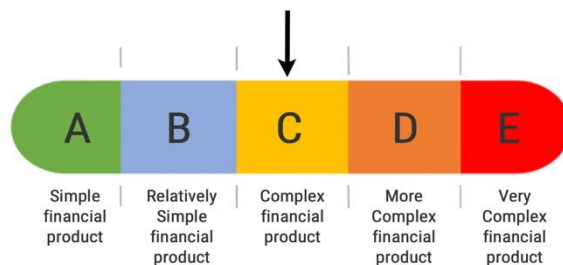
Foresight's analysts use a 5-point scale to determine how the fund will perform against a range of risk factors.

- **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 F360 Digital platform. The platform can be accessed via [Register | Sign In - Foresight Analytics \(foresight-analytics.com\)](#) by registered Financial Advisers & Sophisticated Investors.

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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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