



Investor Update

Metrics Direct Income Fund

(ARSN 641 620 331)

Issuer and Responsible Entity

Equity Trustees Limited
(ACN 004 031 298; AFSL 240975)

Manager

Metrics Credit Partners Pty Ltd
(ACN 150 646 996; AFSL 416146)

Important Notice

Equity Trustees Limited ACN 004 031 298 AFSL 240 975 (**Responsible Entity**) is the responsible entity of Metrics Direct Income Fund (ARSN 641 620331) (**MDIF** or **Fund**).

This document has been issued by and authorised for release by the Responsible Entity and prepared by Metrics Credit Partners Pty Ltd ABN 27 150 646 996 AFSL 416146 (**Metrics** or **Manager**), the manager of the Fund. Capitalised terms have the meaning given in the Glossary in section 9 of this document unless otherwise defined.

Before making an investment decision about MDIF, individuals should read and consider the Product Disclosure Statement and the Additional Information Booklet for MDIF dated 30 September 2022 (together the **PDS**), carefully and in its entirety (together with any continuous disclosure notices), consider the appropriateness of the information and whether an investment in MDIF is appropriate having regard to their objectives, financial situation and needs, and obtain advice from an appropriate financial adviser. The PDS is available at <https://www.metrics.com.au/funding-solutions/metrics-direct-income-fund>. A Target Market Determination with respect to the Fund prepared by the Responsible Entity is also available from <https://www.metrics.com.au/funding-solutions/metrics-direct-income-fund>. The Responsible Entity and the Manager do not guarantee investment performance or distributions, and the value of your investment may rise or fall.

To the maximum extent permitted by law, neither Metrics, the Responsible Entity nor any other person shall have any liability to any person in relation to the distribution or possession of this document or copies thereof in or from any jurisdiction where the distribution of such a document is prohibited or requires special authorisation or any regulatory consent or approval.

This document does not constitute investment or financial product advice (nor taxation or legal advice) and is not intended to be used as the basis for making an investment decision or as a recommendation to acquire Units or any other financial products.

Purpose of this Document

This document has been issued for information purposes only, in order to provide, in relation to the Fund that has exposure to the Metrics Diversified Australian Senior Loan Fund, the MCP Secured Private Debt Fund II and the MCP Real Estate Debt Fund (together referred to in this document as the Wholesale Funds) via its investment in the MCP Wholesale Investments Trust (Sub-Trust):

- ▶ updated information on the Metrics Group, the Manager and the Investment Committee;
- ▶ details on the updated governance structure for the Fund;
- ▶ updated information with respect to the types of conflicts of interest and related or connected party transactions that may arise in relation to the Fund;
- ▶ updated details on the types of revenue generated in relation to Loans in the underlying portfolios of the Wholesale Funds and further information on Transaction Benefits;
- ▶ details on the type of information presented in the Fund Quarterly Portfolio Reports and how Investors can access the Fund Quarterly Portfolio Reports;
- ▶ updated information relating to the investment processes including how Metrics assesses and monitors credit risk in relation to the Loan assets; and
- ▶ updated information on the valuation process for the Fund.

The Responsible Entity may provide further updates in respect of these and other matters from time to time.

Forward Looking Statements

This document contains or may contain certain "forward-looking statements" and comments about future events, that are based on Metrics' beliefs, assumptions and expectations and on information currently available to management as at the date of this document.

The words "expect", "anticipate", "estimate", "intend", "believe", "guidance", "should", "could", "may", "will", "predict", "plan" and other similar expressions are intended to identify forward-looking statements. Any indications of, and guidance on, future operating performance and estimates, earnings, financial position and performance and estimates concerning the timing and success of strategies, plans or intentions are also forward-looking statements. Forward-looking statements, opinions and estimates provided in this document are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. These forward-looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance and may involve known and unknown risks, uncertainties and other factors, many of which are outside the control of Metrics and the Responsible Entity. Neither the Responsible Entity nor Metrics guarantees the repayment of capital or any particular rate of return from the Fund.

Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements. No representation, warranty or assurance (express or implied) is given or made in relation to any forward-looking statement by any person (including Metrics, the Responsible Entity or any of their respective advisers). In particular, no representation, warranty or assurance (express or implied) is given that the occurrence of the events expressed or implied in any forward-looking statements in this document will actually occur. Any forward-looking statements contained in this document are based on an assessment of present economic and operating conditions and on a number of assumptions regarding future events and actions that, at the date of this document, are anticipated to take place. The Fund may not achieve /perform as forecast as a result of factors, both known and unknown, including (but not limited to) one or a combination of the risks outlined in this document.

Actual operations, results, performance, targets or achievement may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based. You should note that any past performance is given for illustrative purposes only and should not be relied on as (and is not) an indication of Metrics' or the Responsible Entity's views on the Fund's future financial performance or condition. **Past performance of the Fund cannot be relied on as an indicator of (and provides no guidance as to) future performance including future unit price performance.** Except as required by law or regulation, Metrics and the Responsible Entity undertake no obligation to provide any additional or updated information whether as a result of new information, future events or results or otherwise.

Risks

Any investment is subject to investment risk. It is not a deposit with, nor does it represent a liability of the Responsible Entity, Metrics or any other person. None of the Responsible Entity, Metrics, their respective related bodies corporate or any other person guarantees the capital value or performance of the investment of any strategy or guarantees any particular return from MDIF, increase in the value of any amount invested in MDIF or repayment of any amount invested in MDIF.

Investment in MDIF is subject to a number of risks and investors should refer to the risk disclosures in the PDS for further details in relation to the risks involved in an investment in Units.

Risks of an investment in MDIF include loss of capital and the inability to trade Units at an attractive price. Past performance is not a reliable indicator of future performance and may not be repeated.

Reliance

This document has been prepared without taking into account any particular person's objectives, financial situation or needs. For this reason, prior to acting on any information or statement in this document a recipient should consider the appropriateness of such information having regard to their objectives, financial situation and needs and read the PDS and any updated information on the Fund Website and consider obtaining professional advice prior to making a decision about whether to acquire (or dispose of or retain) units in the Fund. This document does not purport to identify the nature of specific market or other risks associated with any investments described within it and does not constitute any legal, taxation, investment or accounting advice. All information in this document is indicative, is based on certain assumptions and current market conditions and is subject to change without notice. No information contained in this document constitutes a prediction or forecast as to the performance of any investments. Any historical information contained in this document is provided by way of illustration only, past performance is not a guide to future performance and actual performance may differ materially. Assumptions upon which financial illustrations are based may differ from actual circumstances. No reliance should be placed on the information in this document and any investment decision should be based only on a person's own due diligence, inquiry, assessment and advice in respect of the products and investments described herein. To the maximum extent permitted by law, nothing contained in this document is, or shall be relied upon, as a promise or representation, whether as to the past or future.

None of Metrics, the Responsible Entity and each of their respective related entities, associates, officers, employees or agent or any other person represent or warrant that this document is complete or that it contains all material information about the Fund which a prospective investor or purchaser may require in evaluating a possible investment in the Fund or acquisition of Units.

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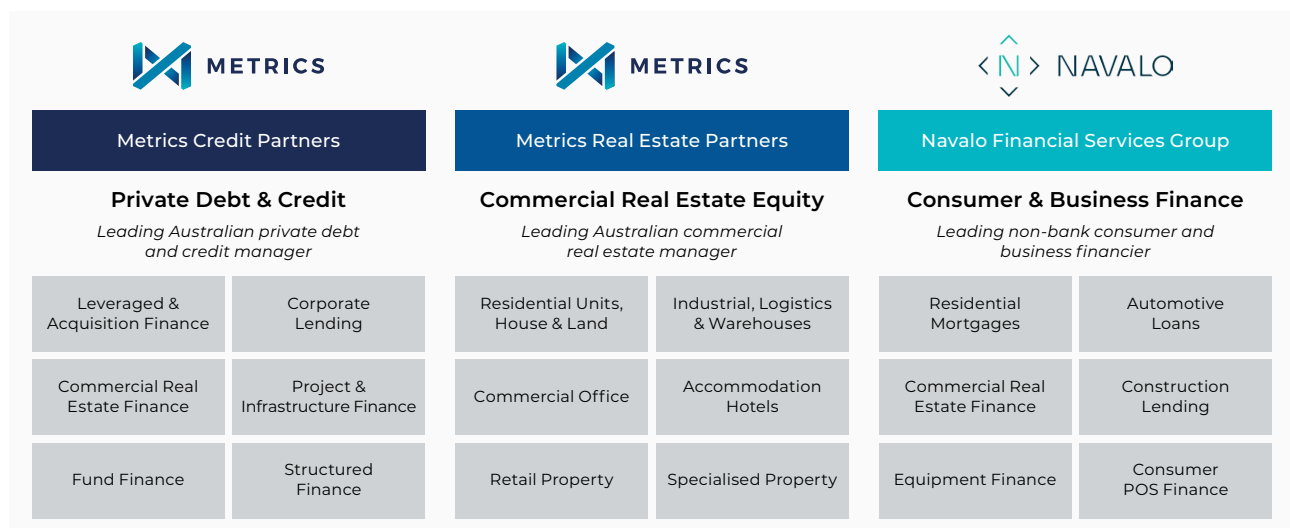
1. Purpose

The purpose of this document is to provide Investors with:

- ▶ updated information on the Metrics Group and the Manager including an update on the composition of the Investment Committee;
- ▶ details on the updated governance structure for the Fund;
- ▶ updated information in respect of the types of conflicts of interest and related or connected party transactions that may arise in relation to the Fund;
- ▶ updated information on the types of revenue generated in relation to Loans that the Fund has exposure to and further information on Transaction Benefits;
- ▶ updated information on the type of information presented in the Fund Quarterly Portfolio Reports and how Investors can access the Fund Quarterly Portfolio Reports;
- ▶ updated information on Metrics' investment processes including how Metrics assesses and monitors credit risk in relation to the Loan assets of the Wholesale Funds; and
- ▶ additional information on the valuation process for the Fund.

2. Update on the Metrics Group and the Manager

Metrics (the investment manager of the Fund) is part of the Metrics Group, an Australian based alternative asset management firm. The Metrics Group actively participates in Australia’s fixed income, Private Credit, real estate, asset-backed, and capital markets, as well as in the consumer and commercial finance sectors. The Metrics Group has established a number of investment products that are designed to provide investors with access to portfolios of fixed income, Private Credit, real estate and asset backed investments. The Metrics Group has three businesses, as shown in the diagram below. As at the date of this document, the Metrics Group has over A\$35 billion in assets under management.



The Manager is a wholly owned subsidiary of Metrics Credit Holdings Pty Ltd (MCH). MCH is controlled by the Investment Team and is currently owned as follows:

- ▶ 39.51% by the Investment Team;
- ▶ 13.17% by HRM Holdings Pty Ltd as trustee of the McNamara Family Trust (an associated entity of Graham McNamara, a founding partner);
- ▶ 28.37% by Pinnacle, a subsidiary of ASX listed Pinnacle Investment Management Group Limited (ASX: PNI);
- ▶ 3.52% by a strategic partnership established between the National Pension Service of Korea and Townsend Holdings LLC (trading as Townsend Group) (Partnership); and
- ▶ 15.42% (directly and indirectly) by Perpetual Trust Services Limited as trustee for the MCP Credit Trust, a fund that is managed by the Manager.

On 4 May 2026, HRM Holdings Pty Ltd as trustee of the McNamara Family Trust entered into a share sale agreement with Pinnacle and the Partnership to sell his equity interest in MCH as follows:

- ▶ 6.80% to Pinnacle, increasing its shareholding to approximately 35%; and
- ▶ 6.37% to the Partnership, increasing its shareholding to 9.9%, (MCH Transaction).

Completion of the share sales are interdependent. Subject to completion conditions being met, the MCH Transaction is expected to complete in Q2-Q3 of the calendar year 2026.

Manager’s Investment Professionals

Investment Committee

The members of the Investment Committee have significant experience in funds management, corporate finance, commercial and investment banking including debt and equity investment origination, structuring and portfolio risk management including corporate restructuring/workout and turn around investments.

The members of the Investment Committee are as follows:

<p>Justin Hynes <i>Managing Partner</i></p>	<ul style="list-style-type: none"> ▶ Considerable origination, structuring and portfolio management experience, including workout and restructuring. ▶ Extensive acquisition and corporate finance experience in both an advisory and principal capacity in Australia and Southeast Asia. ▶ In excess of 25 years' financial markets experience, and previously specialised in leveraged and acquisition finance as well as corporate finance. ▶ Justin holds a Bachelor of Commerce and Bachelor of Japanese Studies from the Australian National University.
<p>Andrew Lockhart <i>Group CEO & Managing Partner</i></p>	<ul style="list-style-type: none"> ▶ Extensive origination, structuring and portfolio risk management experience and has been responsible for the origination and management of large, diversified and complex portfolios including corporate restructuring. ▶ In excess of 35 years' banking, funds management and financial markets experience and previously specialised in leverage and acquisition finance as well as corporate and institutional lending. ▶ Andrew holds a Bachelor of Business and Master of Business Administration from Queensland University of Technology.
<p>Graham McNamara <i>Managing Partner</i></p>	<ul style="list-style-type: none"> ▶ Significant commercial banking experience covering portfolio risk management, debt origination and distribution, agency management and corporate banking. ▶ In excess of 40 years' experience in banking, funds management and financial markets and has established the loan syndications and agency businesses at major Australian banks. ▶ Graham served as a director of the Asia Pacific Loan Market Association and was the founding chairman of the Association's Australian Branch. Graham is a Member of the Australian Institute of Company Directors.
<p>Andrew Tremain <i>Managing Partner</i></p>	<ul style="list-style-type: none"> ▶ Extensive Australian, European and Asian banking experience covering corporate, structured, leverage and acquisition finance, portfolio management and relationship management. ▶ In excess of 35 years' experience and previously specialised in leveraged and acquisition finance as well as loan syndications. ▶ Andrew holds a Bachelor of Commerce from Macquarie University.
<p>Leah Covell¹ <i>Managing Director, Commercial Real Estate Finance</i></p>	<ul style="list-style-type: none"> ▶ Extensive debt structuring expertise with a focus on relationship management, loan origination, structuring, execution and portfolio management. ▶ Leah has 14 years' experience within real estate focused banking and financial services industry. ▶ Leah holds a Bachelor of Veterinary Science and Master of Commerce (Accounting/Finance) from the University of Sydney.
<p>Marc Hurwitz² <i>Managing Director, Corporate Finance</i></p>	<ul style="list-style-type: none"> ▶ Extensive experience in originating, structuring and executing financing across leverage buyouts, fund finance and corporate lending markets, including restructuring and workouts. ▶ More than 25 years' diversified experience in banking and funds management. ▶ Marc is a qualified Chartered Accountant (Australia and South Africa) and Chartered Financial Analyst.

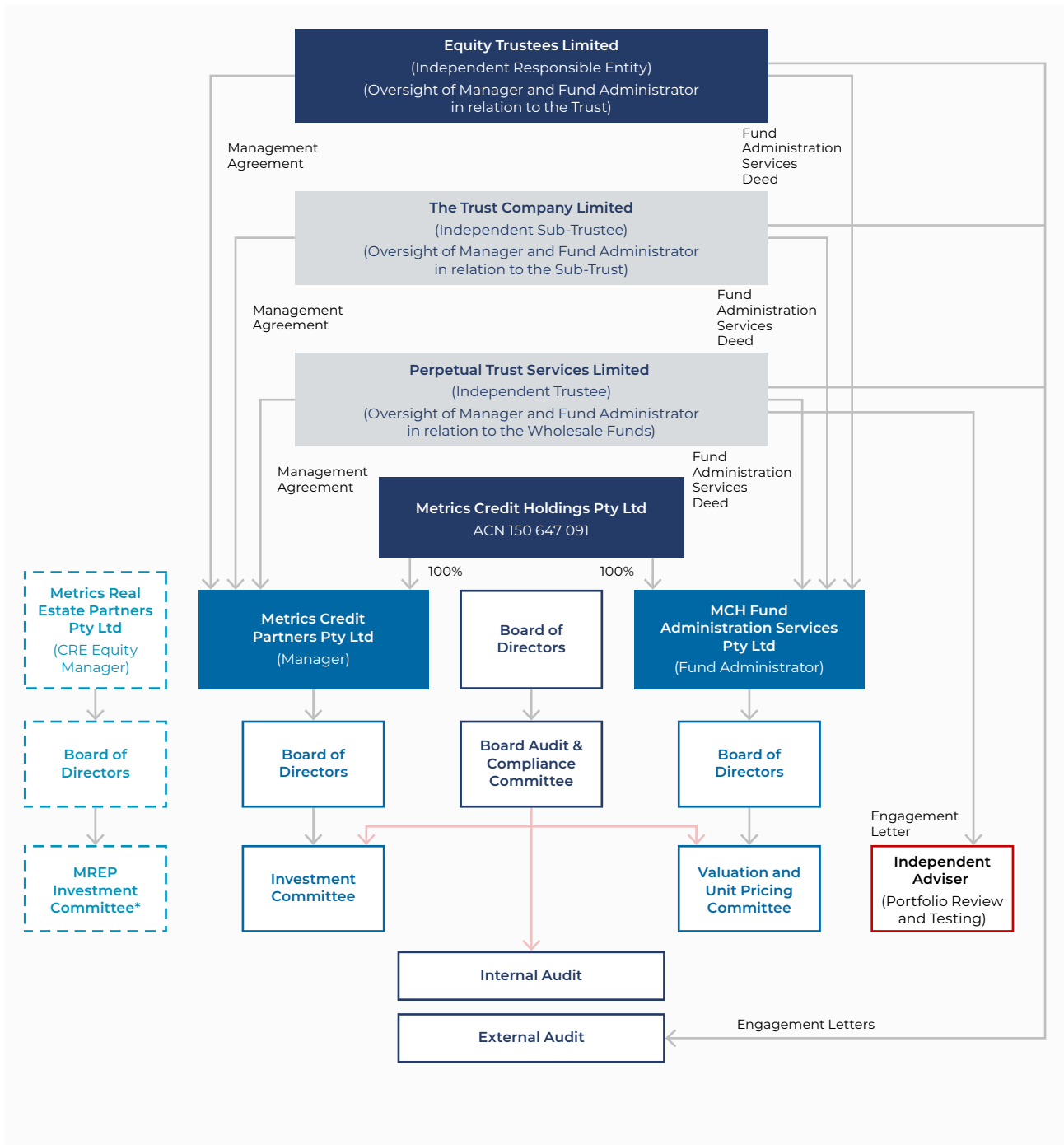
¹ Observer non-voting member for SPDFII and REDF matters.

² Observer non-voting member for SPDFII and REDF matters.

3. Fund Governance

The information below sets out updated information in respect of the governance of the Fund.

The governance of the Fund is set out in the following structure diagram. A summary of the high-level roles and responsibilities of each governance function is set out in this section below.



* Members of the MREP Investment Committee are independent of the members of the Investment Committee (except for the Chair) and are responsible for decisions regarding CRE Equity investments.

MCH Board of Directors

The following individuals are directors on the Board of MCH:

- ▶ Allan Griffiths – Independent Chairman, Non-Executive Director;
- ▶ Andrew Lockhart – Group CEO & Managing Partner;
- ▶ Justin Hynes – Managing Partner;
- ▶ Andrew Tremain – Managing Partner;
- ▶ Graham McNamara – Managing Partner*;
- ▶ Ian Macoun – Non-Executive Director;
- ▶ Andrew Chambers – Non-Executive Director;
- ▶ Min Lim – Non-Executive Director;
- ▶ Lisa Davis – Independent, Non-Executive Director; and
- ▶ Peter McCluskey – Independent, Non-Executive Director.

* It is expected that Graham McNamara will retire as a director from the Board of MCH upon completion of the MCH Transaction.

The Board of MCH is responsible for the overall management of MCH and its subsidiaries including the Manager and the Fund Administrator. This includes the strategic direction, oversight and stewardship of the company and ensuring compliance with all relevant laws and regulations.

Investment Committee

The Investment Committee has been established by the Board of Metrics. The members of the Investment Committee are outlined above under 'Manager's Investment Professionals' in section 2 'Update on the Metrics Group and the Manager'. The Investment Committee is responsible for the following (without limitation):

- ▶ investment decisions and portfolio management for the Metrics Funds (including the Fund, the Sub-Trust and the Wholesale Funds);
- ▶ allocation of investment opportunities across the Metrics Funds in accordance with the Allocation Policy (including for the Sub-Trust and the Wholesale Funds);
- ▶ reviewing the investment parameters of the Metrics Funds (including the Fund, the Sub-Trust and the Wholesale Funds) to ensure portfolio compliance;

- ▶ ensuring appropriate credit analysis and due diligence has been undertaken by the Origination teams in accordance with the Manager's investment processes and credit risk management policies;
- ▶ ongoing monitoring of the portfolio including the credit ratings applied to Loans;
- ▶ monitoring of macro and micro factors that may impact specific investment risk and regular asset and portfolio scenario planning and stress testing to alert itself to performance risk for the Metrics Funds; and
- ▶ managing any distressed or impaired Loan assets.

MCH Board Audit and Compliance Committee

The Board Audit and Compliance Committee (BACC) has been established as a committee with delegated authority from the Board of MCH and the Manager and is comprised of the following members:

- ▶ an independent non-executive director of MCH as the Chair;
- ▶ two other independent non-executive directors of MCH;
- ▶ the Group CEO & Managing Partner; and
- ▶ the Chief Compliance Officer.

The BACC is responsible for, among other things, overseeing risk, compliance, financial reporting, internal controls and audit functions. It also oversees the valuation process, asset allocations of investment opportunities across the Metrics Funds, investment mandate compliance and the management of conflicts of interest for the Metrics Funds. This includes managing and directly overseeing any material related party transactions and other conflicts of interest including introducing such protocols as the BACC deems necessary to appropriately manage such conflicts.

Valuation and Unit Pricing Committee

The Valuation and Unit Pricing Committee has been established by the Board of the Fund Administrator to oversee and ensure the integrity, consistency and independence of the valuation process for the Metrics Funds (including the Fund, the Sub-Trust and each of the Wholesale Funds). It is comprised of the following members, with no common membership with the Investment Committee:

- ▶ an external independent expert as the Chair;
- ▶ Chief Financial Officer;
- ▶ Finance Director – Fund Administration;
- ▶ Head of Debt Capital Markets and Distribution;
- ▶ Group Treasurer; and
- ▶ Director – Portfolio Risk Management.

The Valuation and Unit Pricing Committee is responsible for, among other things:

- ▶ overseeing the valuation of the Fund, the Sub-Trust and the Wholesale Funds' assets, liabilities and unit pricing;
- ▶ identifying credit events or known potential credit events that may impact on the valuation of the Fund, the Sub-Trust and the Wholesale Funds' assets and ensuring those that require notification are escalated to the Responsible Entity, the Sub-Trustee and each Wholesale Fund Trustee (as applicable) including all credit events or known potential credit events that would likely impact the valuation of assets;
- ▶ identifying, managing and where necessary escalating to the BACC actual or potential conflicts which may arise in valuation decisions;
- ▶ determining when external parties are to be engaged and overseeing the scope of their appointment;
- ▶ oversight and final determination of the valuation process;
- ▶ overseeing that the frequency of valuations is appropriate and that valuation methodologies and policies are regularly reviewed and applied consistently; and
- ▶ notifying the BACC of certain matters including material changes to valuations.

Independent Adviser – Portfolio Review and Testing

An independent adviser has been appointed by each Wholesale Fund Trustee to conduct a monthly portfolio review and testing of a sample of the Manager's Loan portfolio. The independent adviser has a strong familiarity with the Australian market. For further details on the scope of this review please see 'Independent review and testing' in Section 8 'Valuations'.

Auditors

The Responsible Entity has also appointed KPMG as the Fund Auditor and PWC as the auditor of the Fund's compliance plan.

Operational Reviews

A global investment consulting and research group is engaged to perform an Operational Risk Assessment (ORA) of the Manager's operations, controls, and governance framework. To assess the potential risks associated with the operations and controls of the Manager and to distinguish a well controlled and managed investment operation from those that could expose investors to increased risks and costs.

In addition, Pitcher Partners carries out a GS007 review on the Fund Administrator on an annual basis that is an independent report on the design, implementation and operating effectiveness of the Fund Administrator's internal controls to perform its services to the Fund.

S&P Global Ratings

The Sub-Trust and the Wholesale Funds have been assigned the following issuer credit ratings by S&P Global Ratings:

- ▶ Sub-Trust – BBB+/Stable/A-2³;
- ▶ DASLF – A-/Stable/A-2⁴;
- ▶ SPDFII – A+/Stable/A-1⁵; and
- ▶ REDF – A-/Stable/A-2⁶.

³ Issued as at 7 May 2026.

⁴ Issued as at 19 April 2026.

⁵ Issued as at 19 April 2026.

⁶ Issued as at 19 April 2026.

4. Conflicts of Interest, related and connected party transactions and their management

The information below sets out updated information relating to conflicts of interest and related or connected party transactions that may arise in relation to the Metrics Funds (including the Fund, the Sub-Trust or the Wholesale Funds) and how these are managed.

Situations may arise where Metrics, the Responsible Entity and the Responsible Entity's and Metrics' related entities have interests that conflict with those of Investors.

Under the terms of the Constitution, the Responsible Entity may deal in any capacity with the Responsible Entity, the Manager or any Investor or with any of their associates or with any trust. The Responsible Entity on behalf of the Fund may enter into transactions with a related party or a fund, the trustee and manager of which is a related party of the Responsible Entity and the Manager respectively. For these types of transactions, the Responsible Entity and the Manager will ensure that they are entered into on arm's length and on commercial terms.

The Metrics Group

As a diversified alternative asset management business, there may be occasions when the interests of the Manager or other Metrics Group companies or their respective clients, including Other Metrics Funds, conflict with the interests of the Investors, including but not limited to the circumstances set out in this section.

While the Metrics Group has implemented policies and procedures to identify and manage conflicts of interest, it is possible that the Metrics Group may, in the course of its business, have potential conflicts of interest which may not be managed effectively and may be detrimental to the Fund, the Sub-Trust or the Wholesale Funds and Investors.

The Metrics Group has developed what it considers to be best practice procedures for managing any actual or potential conflicts that the Manager is required to follow in connection with the performance of its services to the Responsible Entity in respect of the Fund, or in its capacity as manager of the Sub-Trust or Wholesale Funds. In addition, the Metrics Group has in place a governance framework (see section 3 'Fund Governance') and policies and protocols to

ensure that conflicts are identified and managed appropriately. In particular:

- ▶ the BACC, that is responsible for overseeing the management of conflicts of interest, is comprised of a majority of independent directors of MCH; and
- ▶ none of the Investment Team are members of the Valuation and Unit Pricing Committee, which has responsibility for overseeing and ensuring the integrity, consistency and independence of the valuation process for the Fund, the Sub-Trust and the Wholesale Funds.

Any actual or potential conflicts of interest will be managed in accordance with Metrics' Conflicts of Interest and Connected Party Transactions Policy (Conflicts Policy) and any appropriate conflicts protocol specifically adopted on a transaction by transaction basis. All actual or potential conflicts of interest and the mechanisms to be implemented for managing the conflict are logged into a register maintained by the Metrics Compliance team.

The Metrics Compliance team assesses whether the mechanisms to be implemented for managing a conflict are adequate having regard to the nature of the conflict. In addition, conflicts are referred to the BACC for oversight. As part of its oversight role, the BACC may determine to amend or implement additional protocols or mechanisms for managing the conflict. The Metrics Compliance team is also responsible for notifying conflicts of interest in relation to the Metrics Funds to the relevant responsible entity or trustee.

The following are examples of the types of transactions and circumstances that may give rise to actual or potential conflicts of interest as part of the management and operation of the Fund, the Sub-Trust or the Wholesale Funds and the types of mechanisms that are typically implemented to manage these conflicts.

Multiple Mandates – allocation of investment opportunities

The Manager and other Metrics Group companies have investment management agreements with other funds or managed accounts (separate to the Fund) each with its own investment mandate. Allocation of investment opportunities across one or more of the Metrics Funds is part of the normal course of the Manager's business of managing the Metrics Funds and can occur on a frequent basis.

The Manager will make investment decisions in respect of each mandate (including in respect of the Fund, the Sub-Trust and each Wholesale Fund) having regard to its contractual and legal obligations. This may result in actual or potential conflicts of interest. Whilst the Investment Strategy of the Fund is to invest primarily all of the Fund's assets in the Sub-Trust in order to gain exposure to the underlying portfolios of the Wholesale Funds, the Fund may be indirectly exposed to the potential conflicts at the Sub-Trust and Wholesale Fund level. In particular, these conflicts could include Metrics as manager of the Wholesale Funds having to decide whether to allocate an investment opportunity to one or more of the Wholesale Funds or one or more of the other Metrics Funds where that investment opportunity is within the investment parameters of any of those funds. In order to manage this conflict, the investment opportunity will be allocated according to the Allocation Policy that is administered by the Portfolio Risk Management team responsible for making asset allocation recommendations to the Investment Committee, with oversight by the BACC.

If an investment opportunity meets the investment parameters of more than one Metrics Fund, the investment opportunity will generally be allocated pro rata based on each Metrics Fund's capital which is available to invest in the opportunity with any such adjustments that may be necessary or desirable taking into account the investment objective, portfolio construction guidelines and the following parameters of each relevant Metrics Fund: (1) risk; (2) liquidity; (3) leverage and derivatives; (4) compliance and regulatory; (5) rebalance and monitoring.

Any actual or potential conflicts are managed in accordance with the Conflicts Policy and the Allocation Policy and as described above.

The Manager will report to Investors in the Fund Quarterly Portfolio Report on this category of transactions if they are not managed in this way.

Multiple Exposures – Managing Recovery Scenarios

The Fund may be exposed to Subordinated Debt in respect of borrowers or projects held in a Wholesale Fund where another Metrics Fund may hold more Senior Debt or vice versa (and may have exposure to both via its exposure to the Wholesale Funds). In addition, another Metrics Fund may hold Equity in the same borrower or project. This can create a conflict of interest that the Fund may be exposed to, including when determining the commercial and legal terms of each investment (including the rights between Senior and Subordinated lenders).

These transactions are managed in accordance with the Conflicts Policy and any relevant conflicts protocols.

A conflict of interest may also arise in situations where there is a default by the borrower and there is insufficient money to repay all of the Debt. In the case where there is only a partial recovery of monies owing from the borrower or project on all the Debt, the lower ranking Debt and Equity may incur a complete loss. A mechanical approach is taken in situations where there is insufficient money to recover the amount owing on the Loans held by the Metrics Funds. Conflicts of interest that may arise in this scenario are managed as follows:

- ▶ if a Loan is Secured, engaging a third-party valuer to value the assets that Security has been taken for the Loan;
- ▶ seeking to recover (wherever possible) at least the amount of the third-party valuation in any enforcement scenario;
- ▶ ensuring any recovered monies are distributed in accordance with the documented payment priorities. Transaction documentation is typically very mechanical and controls the rights and obligations of the different layers of Debt in a borrower's capital structure, with Senior Debt required to be repaid first in full, then Subordinated Debt (if any and with an inter-creditor agreement) and with Equity ranking last in a repayment scenario.

In a recovery or enforcement scenario where there is insufficient money to recover the amount owing on the Loans held by one Wholesale Fund and any Other Metrics Fund, separate deal teams may be required to be appointed to represent the Wholesale Fund and the Other Metrics Fund that are seeking to recover unpaid Debt, accrued interest and fees, with each deal team acting solely in the interests of the relevant Metrics Fund

that it represents. These types of transactions are managed in accordance with the Conflicts Policy and conflicts protocols (as described above), are logged in the conflicts of interest register maintained by the Compliance Team and reported to the BACC for oversight.

The Manager will report in the Fund Quarterly Portfolio Report if these transactions are not managed as outlined above.

Enforcement, Restructure and Workout/Conflicts and Connected Party Fund Transactions

Where a Metrics Fund has advanced a Loan to a borrower and that borrower experiences financial distress or is otherwise in default under the terms of the Loan, Metrics as manager may determine that it is appropriate to pursue an enforcement, restructuring or workout strategy in order to seek to preserve or recover amounts unpaid under the Loan for the Metrics Fund (including the principal amount of the Debt outstanding, accrued interest and fees). This may include enforcing Security and appointing receivers or controllers or, where the underlying Secured property is real estate, taking possession of the Secured property as a mortgagee in possession (through its appointed controller).

In exercising these powers, the Metrics Fund and the receiver or controller is subject to statutory and general law duties, including duties to act in good faith, to take reasonable care to obtain market value (or the best price reasonably obtainable) on any sale of the Secured property, and to account for proceeds of enforcement.

In certain circumstances, following enforcement or as part of a restructuring or workout process, the underlying asset or borrower group may present an opportunity for consideration by another Metrics Fund. Where another Metrics Fund has an investment mandate that permits investments in Equity or Equity-like interests (including ordinary shares, preference shares, units or other ownership interests), that Metrics Fund may, subject to applicable law, participate in the process or work with the receiver or controller to acquire an interest in the Equity position in the relevant asset or borrower.

Any such investment by the acquiring Metrics Fund will only be undertaken in certain circumstances, including but not limited to:

- ▶ in the case of the acquiring Metrics Fund, the investment is permitted by the relevant fund's investment mandate, it otherwise contributes to the overall portfolio construction and

investment objective of the fund, and in the opinion of Metrics as investment manager of that fund, it is in the best interests of investors in that fund; and

- ▶ the Metrics Fund that holds the investment, it receives fair value and no less than the capital it outlaid in respect of that investment.

In this scenario, separate deal teams, will be established including:

- ▶ a deal team responsible for acting in relation to the Metrics Fund that holds the Loan exposure (including to act on any enforcement, restructuring or workout process); and
- ▶ a separate deal team responsible for assessing and managing any potential investment held or proposed to be held by another Metrics Fund.

Deal teams (where appropriate) engage separate external legal counsel to negotiate legal documentation to ensure terms are negotiated at commercial arm's length market terms.

These types of transactions are managed in accordance with the Conflicts Policy and conflicts protocols (as described above), are logged in the conflicts of interest register maintained by the Compliance Team and reported to the BACC for oversight.

Metrics will report on these transactions in the Fund Quarterly Portfolio Report if they are not managed as outlined above.

Fund finance facilities provided by one Metrics Fund to another Metrics Fund

In accordance with its investment parameters, a Metrics Fund may provide a fund financing facility to a borrower with the view of seeking to achieve the investment objective including the relevant target return of the Metrics Fund.

This may include a Metrics Fund providing a fund facility to another Metrics Fund (or warehouse managed by the Metrics Group) provided that in doing so, the investment parameters of the Metrics Fund are met and the fund facility is provided in the same manner as if the borrower had been a third party.

In these circumstances, separate deal teams will be established to act for the Metrics Fund providing the Loan and the other Metrics Fund (or warehouse) that is the borrower with information barriers put in place between the separate deal teams. Separate deal teams may include separate origination, portfolio management and internal legal professionals. Deal teams (where appropriate) engage separate external legal counsel to

Metrics Direct Income Fund

negotiate legal documentation to ensure terms are negotiated at commercial arm's length market terms and each position is structured to be marketable to third-party lenders consistent with such facilities provided by the Metrics Fund to third party borrowers.

These types of transactions are managed in accordance with the Conflicts Policy and conflicts protocols (as described above), are logged in the conflicts of interest register maintained by the Compliance Team and reported to the BACC for oversight.

Metrics will report on these transactions in the Fund Quarterly Portfolio Report if they are not managed as outlined above.

Loans to a borrower or project in which another Metrics Fund may hold an Equity interest

A Metrics Fund may provide a Loan to a borrower or project in which another Metrics Fund holds an Equity interest. In these scenarios, the arrangements for managing the conflict set out in 'Fund finance facilities provided by one Metrics Fund to another Metrics Fund' will be implemented.

In addition, in the case where the Equity or Equity-like interest is in a CRE borrower or project, the MREP Investment Committee, whose members are independent from the Investment Committee (other than the Chair), is responsible for the decision in relation to the Equity or Equity-like position so that decisions in relation to the Debt and Equity investments in the same CRE borrower or asset are made by separate investment committees.

The types of transactions are managed in accordance with the Conflicts Policy and conflicts protocols (as described above), are logged in the conflicts of interest register maintained by the Compliance Team and reported to the BACC for oversight.

Metrics will report on these transactions in the Fund Quarterly Portfolio Report if they are not managed as outlined above.

Loans to Metrics Group companies

A Metrics Fund may provide a Corporate Loan, or extend or vary a Corporate Loan, to a Metrics Group company. In these scenarios, the arrangements for managing the conflict set out in 'Fund finance facilities provided by one Metrics Fund to another Metrics Fund' will be implemented.

Metrics will report on these transactions in the Fund Quarterly Portfolio Report.

Implementation of the Allocation Policy and capital management transactions

In order to implement the Allocation Policy and to rebalance portfolios for capital management purposes, the Manager may allocate Loan assets or transfer Loan assets between one or more of the Metrics Funds (including by way of assignment, equitable assignment, transfer, sub-participation or any other means of transferring the economic value of the Loan assets). These Loan asset allocations are done at the carrying value of the Loan and are documented based on industry-standard agreements or standard secondary trade agreements. If a Loan asset is impaired, or there is a Covenant breach under the terms of the Loan, this Loan asset will typically not be subject to a transfer to another Metrics Fund.

Metrics will report on transactions in the Fund Quarterly Portfolio Report if the transaction is not on arms' length commercial terms, or is not done at carrying value or the Conflicts Policy and any conflicts protocols have not been adhered to.

Related party service providers to the Fund and Loans

Related parties of the Manager provide services in relation to the Fund or its assets (including Loans). In particular, the Fund Administrator is a related party of the Manager. As a result, there is a potential conflict of interest in the Manager generating fees and other compensation and the interests of the Fund. However, it is the Responsible Entity, and not the Manager, that appoints and monitors the performance of the Fund Administrator.

The appointment of the Fund Administrator is on arm's length commercial terms.

In addition, MCH Agency Services Pty Ltd (MCHAS), a related party of the Manager, may be appointed as Facility Agent and Security Trustee in respect of Loans in the Fund's portfolio. MCHAS has a full service agency team segregated from the Metrics investment and lending functions, providing facility agent and security trustee services in the Australian and New Zealand loan market. MCHAS acts as administrative intermediary between the lender(s) and the borrower, managing day to day mechanics under Loans (for example, drawdowns, repayments, interest calculations, notices and ongoing information flow). As the Security Trustee for a Loan, it holds legal title to the security package on trust for the lender(s). The appointment by the borrower of MCHAS is on arm's length commercial terms, with documentation and the fees payable to MCHAS by the borrower reflective of the Australian Facility Agent and Security Trustee market and may occur on a frequent basis.

Valuations

The Fund Administrator is a member of the Metrics Group, and is a subsidiary of MCH, in which members of the Investment Team hold an equity interest.

As the Fund Administrator is responsible for valuation services in respect of the Fund, the Sub-Trust and each Wholesale Fund there may be a conflict of interest in the Fund Administrator providing such valuations by virtue of the investment management fee payable to the Manager from the assets of the Fund, the Sub-Trust and each Wholesale Fund respectively.

To assist in controlling and managing any actual or apparent conflict, the Fund Administrator has established the Valuation and Unit Pricing Committee (See 'Valuation and Unit Pricing Committee' in section 3 'Fund Governance') whose members do not include any member of the Investment Team and whose role is to oversee and ensure the integrity, consistency and independence of the valuation process for the Fund, the Sub-Trust and each Wholesale Fund.

The Valuation and Unit Pricing Committee is responsible for oversight of the provision of the valuations of the Fund, the Sub-Trust and each Wholesale Fund's assets to the Fund Administrator which is responsible for unit pricing for each of the Wholesale Funds, the Sub-Trust and the Fund. Members of the Valuation and Unit Pricing Committee and the Fund Administrator team operate with clear segregation of duties from the Investment Committee and the Manager's Origination teams.

Both the Fund Administrator and the Valuation and Unit Pricing Committee are subject to the Metrics' Conflicts Policy and any other associated protocols which are designed to identify, manage and mitigate any such conflicts.

The Responsible Entity has appointed an independent adviser to carry out a sample monthly review of the carrying value of the assets (see 'Independent review and testing' in section 8 'Valuations').

The Valuation and Unit Pricing Committee liaises directly with the independent adviser in relation to the sample monthly testing and review. The independent adviser does not liaise or report to members of the Investment Committee.

Manager Fees

Members of the Investment Team hold equity interests in MCH, the parent company of the Manager. On this basis, members of the Investment Team, which forms part of the Investment Committee that makes investment decisions in respect of the Metrics Funds (including the Fund, the Sub-Trust and the Wholesale Funds) and its related parties may benefit from increased management and performance fees in another Metrics Funds. Accordingly, in making investment management decisions, the Investment Team may be subject to conflicts of interest on the same basis as the Manager.

These conflicts could include the Manager having to decide whether to allocate investment opportunities to a Wholesale Fund or another Metrics Funds as well as determining whether to lend money to borrowers in respect of whom another Metrics Funds may own Equity or hold Senior Debt.

In order to manage this conflict, the Loan investment opportunity will be allocated according to the Allocation Policy that is administered by the Portfolio Risk Management team responsible for making asset allocation recommendations to the Investment Committee with oversight by the BACC.

Metrics Direct Income Fund

Transaction Benefits that may be shared between a Wholesale Fund and Metrics

In addition to paying interest and Ongoing Fees, a borrower may pay Transaction Benefits (which represent a cost to the borrower) and which under the terms of the trust deeds for REDF or SPDFII are shared between the Manager and REDF or SPDFII (respectively) on a 50:50 basis. However, Transaction Benefits in relation to DASLF Loans are not shared with Metrics. For further details see 'Transaction Benefits' in section 5 'Interest, Ongoing Fees and Transaction Benefits'. These may include fees or other financial benefits paid in relation to the establishment, variation or extension of a Loan. The sharing of these Transaction Benefits between REDF and SPDFII respectively and Metrics supports Metrics' investment in its origination capability which it believes is fundamental to maximising returns. In order to manage this conflict, the Trust Quarterly Portfolio Report will report on Transaction Benefits received by the Manager effective from the June 2026 Trust Quarterly Portfolio Report.

5. Interest, Ongoing Fees and Transaction Benefits

The following provides updated information on the types of revenue generated on Loan assets, the nature of Transaction Benefits and how they are accounted for.

Interest and Ongoing Loan Fees

The Fund does not hold Loan assets directly but will gain exposure (indirectly) to the Corporate and CRE Debt and Private Credit portfolios of each Wholesale Fund.

All interest received from Loan assets (including any default interest) in a Wholesale Fund's portfolio will be paid to the Wholesale Fund. Metrics as manager of each Wholesale Fund does not retain any net interest margin in relation to Loans made by the Wholesale Funds.

In addition, recurring fees may be payable by a borrower to compensate a Wholesale Fund as lender for making committed capital available before the borrower draws down under a Loan (Ongoing Fees). Ongoing Fees are typically calculated based on a percentage on the total facility amount under a Loan for real estate project instruments and as a percentage on the drawn credit margin for Corporate Loans. Any Ongoing Fees payable by the borrower under a Loan are also paid to the Wholesale Funds. Metrics as manager of each Wholesale Fund does not receive any such fees.

Transaction Benefits and Management Fee structures

In addition to generating revenue on Loan assets in the form of interest and Ongoing Fees, Transaction Benefits are also another form of revenue. These Transaction Benefits are a cost to the borrower. Examples of Transaction Benefits include upfront fees such as establishment fees or similar fees paid upfront by a borrower when the Loan is first made, an extension fee or any variation fee payable in respect of an existing Loan.

Transaction Benefits generated in relation to the underlying portfolios of the Wholesale Funds are accounted for as follows:

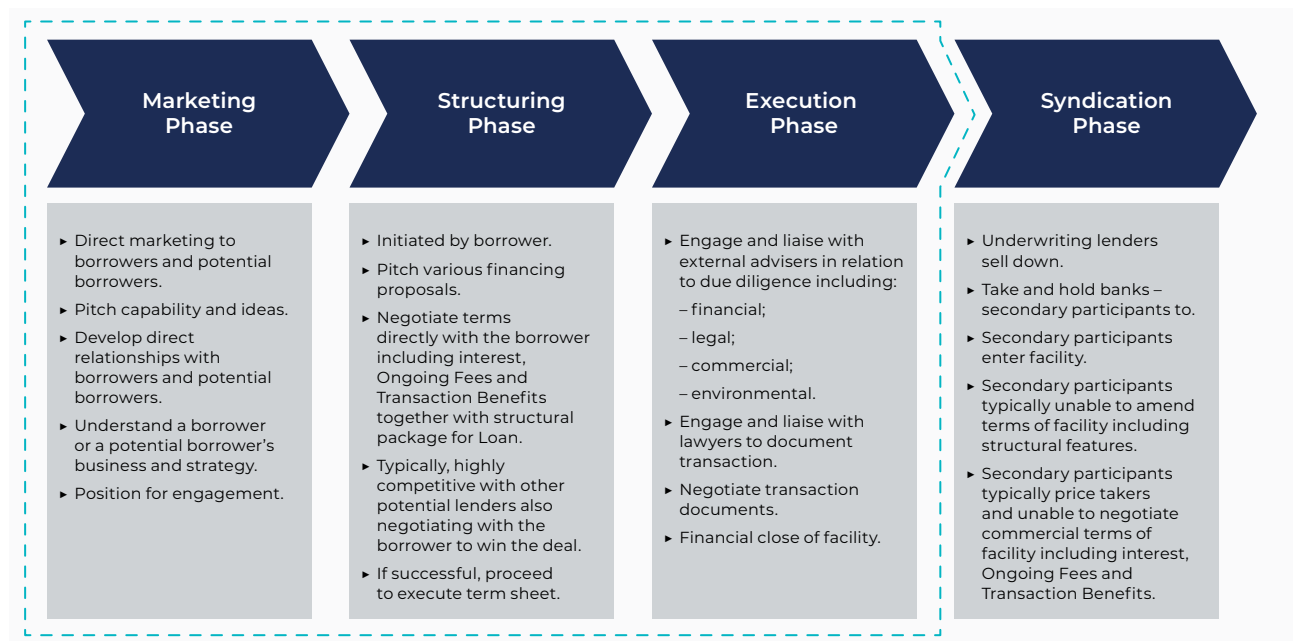
- ▶ for DASLF, all of the Transaction Benefits are received by DASLF; and
- ▶ for REDF and SPDFII, all of the Transaction Benefits are shared between REDF and SPDFII and Metrics as manager of SPDFII and REDF, respectively, on a 50:50 basis.

Metrics believes that both SPDFII and REDF invest in markets in which achieving economies of scale is beneficial for a number of reasons, including access to a broader pipeline of investment opportunities, enhanced borrower engagement and a greater ability to negotiate Loan terms and structural features. In order to achieve this, Metrics focuses on direct origination rather than participating in Loans originated by other market participants (such as banks). In addition to the benefits from achieving economies of scale, Metrics believes that this origination approach typically generates higher Transaction Benefits for the Wholesale Funds (even after sharing in the Transaction Benefits with the Manager) than if the Wholesale Funds invested in externally originated Loans just as a participant.

In order to support this direct origination approach, Metrics invests heavily in investment professionals with skill and experience in originating, structuring and negotiating investments as well as managing borrowers directly. Based on Metrics' experience, direct origination is resource-intensive, particularly in the period leading up to a Loan's financial close, and a number of opportunities reviewed and negotiated by the Origination team may not ultimately proceed.

Metrics Direct Income Fund

Metrics categorises the direct origination activities into three phases as follows in comparison to participating in the syndication phase of an investment opportunity.



Metrics has designed its management fee model for SPDFII and REDF on the basis that it believes that a management fee model that has a lower base management fee while allowing the Manager to participate in Transaction Benefits reduces the ongoing fixed management costs for investors and is intended to reflect an alignment of interests between the Manager and Investors across different market cycles. In addition, management fees for SPDFII and REDF are calculated based on the fund's gross asset value excluding amounts undrawn on Loans meaning that fees are not charged on undrawn amounts under SPDFII and REDF's Loan assets.

Metrics believes that this approach, which combines a lower ongoing base management fee with participation in Transaction Benefits, may reduce fixed management costs for investors and better align the Manager's remuneration with origination activity. By contrast, a model that relies on a higher fixed base management fee and no participation in Transaction Benefits may result in fees that do not vary with market and origination activity and may remain elevated during periods where market and origination activity is limited.

The fee structure combines a lower base management fee with participation in Transaction Benefits, so that costs better reflect the level of investment activity over time. During periods when investment activity is lower, investors benefit from a lower base management fee. When market conditions support higher levels of investment activity, Metrics may increase its origination and deployment efforts and may share in Transaction Benefits associated with sourcing and executing new investment opportunities, which helps support its investment in those additional origination efforts. Together with the performance-based fee applicable to SPDFII and REDF, this approach is intended to support long-term alignment between the Manager and investors.

In addition, DASLF has a tiered fee scale for calculation of the management fee. The Fund has indirect exposure to this management fee structure through its allocation of approximately 60% to DASLF. Given its indirect exposure to DASLF currently exceeds \$500 million, the look through DASLF management fee attributable to the Fund falls within the lowest tier, consistent with that available to other large institutional investors in DASLF⁷.

⁷ As at the date of this Investor Update and consistent with the Fund's intended investment allocation ranges of 60-70% of its capital to be invested in DASLF (through its investment in the Sub-Trust).

6. Where Investors can obtain information on the Fund's Portfolio Construction and Guidelines

The information below sets out updated information relating to how Investors can obtain information reported in respect of the Trust.

The Fund Monthly Performance Report provides details of the investment performance of the Fund, monthly net returns, a market update and a fund update.

The Fund Quarterly Portfolio Report also provides details on the following for the Fund:

- ▶ the largest exposures to a single Loan (both committed and drawn) as well as the average single counterparty exposure;
- ▶ the top 10 Loan exposures;
- ▶ the number of investments;
- ▶ the portfolio composition including:
 - the percentage of portfolio that is Senior Secured, Senior Unsecured Debt or Subordinated Debt;
 - the weighted average credit rating of the Debt portfolio;
 - the weighted average remaining tenor of the Debt portfolio; and
 - the number of Payment in Kind Loans⁸,
- ▶ diversification by industry and credit quality;
- ▶ loan valuations;

- ▶ credit metrics including:
 - average loan to value ratio for CRE Debt in the portfolio;
 - average leverage ratio for Corporate Debt in the portfolio; and
- ▶ details on non-performing Loans (such as arrears information, number of Loans on the Manager's Watchlist, Loans under enforcement action, those that have been restructured and suffered credit losses).

The Fund Quarterly Portfolio Report will include details on the levels of Transaction Benefits received by the Manager in relation to the Wholesale Funds.

The Monthly Performance Report and the Fund Quarterly Portfolio Report are available on the Fund's webpage at <https://www.metrics.com.au/funding-solutions/metrics-direct-income-fund>.

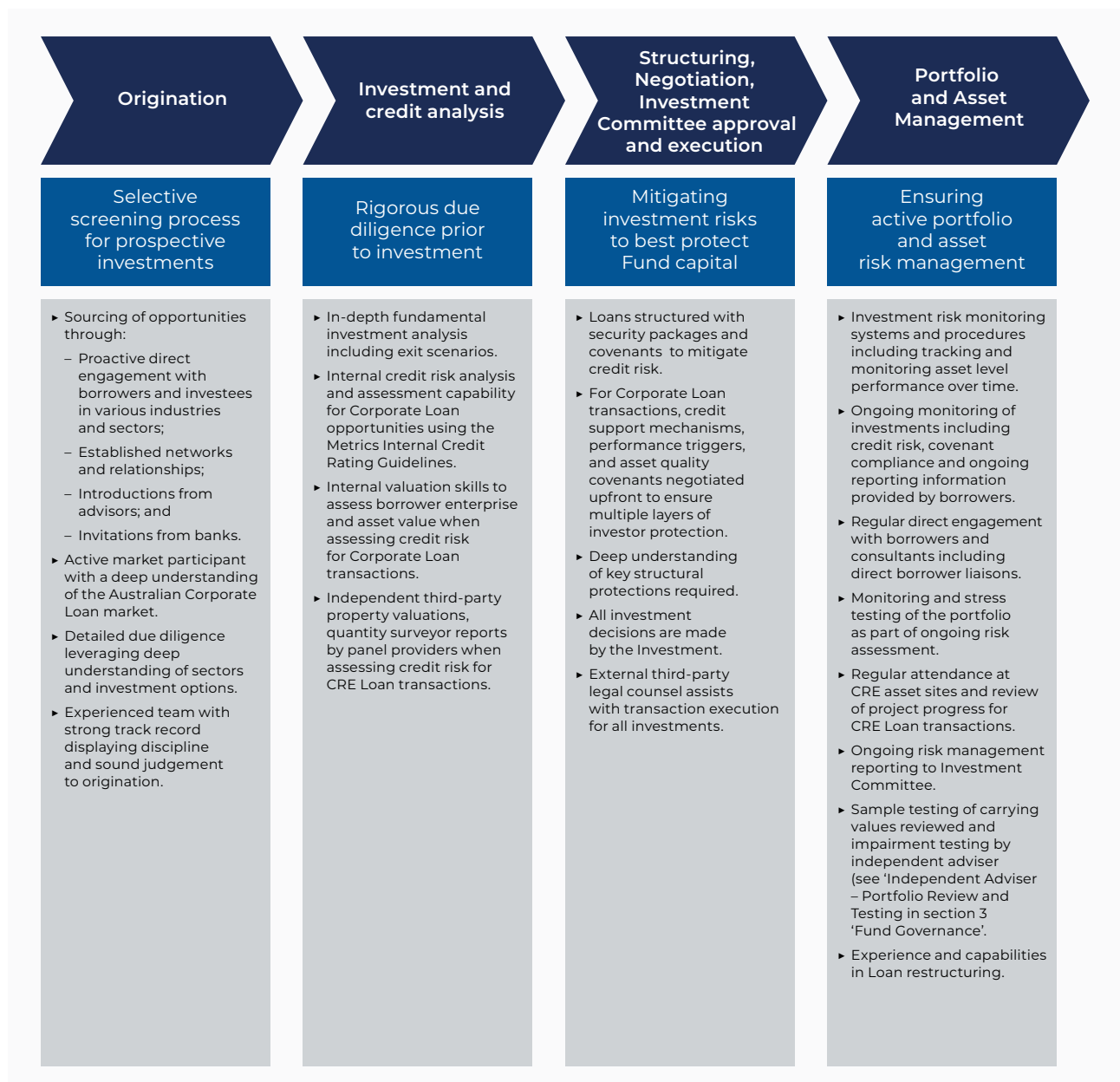
The Fund Quarterly Portfolio Reports have been issued since the quarter period ending 31 December 2024 and include a time series of data covering the previous six years.

⁸ A payment-in-kind (PIK) loan allows the borrower to accrue (or roll up) interest expense into the balance of the loan for a period rather than paying cash to the lender. A PIK loan does not include project finance loans (including both infrastructure and commercial real estate loans) with interest capitalisation sub-limits budgeted within facility limit (see the last paragraph in 'Structure, negotiate and executive investments' in section 7 'Additional Information on Metrics' Investment Processes).

7. Additional Information on Metrics’ Investment Processes

The information below sets out updated details of Metrics’ investment processes.

The Manager seeks to achieve the Investment Objective through a series of investment processes, including by originating Loans directly with borrowers, undertaking detailed investment and credit risk assessments of borrowers and transactions, structuring and negotiating investments, and the active management of portfolio assets including ongoing credit and valuation analysis on assets and the management of any non-performing assets, with the aim of preserving the Trust’s capital. These processes are intended to enable the Trust to outperform the Target Return by leveraging the Manager’s origination capabilities and active portfolio management expertise.



Origination

The Manager has broad relationships across the Australian and New Zealand Corporate Loan market (and its various segments) and actively engages in the market by interacting directly with borrowers, as well as banks (for origination and distribution), and other market participants to proactively source direct lending opportunities. The Manager seeks to originate Loan assets directly.

The Manager's approach, supported by its significant investment in its direct origination capability coupled with the Wholesale Funds' ability to lend together and commensurate with banks, minimises intermediation by banks and other Debt arrangers and generally provides:

- ▶ enhanced access to due diligence and control over the negotiation of terms and structural features of the Loans; and
- ▶ in the Manager's view delivers benefits associated with scale including the full scope of upfront fees, pipeline opportunities, enhanced borrower engagement and improved portfolio construction which the Manager considers are not typically realised by smaller less resourced participants.

Although the Manager seeks to directly originate Loan assets, the Wholesale Funds may also participate in Loan assets that have been originated by other market participants.

Initial investment and credit risk analysis

The Manager conducts credit due diligence and risk evaluation on potential investments and borrowers prior to making a Loan on behalf of a Metrics Fund (including the Wholesale Funds).

Corporate Loan credit risk assessment

Under Metrics' credit risk management policies, Corporate Loan investment opportunities are assessed using Metrics' credit rating methodologies including the corporate credit risk methodology. This methodology includes a set of underwriting criteria developed by the Manager tailored to Corporate lending.

This methodology applies a bottom-up, due diligence and risk analysis focused on the borrower's business fundamentals, cash flow sustainability and balance sheet strength.

The Manager conducts a comprehensive credit and risk evaluation of each borrower prior to making an investment. This assessment is informed by extensive due diligence and analysis, which may include management presentations, meetings and conference calls with the borrower and its advisers, site visits where appropriate, and a detailed review of financial, legal, commercial and operational information. In particular:

- ▶ **Financial Analysis:** the Manager reviews audited and unaudited historical financial statements, management accounts and forecasts to assess earnings quality, cash flow generation, leverage, liquidity and funding capacity. Where available, quality of earnings reports and sponsor or management-prepared financial models are critically assessed to test underlying assumptions and downside resilience.
- ▶ **Business and Industry Assessment:** the Manager undertakes an assessment of the borrower's business model, competitive position, strategy and operating risks, having regard to industry and economic conditions. This includes review of sell-side and buy-side research, industry reports, comparable company data and comparable transaction analysis to contextualise performance and valuation.
- ▶ **Transaction Risk Assessment:** the Manager evaluates the specific risks of the proposed transaction, including capital structure, security package, covenant framework, pricing and tenor. Funding terms, covenants and undertakings are negotiated on a risk-adjusted basis to reflect the assessed credit risk and to provide appropriate downside protection.
- ▶ **Management and Sponsor Assessment:** the Manager assesses the experience, track record and reputation of the borrower's senior management team and, where applicable, the financial sponsor. This may include review of due diligence materials relating to directors and key decision-makers, as well as consideration of ownership structure and alignment of interests.
- ▶ **Legal and Structural Review:** where available, the Manager reviews key contracts, material customer or supplier arrangements, lease documentation and legal due diligence reports to identify structural, contractual or regulatory risks that may affect credit quality or recoveries.

Real estate finance Loan credit risk assessments

Under the Metrics credit risk management policies, real estate finance Loans are assessed using the real estate specific credit risk methodology. This methodology includes a set of underwriting criteria developed by the Manager tailored to real estate lending.

The Manager conducts a credit and risk evaluation on the project or development, the project sponsors and key service providers for the development (for example, the developer, development manager, builder or contractor and the quantity surveyor) prior to making the real estate Loan. In particular:

- ▶ **Independent Valuation:** the Manager engages independent valuers from its approved panel to value each property that Security is taken over based on the Manager's property brief. Each valuation is reviewed by the Manager as part of the overall credit assessment to ensure that all relevant factors have been considered, and that appropriate methodology has been correctly applied;
- ▶ **Project Feasibility Review:** the Manager evaluates the feasibility of each CRE project to determine whether the forecasted construction and development costs (including finance costs) are reasonable. This review ensures that appropriate contingencies are incorporated to address any potential program delays and cost overruns, including additional finance costs;
- ▶ **Transaction Risk Assessment:** the Manager conducts a risk assessment for each transaction. In addition to reviewing the project feasibility (see above), this includes verification of pre-sales, review of independent reports from third-party quantity surveyors and property valuers, and negotiating funding terms such as covenants, undertakings and pricing on a risk-based approach to reflect the assessed transaction risk; and
- ▶ **Project Sponsor Assessment:** the Manager conducts an assessment on the project sponsor including its size, experience in delivery of projects of a similar nature, reputation and financial position.

The initial investment and credit analysis is submitted by the Origination team to the Investment Committee for consideration.

Structure, negotiate and execute investments

The Manager structures the Security packages and Covenants for each potential Loan based on what the Manager believes to best suit the risk profile of the transaction with a view to mitigating credit risk (see also 'Ongoing portfolio and asset management' below).

Each Wholesale Fund may invest in Secured Loans and both DASLF and REDF may invest in Loans that are Unsecured. The Fund Quarterly Portfolio Report outlines the percentage of Loans that the Fund has exposure to that are Secured at any particular time. If a Loan is to be Secured, the Security will typically be:

- ▶ in the case of Loans to Corporates made for a wide range of purposes that are not real estate finance or project finance Loans, a general security arrangement over all of the assets of the borrower (including its shares and other operating assets) and depending on the nature of the Loan, may also include liens or mortgages over specific assets (if any), liens or security on stock of the borrower or subsidiaries as well as individual or corporate guarantees to support the borrower's obligations under the facility agreement with the relevant Wholesale Fund; and
- ▶ in the case of Loans made to Corporates that are real estate finance Loans or project finance Loans, a first or second ranking mortgage over real estate and depending on the nature of the Loan, may also include a general security arrangement over all of the assets of the borrower (including its shares and other operating assets) and/or borrower or project sponsor guarantees to support the borrower's obligations under the Loan agreement with the relevant Wholesale Fund.

In addition, Loans are structured to include a range of information, financial and other covenants that require the borrower to provide regular information to the relevant Wholesale Fund which the Manager uses to assess performance and mitigate risk throughout the term of the Loan. Covenants and undertakings are designed to provide the Manager with advance notice of financial distress, and then substantial control over a borrower if a stressed scenario occurs, well before there is an impairment of the Loan.

In real estate construction finance, it is common practice for a Loan facility to be structured with an interest reserve, being a portion of the total facility limit under the Loan allocated to fund interest payments during the construction and drawdown period. As the project generally does not generate income during this time, the interest reserve forms part of the overall development budget and is taken into account when determining the maximum Loan amount for the purposes of the credit risk assessment of the investment opportunity. The Manager sets the size of the interest reserve having regard to projected drawdowns, interest rates and the construction program, and may review and adjust it during the life of the Loan. Any material increase in project costs or the required interest limit may require additional Equity from the borrower to maintain compliance with the loan to value and other financial covenants under the Loan.

Credit risk ratings

In Australia, it is the Manager’s experience that a large number of the borrowers in the Corporate Loan market do not have a credit rating given by a global credit ratings agency (for example, credit

ratings issued by S&P Global Ratings or Moody’s). As external ratings are generally not available for Corporate borrowers, lenders typically use their own internal credit ratings models that employ a similar approach to that used by the global credit rating agencies. The Manager generally assesses credit risk on a proposed investment using the Metrics Internal Credit Rating Guidelines, an internal rating methodology, which are based on the rating methodology developed and practiced by S&P Global Ratings.

The Metrics Internal Credit Rating Guidelines include rating methodologies specific to the type of borrower that are used to assess credit risk.

In assessing the creditworthiness of a borrower, the Manager applies a rating to reflect the risk of payment default and recovery of a borrower. In doing so, the Manager will obtain detailed financial and other information on the borrower as well as performing detailed legal due diligence as part of the credit risk assessment. The Metrics Internal Credit Rating Guidelines are applied to each potential Loan investment using this information which produces a credit rating in one of the following categories shown below.

Metrics Internal Credit Rating Guidelines

METRICS' CATEGORY	DEFINITION
Investment Grade	aaa The highest rating possible, typically associated with sovereign borrowers. Obligors are the highest quality, with the lowest level of credit risk.
	aa Only a slight difference to a 'aaa' rating. Obligors have very low credit risk with very strong capacity to meet financial commitments.
	a High credit quality and capacity for payment of financial commitments is still strong.
	bbb Moderate credit quality and capacity to pay financial commitments is satisfactory.
Sub-Investment Grade	bb Higher vulnerability to credit risks and may face exposure to adverse business, financial or economic conditions.
	b Considered speculative and subject to material credit risks.
	ccc Substantial credit risk and obligor is vulnerable to non-payment of financial commitments.
	cc Very high levels of credit risk and obligor is highly vulnerable to non-payment of financial commitments.
	c Exceptionally high levels of credit risk. Default is considered a near certainty.
d Obligation is in default or breach.	

The initial investment and credit analysis is submitted by the Origination teams to the Investment Committee for consideration.

Diversification

The Manager principally targets diversification by borrower but also industry sector and credit quality. The Manager believes that diversification is key to credit risk mitigation as it reduces the negative impact of significant stresses or industry-specific idiosyncrasies on overall returns.

Ongoing portfolio and asset management

The Manager believes that ongoing monitoring of all Loans is core to protecting the Fund's capital. The Manager proactively monitors transaction credit risk by regularly analysing the performance of the borrowers and updating credit risk ratings to reflect any change in key credit risk factors from individual borrower to sector-wide and macroeconomic factors.

Loans are structured with certain Covenants (for example, information requirements, financial Covenants and other undertakings). The Manager monitors Covenants on an ongoing basis to assess the performance of a Loan. Information Covenants, including detailed reporting obligations, are designed to give the Manager early warning of potential financial distress of the borrower and to provide the Manager with greater control in a stressed scenario, well before any impairment of a Loan.

In addition, the Manager actively seeks to manage credit risk across the Fund's portfolio through continuous monitoring and stress testing of the Metrics Funds' portfolios under various scenarios. These processes are intended to assess the risks associated with declines in asset values, changes in interest rates, and broader economic conditions. It also identifies portfolio vulnerabilities, informs concentration limits, and sets risk thresholds.

Other than in cases of fraud, signs of financial distress are typically identifiable by the Manager well in advance of an enforcement scenario for a Loan. The Manager uses a number of internal mechanisms including the Manager's internal Loan ranking system (see in this section below), tracking interest amounts that are overdue and maintaining a Watchlist of Loans that are closely monitored by the Manager's Portfolio Risk Management team for evidence of any impairment. The Fund Quarterly Portfolio Report reports on Loans on the Watchlist.

Frequent engagement with borrowers, and regular information reporting undertakings gives the Manager a high degree of transparency regarding the financial and operational performance of each company and project.

In addition to ranking all Loan assets in accordance with the Metrics Internal Credit Ratings Guidelines, as part of its ongoing monitoring of each Wholesale Funds' portfolio, the Manager uses its own proprietary ranking system as a means of monitoring credit performance.

These rankings are as follows:

- ▶ **Ranking 1** – Loans performing at or above the Manager's underwrite case (at the time the Loan was made) with no concerns identified by the Manager;
- ▶ **Ranking 2** – Loans performing but below expectations against the Manager's underwrite case (at the time the Loan was made);
- ▶ **Ranking 3** – Loans performing but with a higher likelihood of near-term issues in the 6 months;
- ▶ **Ranking 4** – Loans with an active Covenant breach, payment default, or other significant issues negatively impacting the borrower's ability to service its Debt obligations across the capital stack; and
- ▶ **Ranking 5** – Loans that are non-performing or in a distressed state with lenders exercising rights or control actions, Loans that may be impaired with a credit loss possible.

The Manager also performs regular risk monitoring activities for the Loans in the portfolio, including among other things, maintaining a Watchlist which has Loans in the portfolio that are subject to close monitoring by the Manager based on deviation from the base case financial and operational performance of the Loan.

Any Loan ranked as a 4 or 5 using the Manager's ranking system, will be added to the Watchlist.

The Manager actively tracks upcoming Loan maturities and engages closely with borrowers to ensure that their financial obligations and Loan repayments remain on track, well before their maturity date.

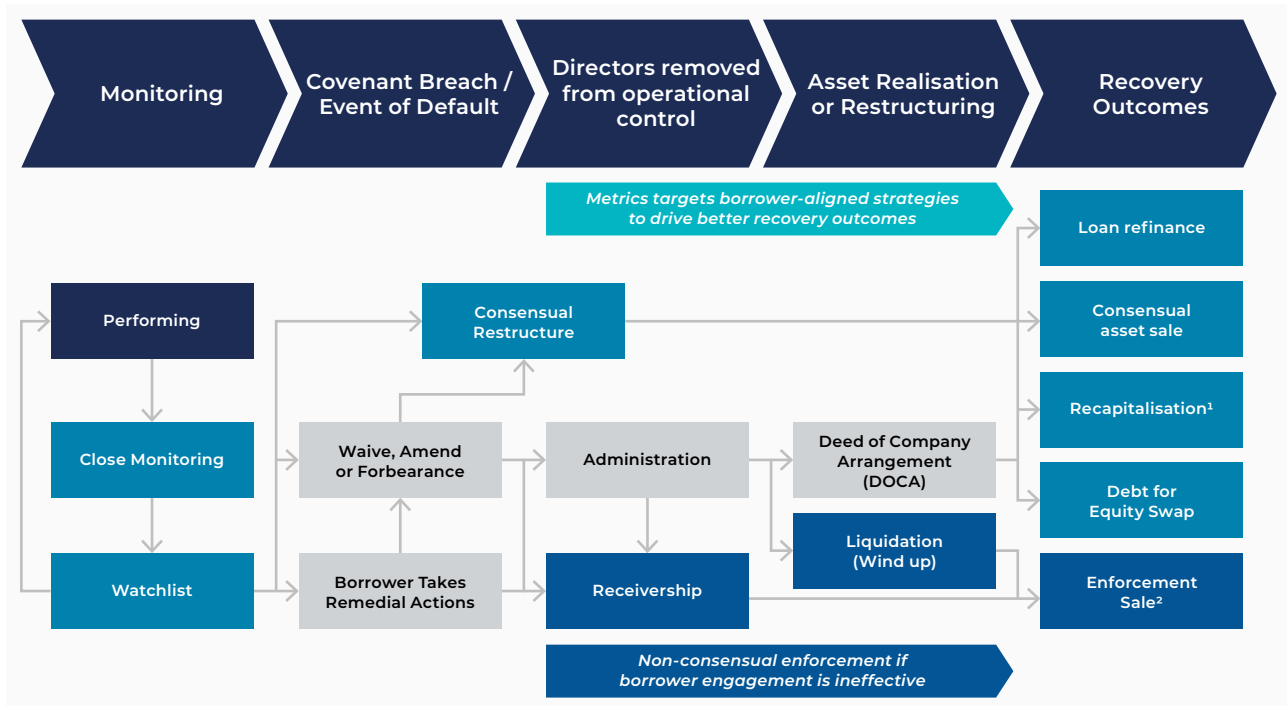
Managing non-performing assets

The Manager's approach to managing non-performing assets may include:

- ▶ increased operational or financial monitoring or further analysis;

- ▶ negotiation with key transaction counterparties and stakeholders;
- ▶ engaging third-party consultants or representatives for advice or to take strategic actions;
- ▶ compelling divestments, restructuring of Loan terms and conditions;
- ▶ refinancing or restructuring of Loan facilities which in some circumstances may result in a Debt-for-Equity swap or other similar type restructure of the capital structure; and
- ▶ enforcement of rights under transaction and Security Loan documents.

The diagram below is a summary of the Manager’s process for managing and reporting on non-performing assets.



Source: Metrics. Notes: (1) typically involves further Equity contributions or Subordinated Debt but may also involve personal or corporate guarantees being called to repay Debt (if required). (2) May involve a forced sale of any assets of the borrower, or the entire business if the lender has specific security over company shares.

The Manager negotiates a broad range of rights within transaction documentation to compel engagement with any non-performing borrower and enjoys rights such as an ability to prevent further capital draws or seize or freeze any available collateral in order to mitigate risk and protect capital.

An ability to analyse, understand value, innovate and negotiate in these circumstances is key to preserving value, as is a solid understanding of, and experience in, Australia’s corporate insolvency framework. The objective of these processes is to preserve the relevant Wholesale Fund’s capital and returns.

The Fund Quarterly Portfolio Report provides the following information to Investors on the number of Loans (and as a percentage of Loan’s in the Fund’s portfolio) that:

- ▶ are in arrears;
- ▶ the Manager has placed on its internal Watchlist,
- ▶ are subject to enforcement action where enforcement of Security has commenced;
- ▶ have been restructured (whether through enforcement or agreement with existing owners); and
- ▶ a realised credit loss has occurred in relation to the Loan being instances where the total recovery received was less than the amount originally invested by the relevant Wholesale Fund.

See section 6 ‘Where Investors can obtain information on the Fund’s Portfolio Construction and Guidelines’ for further information on how to obtain the Fund Quarterly Portfolio Report.

8. Valuations

Net Asset Value

The Net Asset Value of each of the Fund, the Sub-Trust and the Wholesale Funds is generally calculated Daily in accordance with the Constitution and the trust deeds for the Sub-Trust and the Wholesale Funds. The Net Asset Value is calculated by deducting the liabilities (which includes declared but unpaid distributions) attributable to the Fund, the Sub-Trust and the Wholesale Funds from the total value of the assets Fund, the Sub-Trust and the Wholesale Funds assets. The Net Asset Value per Unit of the Fund is published Daily on the Fund Website.

In certain circumstances, the Responsible Entity may suspend the calculation of the Net Asset Value or Fund unit prices. This may occur, for example, if trading on relevant securities exchanges is suspended or restricted, or it is otherwise not possible to reliably value the Fund's assets.

Valuation of assets

The Fund's, the Sub-Trust's and generally each Wholesale Fund's assets and liabilities are valued each time its Net Asset Value is calculated, in accordance with the Valuation Policy and other Metrics group policies (including the Fund Administrator's Accounting and Tax Policy and Unit Pricing Policy) (Valuation Policies). Where applicable, assets and liabilities are measured at fair value or amortised cost. Fair value is determined in a manner consistent with the Accounting Standards. Valuation techniques, methodologies and inputs applied in determining fair value are consistent with those prescribed in the Valuation Policies. A copy of the Valuation Policy is available on request via email at invest@metrics.com.au or phone 1300 010 311 (Monday-Friday 9.00 – 5.30).

Listed investments

Listed units that may be held by the Sub-Trust are normally valued using the last quoted market price for the units at the relevant time. If the listed units are subject to trading suspensions or other circumstances that make valuation difficult, or where independent pricing sources are not available on a timely basis, the listed units may be valued at fair value using valuation methods and assumptions considered appropriate in the circumstances.

Unlisted investments

Loan Assets

The Loan assets of the Wholesale Funds are valued based on methodologies that reflect their classification under the Valuation Policies and applicable Accounting Standards and the availability of observable market inputs being information that can be independently verified in the market, such as prevailing interest rates, market yields or pricing for similar assets.

For Loan assets measured at fair value, valuation methods generally involve the estimate of the present value of expected future cash flows, calibrated to prevailing market conditions. This includes consideration of benchmark interest rates, observable credit spreads and asset-specific credit considerations. These inputs are periodically reassessed to reflect changes in market conditions and the underlying credit portfolio of the borrower. Other valuation techniques that may be used, where appropriate, including reference to recent arm's length market transactions or valuation of comparable instruments. DASLF Loans are generally valued at fair value.

Loan assets not measured at fair value, are measured using the amortised cost method, where appropriate, reflecting their contractual cash flows and the nature of the investment. This method is reflective that the Loan assets are typically held to maturity and not generally available for sale. Credit risk is assessed in terms of the probability that a borrower may default, the estimated level of utilisation of a Loan at default and the anticipated loss given a default has occurred. Assets valued using the amortised cost method are initially recorded at their acquisition cost (including directly attributable transaction costs) and subsequently adjusted for principal repayments, interest accruals and any expected credit impairment. Such assets are not remeasured for changes in market value and may differ from amounts that could be realised on sale prior to maturity. SPDF II and REDF assets are generally valued using the amortised cost method.

Unlisted units

The Fund holds units in the Sub-Trust and the Sub-Trust holds units in each of the Wholesale Funds. Units are valued at fair value using the net asset value per unit of the Sub-Trust and the Wholesale Fund (respectively) on the relevant date.

Monitoring and valuation adjustments

Valuations are monitored on an ongoing basis to ensure they remain appropriate and reflective of current market conditions.

The framework includes the identification and assessment of market and asset specific indicators that may signal a material change in value. These may include, but are not limited to:

- ▶ changes in market conditions or market spreads;
- ▶ borrower performance and covenant compliance;
- ▶ significant changes in expected cash flows;
- ▶ legal, regulatory or structural developments affecting an asset.

Where such factors indicate that carrying values may no longer be appropriate, valuations may be updated outside the normal valuation cycle using appropriate methodologies.

In periods of market disruption or reduced market observability, additional judgment may be applied to ensure valuations remain representative of a Loan's value.

Oversight

Valuations are subject to ongoing internal review and governance oversight. In addition:

- ▶ valuation methodologies and outcomes are periodically reviewed for consistency and appropriateness;
- ▶ the Valuation and Unit Pricing Committee is responsible for the oversight of valuations and to ensure the integrity, consistency and independence of the valuation process for all Metrics Funds (including the Fund, the Sub-Trust and each Wholesale Fund) including reviewing valuation methodologies, assumptions and outcomes (see 'Valuation and Unit Pricing Committee' for further information in section 3 'Fund Governance');
- ▶ independent valuation inputs on third-party data sources may be used where appropriate to support valuation outcomes (see 'Independent review and testing' below for details on the independent adviser's role in reviewing and testing a sample of each Wholesale Fund's portfolio).

In addition, as part of the Fund Auditor's role as auditor of each of the Wholesale Fund, in performing the external audit of the Wholesale Fund's accounts, the Fund Auditor assesses a sample of the carrying value of the Wholesale Fund's Loan assets.

Independent review and testing

- ▶ As noted in section 3 'Fund Governance' an independent adviser has been appointed to perform a monthly portfolio review and testing of a sample of the Manager's Loan portfolio. As part of this review, they are provided with a register of Loan assets and their carrying value together with the Manager's Watchlist and documentation supporting credit decision-making in respect of a sample. This is intended to allow the independent adviser to review the accuracy of the information in the register of Debt assets (including their carrying value) for the sample reviewed and to identify any potential credit impairment that may require a more detailed review (in the case of REDF and SPDFII) and to identify any credit rating adjustments which may need to be further reviewed (in the case of DASLF). The independent adviser will also perform a quarterly review and testing of the credit ratings applied to a sample of new Loans made by DASLF, or where credit ratings have been adjusted or where they may otherwise have a reason to believe the credit ratings may be required to be adjusted including for consistent application of the adopted credit rating methodology. For DASLF Loans, a review of the alignment of pricing to current market pricing for similar transactions is also undertaken. As part of this review, the independent adviser will consider public source data such as Bloomberg, LoanConnector and Reuters as well as their own and the Manager's proprietary data as evidence to support market pricing and other matter. For REDF and SPDFII, the independent adviser will review current trading and financial Covenant reporting and if a Loan is identified with potential for an impairment, a more detailed review will be carried out and reported to the relevant Wholesale Fund Trustee.

9. Glossary

TERM	DESCRIPTION
A\$	means Australian dollars.
Accounting Standards	means accounting standards and any other generally accepted accounting principles and practices in Australia (to the extent they are not inconsistent with the accounting standards) recommended by the Manager to be applied in preparing the financial accounts for the Fund.
AFSL	means Australian financial services licence.
Allocation Policy	means Metrics' Allocation Policy, which, among other things, outlines the methodology for allocating investment opportunities between the Metrics Funds.
ASIC	means the Australian Securities and Investments Commission.
BACC	means the MCH Board Audit and Compliance Committee established by the board of directors of MCH, the roles and responsibilities of which are set out in section 3 'Fund Governance' under the heading 'MCH Board Audit and Compliance Committee'.
Board	means the board of directors of a company.
Business Day	means a day on which banks are open for general banking business in Sydney, Australia.
Conflicts Policy	means the Metrics Conflicts of Interest and Connected Party Transactions Policy.
Constitution	means the constitution of the Fund as amended from time to time.
Corporate	means a public or private company.
Corporate Loan	means a Loan made to a Corporate.
Corporations Act	means the <i>Corporations Act 2001</i> (Cth).
Covenant	means an undertaking by a borrower to do or refrain from doing certain activities and a breach of which may trigger a default by that borrower.
CRE	means commercial real estate.
Daily	means each Business Day.
DASLF	means the Metrics Credit Partners Diversified Australian Senior Loan Fund, an Australian unit trust that is a managed investment scheme registered with ASIC under the Corporations Act, managed by Metrics.
Debt	means an instrument involving an advance of a fixed amount of money in exchange for a return profile involving fees, interest and return of the advanced amount over a specified timeframe, such as a loan, bond or note.
Equity	means interest in the capital of an issuer, which provides the holder with ownership rights in a company or trust which may be listed or unlisted.
Fund Administrator	means MCH Fund Administration Services Pty Ltd ACN 636 286 970.
Fund Auditor	means KPMG.
Fund Quarterly Portfolio Report	means the quarterly portfolio report on the Fund, that includes the information under 'Fund Quarterly Portfolio Report' in section 6 'Where Investors can obtain information on the Fund's Portfolio Construction and Guidelines'.

TERM	DESCRIPTION
Fund Website	means https://www.metrics.com.au/funding-solutions/metrics-direct-income-fund .
Investment Committee	means the Investment Committee appointed by the Board of the Manager, the roles and responsibilities of which are set out in section 3 'Trust Governance' under the heading 'Investment Committee'.
Investment Team	means the three Managing Partners that indirectly will hold an equity interest in the Manager after completion of the MCH Transaction being Justin Hynes, Andrew Lockhart and Andrew Tremain.
Investor	means a person that holds Units in the Fund.
Loan	means money, property or other forms of capital given to a borrower in exchange for future repayment of the loan value with periodic interest payments. Loans can have different ranking in a borrower's capital structure (e.g. senior or subordinated).
Manager or Metrics	means Metrics Credit Partners Pty Ltd (ACN 150 646 996) in its capacity as manager of the Fund, the Sub-Trust and the Wholesale Funds.
MCH	Metrics Credit Holdings Pty Ltd ACN 150 647 091.
MCH Transaction	has the meaning given in Section 2 'Update on Metrics Group and the Manager'.
Metrics Funds	means a fund, other pooled vehicle or separately managed account that is managed by the Manager or any other Metrics Group entity and includes the Fund.
Metrics Group	means MCH and its related bodies corporates (as defined in section 50 of the Corporations Act) which includes the Manager.
Metrics Internal Credit Rating Guidelines	means the Manager's internal credit risk rating guidelines for rating Corporate and CRE credit instruments to which the Fund has exposure which are based on the rating methodology developed and practiced by S&P Global Ratings and adapted to certain other proprietary factors.
MREP	means Metrics Real Estate Partners Pty Ltd (ACN 649 136 970).
MREP Investment Committee	means the Investment Committee established by the board of directors of MREP.
Net Asset Value	means, in relation to the Fund, the Sub-Trust or a Wholesale Fund, the total value of the assets of the Fund, the Sub-Trust or the relevant Wholesale Fund less the value of the liabilities of the Fund, the Sub-Trust or the relevant Wholesale Fund (as applicable) and calculated in accordance with the Fund's Constitution, the trust deed of the Sub-Trust and each Wholesale Fund respectively.
Ongoing Fees	means a fee payable by a borrower to a lender under a Loan to compensate the lender for making committed capital available under the Loan before the borrower draws down under the Loan and is typically calculated based on a percentage on the total facility amount under the Loan for real estate project Loans and as a percentage of the drawn credit margin for Corporate Loans.
Other Metrics Fund	means any Metrics Fund excluding the Fund.
PDS	means the product disclosure statement and additional information booklet for MDIF dated 30 September 2022, each as amended or supplemented from time to time.

TERM	DESCRIPTION
Perpetual Group	means Perpetual Limited and its subsidiaries, including the Responsible Entity.
Private Credit	refers to lending money through private transactions, as distinct from the acquisition of publicly traded debt such as Bonds. This may include, but is not limited to, Corporate Debt and CRE Debt that can be Senior or Subordinated Debt.
RBA Cash Rate	means the interest rate which banks pay to borrow funds from other banks in the money market on an overnight basis as published by the Reserve Bank of Australia.
REDF	means the MCP Real Estate Debt Fund, an Australian unit trust that is an unregistered managed investment scheme, managed by Metrics.
Responsible Entity	means Equity Trustees Limited (ACN 004 031 298 ACN 150 646 996; AFSL 416146).
S&P Global Ratings	means the credit rating agency (formerly Standard & Poor's), a division of S&P Global.
Secured	means: <ul style="list-style-type: none"> ▶ in respect of a Loan asset that is not to fund a CRE asset, means a general security over the assets of the borrower (including its shares, property and other operating assets) or any other security collateral that has been granted to the lender giving the lender rights to deal with the assets to recover any amount due and payable under the terms of the Loan and for; and ▶ in relation to a CRE Debt instrument, typically a first or second real property mortgage over the borrower, a real estate asset or individual guarantees from project sponsors.
Senior or Seniority	refers to the rights of investors in a Debt instrument to be paid in priority to other obligations or Equity holders of the relevant borrower in the event that the borrower defaults on its obligations to pay.
SPDFII	means the MCP Secured Private Debt Fund, an Australian unit trust that is an unregistered managed investment scheme, managed by Metrics.
Subordinated	means in the context of Debt investments, the fact that the relevant lender ranks behind other lender to receive payments of interest and principal.
Sub-Trust	means the MCP Wholesale Investments Trust, an Australian unit trust that is an unregistered managed investment scheme.
Sub-Trustee	means The Trust Company Limited (ACN 004 027 749) as trustee for the Sub-Trust.
Target Return	means the RBA Cash Rate plus 3.25% per annum (net of fees) through the economic cycle.
Transaction Benefits	means fees (including in respect of extensions, variations and waivers) and other financial benefits under the terms of a Loan.
Units	means units in the Fund.
Unsecured	in respect of a Loan, means it is not Secured.
Valuation and Unit Pricing Committee	means the valuation and Unit Pricing Committee established by the board of directors of the Trust Administrator, the roles and responsibilities of which are set out in section 3 'Trust Governance' under the heading 'valuation and Unit Pricing Committee'.

TERM	DESCRIPTION
Valuation Policy	means the valuation policy that applies to the Fund, the Sub-Trust and the Wholesale Funds.
Valuation Policies	has the meaning given in Section 8 'Valuations'.
Watchlist	means a list, maintained by Metrics, of Loans, that are being closely monitored by the Manager's Portfolio Risk Management team for evidence of any impairment.
Wholesale Fund Trustee	means, in relation to a Wholesale Fund, Perpetual Trust Services Limited as the trustee of the Wholesale Fund.
Wholesale Funds	means Funds managed by Metrics that are available only to wholesale investors and open for investment, including (but not limited to) Metrics Diversified Australian Senior Loan Fund, MCP Secured Private Debt Fund II and MCP Real Estate Debt Fund.

Corporate Directory

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