

Msquared Mortgage Income Fund

ARSN 682 099 350

Annual Financial Report
For the year ended 30 June 2025

Index to the Financial Statements

	Page
Directors' Report	1
Auditor's Independence Declaration	5
Statement of Profit or Loss and Other Comprehensive Income	6
Statement of Financial Position	7
Statement of Cash Flows	8
Statement of Changes in Equity	10
Notes to the Financial Statements	11
Directors' Declaration	36
Independent Auditor's Report	37

Directors' Report For the year ended 30 June 2025

The directors of One Managed Investment Funds Limited (ACN 117 400 987; AFSL 297 042) (the "Responsible Entity"), the Responsible Entity of Msquared Mortgage Income Fund (ARSN 682 099 350) (the "Fund"), present their report, together with the financial statements, for the year ended 30 June 2025 and the independent auditor's report thereon.

Information about the Directors and Senior Management

The names of the directors and company secretaries of the Responsible Entity, in office during the year ended 30 June 2025 and up to the date of this report are:

Name	Title
Frank Tearle	Executive Director and Company Secretary
Sarah Wiesener	Executive Director and Company Secretary
Michael Sutherland	Executive Director

The Responsible Entity's registered office is Level 16, Governor Macquarie Tower, 1 Farrer Place, Sydney, 2000.

One Managed Investment Funds Limited was appointed as the Responsible Entity on 5 November 2024. Prior to this date, the Trustee of the Fund was Msquared Capital Pty Ltd (ACN 622 507 297; AFSL 520 293) (the "Former Trustee") which acted as Trustee from 20 June 2022 to 4 November 2024.

The directors of the Former Trustee were as follows:

Name	Title
Paul Miron	Managing Director
Paul Myliotis	Managing Director
John Thomas	Chairman (resigned on 31 December 2024)

Investment Manager

Pursuant to a Deed of Retirement and Appointment, effective 5 November 2024, Msquared Capital Retail Funds Management Pty Ltd (ABN 64 679 611 146) (the "Investment Manager") became the new investment manager of the Fund replacing Msquared Capital Funds Management Pty Ltd (ABN 27 644 643 274) (the "Former Manager") which acted as investment manager from 20 June 2022 to 4 November 2024.

Directors' Report (continued) For the year ended 30 June 2025

Principal activities

The Fund was constituted on 20 June 2022 and commenced operations by allotting units to investors on 23 August 2022. The Fund became a registered management investment scheme (ARSN 682 099 350), domiciled in Australia, on 14 November 2024.

The principal activity of the Fund during the year was to invest in a range of loans sourced by the Investment Manager in accordance with the Fund's Constitution and its Product Disclosure Statement ("PDS"). The current PDS is dated 12 December 2024.

The Fund did not have any employees during the financial year.

Fund Service	Provider
Responsible Entity	One Managed Investment Funds Limited (ABN 47 117 400 987)
Investment Manager	Msquared Capital Retail Funds Management Pty Ltd (ABN 64 679 611 146)
Custodian	Perpetual Corporate Trust Limited (ABN 99 000 341 533)
Registry Service Provider	One Registry Services Pty Ltd (ABN 69 141 757 360)
Auditor	BDO Services Pty Ltd (ABN 45 134 242 434)
Fund Administrator	Unity Fund Services Pty Ltd (ABN 16 146 747 122)

Results

The results of the operations of the Fund are disclosed in the Statement of Profit or Loss and Other Comprehensive Income of the financial statements. The profit attributable to unitholders for the year ended 30 June 2025 was \$2,961,743 (2024: \$1,405,412).

Distributions

In respect of the financial year ended 30 June 2025, the Fund declared \$2,947,419 (2024: \$1,409,336) in distribution entitlement to unitholders, of which \$367,128 (2024: \$153,505) was payable as at 30 June 2025.

The average annualised distribution rate for the year was 8.00% (2024: 7.85%).

Directors' Report (continued)
For the year ended 30 June 2025

Significant changes in state of affairs

Msquared Capital Pty Ltd sought unitholders' approval by way of voting on a resolution to facilitate the proposed registration of the Fund as a managed investment scheme with the Australian Securities and Investments Commission. Following unitholders' approval, Msquared Capital Pty Ltd retired as trustee, and One Managed Investment Funds Limited was appointed as the new Trustee on 5 November 2024. Upon registration of the Fund as a managed investment scheme on 14 November 2024, One Managed Investment Funds Limited became the Responsible Entity of the Fund. The Fund elected to become an attribution managed investment trust as from 1 July 2024.

Subsequent events

To the best knowledge and belief of the Directors, there has not been any matter or circumstance occurring subsequent to the end of the year ended 30 June 2025 that has significantly affected, or may significantly affect the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

Likely developments and expected results of operations

The Fund will be managed in accordance with the Constitution and investment objectives as detailed in its PDS dated 12 December 2024.

Environmental regulation and performance

The operations of the Fund are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory. There have been no known significant breaches of any other environmental requirements applicable to the Fund.

Indemnification of directors, officers and auditors

During or since the financial year, the Fund has not indemnified or made a relevant agreement to indemnify an officer of the Responsible Entity or auditor of the Fund or any related corporate body against a liability incurred by an officer of the Responsible Entity or auditor of the Fund. In addition, the Fund has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer of the Responsible Entity or auditor of the Fund.

Fees Paid to the Responsible Entity

During the financial year ended 30 June 2025, the Responsible Entity received fees for the management and administration of the Fund in accordance with the Fund's Constitution. Total fees paid and payable to the Responsible Entity for the year amounted to \$33,103 and to the Former Trustee for the year amounted to \$58,753 (2024 to the Former Trustee: \$97,680). All fees were charged in accordance with the Fund's Constitution and disclosed in the Related Party transactions in the financial statements.

Directors' Report (continued)
For the year ended 30 June 2025

Auditor's independence declaration

A copy of the Auditor's Independence Declaration is set out on page 3.

Signed in accordance with a resolution of the directors of the Responsible Entity, One Managed Investment Funds Limited.



Frank Tearle
Director
23 September 2025

DECLARATION OF INDEPENDENCE BY FIONA NARIELWALLA TO THE DIRECTORS OF ONE MANAGED INVESTMENT FUNDS LIMITED, THE RESPONSIBLE ENTITY OF MSQUARED MORTGAGE INCOME FUND

As lead auditor of Msquared Mortgage Income Fund for the year ended 30 June 2025, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.



Fiona Narielwalla
Director

BDO Audit Pty Ltd
Sydney, 23 September 2025

Msquared Mortgage Income Fund

Statement of Profit or Loss and Other Comprehensive Income For the year ended 30 June 2025

	Note	1 July 2024 to 30 June 2025 \$	1 July 2023 to 30 June 2024 \$
Revenue			
Interest income	5	1,685,284	1,180,275
Distribution income	6	2,062,291	704,968
Total revenue		3,747,575	1,885,243
Expenses			
Administrative expenses	7	176,668	67,305
Responsible Entity fees	17(a)	91,856	97,680
Management fees	17(b)	564,063	241,846
(Decrease)/Provision for expected credit loss/impairment	10(a)	(46,755)	73,000
Total expenses		785,832	479,831
Profit for the year		2,961,743	1,405,412
Other comprehensive income for the year			
Other comprehensive income		-	-
Total comprehensive income for the year		2,961,743	1,405,412

The accompanying Notes to the Financial Statements should be read in conjunction with this statement.

Msquared Mortgage Income Fund

Statement of Financial Position As at 30 June 2025

	Note	30 June 2025 \$	30 June 2024 \$
Assets			
Cash and cash equivalents	12(a)	4,338,675	1,279,173
Receivables	9	306,795	124,543
Financial assets	10	56,322,381	24,242,040
Total assets		60,967,851	25,645,756
Liabilities			
Trade and other payables	13	178,284	127,955
Distribution payable		367,128	153,505
Interest retention monies on mortgage loans	14	1,194,796	327,723
Interest payable	17(d)	9,989	51,113
Application money received in advance		40,000	-
Total liabilities (excluding net assets attributable to unitholders)		1,790,197	660,296
Net assets attributable to unitholders (Equity)	15	59,177,654	24,985,460

The accompanying Notes to the Financial Statements should be read in conjunction with this statement.

**Statement of Cash Flows
For the year ended 30 June 2025**

	Note	1 July 2024 to 30 June 2025 \$	1 July 2023 to 30 June 2024 \$
Cash flows from operating activities			
Interest received		2,487,400	1,322,176
Distribution received		1,916,044	646,317
Payment to suppliers		(794,430)	(321,636)
Net cash provided by operating activities	12(b)	<u>3,609,014</u>	<u>1,646,857</u>
Cash flows from investing activities			
Proceeds from disposal of Loan Products		8,482,407	4,320,958
Investment in Loan Products		(29,409,243)	(12,881,755)
Proceeds from disposal of Direct Loans		14,519,656	3,976,903
Investment in Direct Loans		(25,626,406)	(10,543,000)
Net cash used in investing activities		<u>(32,033,586)</u>	<u>(15,126,894)</u>
Cash flows from financing activities			
Repayment of borrowings		-	(36,416)
Proceeds from units issued and application monies		39,599,738	13,899,520
Redemption of units		(5,381,868)	-
Distributions paid to unitholders		(2,733,796)	(1,323,632)
Net cash provided by financing activities		<u>31,484,074</u>	<u>12,539,472</u>
Net increase/(decrease) in cash and cash equivalents		3,059,502	(940,565)
Cash and cash equivalents at the start of the year		<u>1,279,173</u>	<u>2,219,738</u>
Cash and cash equivalents at the end of the year	12(a)	<u>4,338,675</u>	<u>1,279,173</u>

The accompanying Notes to the Financial Statements should be read in conjunction with this statement.

Statement of Cash Flows

For the year ended 30 June 2025 (continued)

The comparative information for the financial year ended 30 June 2024 has been restated to conform with the current year's presentation. This restatement reflects a change in the methodology used to capture cash flows. Previously, the figure included movements of cash units within the investment structure; under the revised approach, only actual cash inflows and outflows through the Fund's bank accounts are recognised.

As a result of this change, the "Proceeds from disposal of Loan Products" decreased by \$5,173,225 (from \$9,494,183 to \$4,320,958), and the "Investment in Loan Products" decreased by the same amount (from \$18,054,980 to \$12,881,755). The net cash flow impact remains unchanged at (\$8,560,797). This restatement had no impact on the Fund's total net cash flows, total assets, net assets, or equity.

	1 July 2023 to 30 June 2024 Original \$	1 July 2023 to 30 June 2024 Restated \$	Net Effect \$
Proceeds from disposal of Loan Products	9,494,183	4,320,958	(5,173,225)
Investment in Loan Products	(18,054,980)	(12,881,755)	5,173,225
Total	(8,560,797)	(8,560,797)	-

Msquared Mortgage Income Fund

Statement of Changes in Equity For the year ended 30 June 2025

	Note	Total equity \$
Balance at 1 July 2023		11,089,865
Comprehensive income		
Profit for the year		1,405,412
Other comprehensive income		-
Total comprehensive income for the year		1,405,412
Transactions with unitholders in their capacity as owners		
Units issued		13,813,854
Units issued upon reinvestment of distributions		85,665
Distributions declared	15	(1,409,336)
Balance at 30 June 2024	15	24,985,460
Balance at 1 July 2024		24,985,460
Comprehensive income		
Profit for the year		2,961,743
Other comprehensive income		-
Total comprehensive income for the year		2,961,743
Transactions with unitholders in their capacity as owners		
Units issued		38,658,635
Units issued upon reinvestment of distributions		901,103
Redemptions		(5,381,868)
Distributions declared	15	(2,947,419)
Balance at 30 June 2025	15	59,177,654

The accompanying Notes to the Financial Statements should be read in conjunction with this statement.

Msquared Mortgage Income Fund

Notes to the Financial Statements For the year ended 30 June 2025

1. General information

Msquared Mortgage Income Fund (the "Fund") (ARSN 682 099 350) is a registered managed investment scheme. The Fund was constituted on 20 June 2022 and commenced operations by allotting units to investors on 23 August 2022. The Fund became a registered managed investment scheme, domiciled and incorporated in Australia on 14 November 2024. The financial statements cover the financial year ended 30 June 2025.

The principal activity of the Fund during the year was to invest in a range of loans sourced by the Investment Manager in accordance with the Fund's Constitution and its Product Disclosure Statement ("PDS"). The current PDS is dated 12 December 2024. The investment are made by:

- (a) directly making Loans to Borrowers (Direct Loans) through a security trustee structure; and/or
- (b) investing into the units in Msquared Contributory Mortgage Income Fund issued by Msquared Capital Pty Ltd (ACN 622 507 297; AFSL 520 293) as the trustee during the financial year ended 30 June 2025, the proceeds of which are used to make loans that meet the Lending Guidelines of the Fund (Loan Products).

Msquared Capital Pty Ltd retired as the trustee and One Managed Investment Funds Limited (ACN 117 400 987; AFSL 297 042) (the "Responsible Entity") was appointed as the Responsible Entity of the Fund. The Responsible Entity's registered office is Level 16, Governor Macquarie Tower, 1 Farrer Place, Sydney, 2000.

Pursuant to a Deed of Retirement and Appointment, effective 5 November 2024, Msquared Capital Retail Funds Management Pty Ltd (ABN 64 679 611 146) (the "Investment Manager") became the new investment manager of the Fund replacing Msquared Capital Funds Management Pty Ltd (ABN 27 644 643 274) (the "Former Manager") who acted as investment manager from 20 June 2022 to 4 November 2024.

The financial statements comply with the recognition and measurement requirements in Australian Accounting Standards (AASs), the presentation requirements in AASs as modified by AASB 1060, and the disclosure requirements in AASB 1060. Effective from 1 April 2025, the Fund has more than 100 unitholders and is therefore classified as a 'disclosing entity' under the Corporations Act 2001, accordingly changed its basis of preparation from Tier 2 - Simplified Disclosures to Tier 1 general purpose financial statements. This change resulted in additional disclosure requirements but had no impact on the recognition or measurement of amounts reported.

The financial statements of the Fund were authorised for issue by the directors of the Responsible Entity on the date the Directors' Declaration was signed.

2. Adoption of new and revised Accounting Standards

New or amended Accounting Standard and Interpretations adopted in the current year

The Fund has adopted all of the new and amended Standards and interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current financial year.

The adoption does not have a material effect on Fund's financial statements.

New standards and interpretations not yet adopted

There are no new standards or interpretations applicable that would have a material impact for the Fund.

3. Material accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB"), also complying with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB"). The Fund is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements have been prepared on an accrual basis and are based on historical costs, with the exception of financial assets at fair value through profit or loss. The Statement of Financial Position has been prepared in order of liquidity.

All amounts are presented in Australian dollars, unless otherwise noted.

(b) Going concern basis

These financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value on conversion.

(d) Receivables

Receivables include amounts due from customers for services performed in the ordinary course of business. Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses.

The Fund has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

(e) Investments and other financial assets

Investments and other financial assets, other than interests in subsidiaries or associates, are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

3. Material accounting policies (continued)

(e) Investments and other financial assets (continued)

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Fund has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

I. Financial assets at amortised cost

A financial asset is measured at amortised cost only if the following conditions are met:

- (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows;
- (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest; and
- (iii) it is not designated as fair value through profit or loss (FVTPL).

II. Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income (FVOCI) are classified as FVTPL. Typically, such financial assets will be either:

- (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or
- (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

III. Impairment of financials assets

The Fund recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Fund's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

(f) Payables

These amounts represent liabilities for goods and services provided to the Fund to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Msquared Mortgage Income Fund

Notes to the Financial Statements For the year ended 30 June 2025

3. Material accounting policies (continued)

(g) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

(h) Revenue and income recognition

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

The Fund generates interest income from its investments in financial assets, loans and cash investments. Interest income is recognised daily as it accrues, using the effective interest rate method, taking into account the actual interest rate on the financial asset and is recognised in profit or loss.

The Fund invested into the units in Msquared Contributory Mortgage Income Fund issued by Msquared Capital Pty Ltd (ACN 622 507 297; AFSL 520 293) as the trustee during the financial year ended 30 June 2025 and received distribution from Msquared Contributory Mortgage Income Fund on monthly basis. Distribution income is recognised when it is received or when the right to receive payment is established.

All revenue is stated net of the amount of goods and services tax.

(i) Goods and services tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office ("ATO").

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis in the Statement of Cash Flows.

The GST incurred on the costs of various services provided to the Fund by third parties such as audit fees, management fees, administration fees and legal fees were subject to Reduced Input Tax Credits ("RITCs") in accordance with legislation.

The following RITC rates were applied by the Fund during the reporting year ended 30 June 2025.

Services Supplied	RITC Rate
Responsible entity, trustee, audit, registry & legal fees	55%
Investment management, custody &, administration fees	75%

3. Material accounting policies (continued)

(j) Issued units and Net Assets Attributable to Unitholders

Issued units and net assets attributable to unitholders have been classified as equity (as opposed to a liability) as they satisfy the following criteria under AASB 132 Financial Instruments: Presentation:

- (i) the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund's liquidation.
- (ii) the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical.
- (iii) the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Fund, and it is not a contract settled in the Fund's own equity instruments; and
- (iv) the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

(k) Applications and redemptions

Applications received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of units redeemed.

The application and redemption prices are determined, in accordance with the Fund's constitution and PDS, as the net asset of the Fund adjusted for estimated transaction costs and other amounts determined by the Responsible Entity divided by the number of units on issue on the date of the application or redemption.

(l) Distributions to unitholders

Distributions to unitholders are recognised as a liability at the time the right to the entitlement has been established and quantified in accordance with the Fund's constitution.

(m) Taxation

Under the current tax legislation, the Fund is not subject to income tax as the unitholders are presently entitled to the distributable amount of the Fund, as determined by the Responsible Entity in accordance with the terms of the Fund's Constitution.

Consequently, the assessment of tax payable on the Fund's taxable income (including any taxable capital gains) is borne by the unitholders of the Fund in their respective pro-rata share of the taxable income.

As a result, tax effect accounting, including recognition of deferred tax assets or liabilities, have not been recognised in the financial statements.

3. Material accounting policies (continued)

(n) Critical accounting judgements and key sources of estimation uncertainty

In the application of the accounting policies, management are required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The assumptions and methods used in the determination of the value of investments are outlined in Note 3(e) and Note 11 of this financial report.

4. Financial Risk Management Objectives and Policies

The Fund's activities expose it to a variety of financial risks, including market risk (including interest rate risk and property market risk), liquidity risk and credit risk.

The Fund's overall risk management framework is designed to:

- ensure compliance with the Fund's Constitution, PDS and applicable regulatory requirements;
- maximise returns derived for the level of risk to which the Fund is exposed; and
- minimise potential adverse effects on the Fund's financial performance and its ability to meet investor distributions and capital repayments.

Risks arising from investing in financial instruments and secured loans are inherent in the Fund's activities and cannot be completely mitigated by the Responsible Entity, the Investment Manager or the Fund's appointed service providers. The Fund is exposed to a number of risks that could affect the performance of the Fund, the level of income distributions and the repayment of capital.

The management of these risks is carried out by the Investment Manager under policies approved by the directors of the Responsible Entity. The Fund uses different methods to measure different types of risk to which it is exposed. These methods are explained below.

4. Financial Risk Management Objectives and Policies (continued)

(a) Market risk

This is the risk that negative market movements will affect the price of assets within a particular market. By their nature, markets experience periods of volatility involving price fluctuations of varying magnitudes. Property market risk is the risk that the property market as a whole declines in value in line with various trends in the Australian or overseas markets. This may be due to a number of factors, such as over-supply of real estate, economic conditions, interest rate movements or general market sentiment. The Fund will make Loans secured by Mortgages and may also be secured by Security Interests. Property market risk is inherent in the real estate securing the Fund's Loan investments. A fall in property values may affect the ability to fully recover the amount owing under a Mortgage where a Borrower defaults. If the Borrower defaults and the Security Property is sold for less than the outstanding Loan amount (including the costs of the sale and interest), then this may result in the Unitholders suffering a loss if the Borrower cannot repay the balance of the outstanding debt from other assets of the Borrower.

Market risk is managed and monitored on an ongoing basis by the Investment Manager.

The Fund's investments are contractual in nature with pre-defined outcomes, including interest earned and the duration of the Loans. Loans are secured against underlying Security Property, and may also be secured by Security Interests (including but not limited to general security agreements, specific security agreements, personal guarantees or directors' guarantees), meaning the Fund will be able to recover any outstanding amounts on exercising its security. As a result, it is expected that the Fund will perform according to expectations in a broad variety of market conditions. However, there may be certain market conditions where the income paid to Investors or repayment of the principal amount by Borrowers may be impacted, including as a result of:

- changes to the base interest rate in Australia, resulting in an increase or decrease to the income payable to investors;
- specific investment, corporate or external risks, resulting in the Fund having less income to pay to investors;
- decline in property prices, resulting in property investments being worth significantly less;
- economic recession, resulting in a decrease in the Fund's finances, as well as its Borrower's finances. In extreme circumstances, this may also have an impact on the ability of the Borrower to support a First Loss Guarantee; and
- adverse economic environments, such as a significant decline in property values or a rise in unemployment.

These risks are mitigated through:

- the Investment Strategy, where the Fund will not invest in a loan that is for the purpose of construction or development of the Security Property or Loans secured by vacant land or a development project;
- maintaining conservative loan-to-valuation ratio (LVR) limits against the Security Property; and
- loan terms of up to 36 months.

To the extent the above scenarios severely negatively impact the Fund, the Investment Manager and Responsible Entity will determine the best course of action to protect the return of capital to investors by the end of their investment term. These scenarios will also likely reduce investment opportunities for the Fund and may result in the Investment Manager and Responsible Entity temporarily reducing or restricting applications for new Units in the Fund.

Msquared Mortgage Income Fund

Notes to the Financial Statements For the year ended 30 June 2025

4. Financial Risk Management Objectives and Policies (continued)

(b) Interest rate risk

The Fund is exposed to cash flow interest rate risk on financial instruments with variable interest rates. Financial instruments with fixed rates expose the Fund to fair value interest rate risk.

The Fund's cash and cash equivalents expose it to a risk of change in the fair value or future cash flows due to changes in interest rates.

These risks are mitigated through:

- Application of Interest Rate Floors, where the downward changes to the base interest rate are capped at a maximum reduction to the interest rate payable by the Borrower of 0.50% p.a.; and
- Effective cash management to minimise the cash held by the Fund.

The table below summarises the Fund's exposure to interest rate risk.

The Fund's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The Fund's exposure to interest rate risk is set out in the following table:

	Floating interest rate \$	Fixed interest rate \$	Non-interest bearing \$	Total \$
30 June 2025				
Assets				
Cash and cash equivalents	4,338,675	-	-	4,338,675
Financial assets	21,206,951	1,651,554	-	22,858,505
Total assets	25,545,626	1,651,554	-	27,197,180
-				
Net exposure	25,545,626	1,651,554	-	27,197,180
	Floating interest rate \$	Fixed interest rate \$	Non-interest bearing \$	Total \$
30 June 2024				
Assets				
Cash and cash equivalents	1,279,173	-	-	1,279,173
Financial assets	7,672,425	4,066,819	-	11,739,244
Total assets	8,951,598	4,066,819	-	13,018,417
-				
Net exposure	8,951,598	4,066,819	-	13,018,417

Msquared Mortgage Income Fund

Notes to the Financial Statements For the year ended 30 June 2025

4. Financial Risk Management Objectives and Policies (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Fund will be unable to meet its financial obligations as they fall due or facilitate investor withdrawals when requested. Loans and Loan Products in which the Fund invests are not actively traded and are generally only repayable at maturity or upon the Borrower repaying the Loan. Accordingly, the Fund is classified as “not liquid” under the Corporations Act.

The Responsible Entity and the Investment Manager manage liquidity risk by:

- maintaining adequate cash reserves to meet forecast expenses and distributions;
- monitoring forecast and actual cash flows; and
- managing the maturity profile of Loans to align with expected liquidity requirements.

The table below analyses the Fund’s financial liabilities into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	<1 month \$	1-6 months \$	6-12 months \$	>12 months \$	Total \$
30 June 2025					
Liabilities					
Trade and other payables	178,284	-	-	-	178,284
Distribution payable	367,128	-	-	-	367,128
Interest payable	9,989	-	-	-	9,989
Total liabilities	555,401	-	-	-	555,401
	<1 month \$	1-6 months \$	6-12 months \$	>12 months \$	Total \$
30 June 2024					
Liabilities					
Trade and other payables	127,955	-	-	-	127,955
Distribution payable	153,505	-	-	-	153,505
Interest payable	51,113	-	-	-	51,113
Total liabilities	332,573	-	-	-	332,573

(d) Credit risk

Credit risk arises from the possibility that a Borrower may fail to meet their repayment obligations under a Loan or otherwise fail to meet the terms of a Loan made by the Fund, causing financial loss to the Fund.

This may be for a wide range of reasons, including:

- A change in the individual financial or other circumstances of the Borrower.
- A change in the economic climate generally that adversely affects all Borrowers.

Msquared Mortgage Income Fund

Notes to the Financial Statements For the year ended 30 June 2025

4. Financial Risk Management Objectives and Policies (continued)

(d) Credit risk (continued)

If a Borrower fails to meet its interest payment or principal repayment obligations, this could adversely affect the value of the Loan, the income attributable to the Loan and the recoverability of the principal. A default on the Loan may result in the Fund losing money if the Security Property is sold for less than the outstanding Loan amount together with arrears of interest, default interest, enforcement and realisation costs.

This could result in a loss to an Investor of its capital invested in the Fund and may mean the Fund is unable to pay any income or make any distributions to the Investor.

This risk is partially mitigated by:

- assessment of the Loan by the Investment Manager's Credit Committee;
- obtaining registered mortgages over Security Property and additional Security Interests;
- maintaining conservative loan-to-valuation ratio (LVR) limits; and
- active monitoring of Loan performance throughout the investment term.

Maximum exposure to credit risk

The maximum exposure to credit risk before any credit enhancements at the end of each reporting period is the carrying amount of the financial assets, net of any impairment provisions.

5. Interest income

	1 July 2024 to 30 June 2025	1 July 2023 to 30 June 2024
	\$	\$
Interest from Direct Loans	1,588,378	1,138,001
Interest from bank	96,906	42,274
Total interest income	1,685,284	1,180,275

6. Distribution income

	1 July 2024 to 30 June 2025	1 July 2023 to 30 June 2024
	\$	\$
Distribution income from Loan Products	1,910,290	704,968
Management fee rebate from Loan Products	152,001	-
Total distribution income	2,062,291	704,968

Msquared Mortgage Income Fund

Notes to the Financial Statements For the year ended 30 June 2025

7. Administrative expenses

	1 July 2024 to 30 June 2025	1 July 2023 to 30 June 2024
	\$	\$
Fund administration costs	80,119	56,795
Audit fee	60,939	6,724
Other costs	35,610	3,786
Total administrative expenses	176,668	67,305

8. Distribution to unitholders

MMIF Units

	30 June 2025	30 June 2024
Month	Annualised rate %	Annualised rate %
July	8.00%	7.70%
August	8.00%	7.71%
September	8.00%	7.73%
October	8.00%	7.75%
November	8.00%	7.78%
December	8.00%	7.80%
January	-	7.85%
February	-	7.91%
March	-	7.91%
April	-	8.00%
May	-	8.00%
June	-	8.00%
Total distributions to unitholders	8.00%	7.85%

Msquared Mortgage Income Fund

Notes to the Financial Statements For the year ended 30 June 2025

8. Distribution to unitholders (continued)

Premium Units

	30 June 2025	30 June 2024
Month	Annualised rate %	Annualised rate %
July	-	-
August	-	-
September	-	-
October	-	-
November	-	-
December	8.00%	-
January	8.00%	-
February	8.00%	-
March	8.00%	-
April	8.00%	-
May	8.00%	-
June	8.00%	-
Total distributions to unitholders	8.00%	-

Ordinary Units

	30 June 2025	30 June 2024
Month	Annualised rate %	Annualised rate %
July	-	-
August	-	-
September	-	-
October	-	-
November	-	-
December	-	-
January	-	-
February	7.75%	-
March	7.75%	-
April	7.75%	-
May	7.75%	-
June	7.75%	-
Total distributions to unitholders	7.75%	-

MMIF Units were issued whilst the Fund was an unregistered managed investment scheme and these units were subsequently converted into Premium Units on 12 December 2024. Subsequently, the Premium Units and Ordinary Units were issued as per the PDS dated 12 December 2024, with Ordinary Units issued starting February 2025.

Msquared Mortgage Income Fund

Notes to the Financial Statements For the year ended 30 June 2025

9. Receivables

	30 June 2025	30 June 2024
	\$	\$
Interest receivable from Direct Loans	26,526	2,693
Distribution receivable	261,704	115,456
GST receivable	18,565	6,394
Total receivables	306,795	124,543

10. Financial assets

	30 June 2025	30 June 2024
	\$	\$
Financial assets at fair value through profit or loss		
Loan Products (via Msquared Contributory Mortgage Income Fund)	33,463,876	12,537,040
Total financial assets at fair value through profit or loss	33,463,876	12,537,040
Financial assets at amortised cost		
Mortgage loans	22,884,750	11,778,000
Total financial assets at amortised cost	22,884,750	11,778,000
Less: Allowance for expected credit loss/impairment	10(a) (26,245)	(73,000)
Total financial assets	56,322,381	24,242,040

Msquared Mortgage Income Fund

Notes to the Financial Statements For the year ended 30 June 2025

10. Financial assets (continued)

At the reporting date, the entity was invested into mortgage loans as per the above schedule. These loans are primarily variable-interest instruments, with interest rates ranging from 7.25% to 10.75% per annum, and interest is paid monthly. The loans have maturity periods up to 1.78 years.

All loan investments are secured by real property assets. No significant defaults or impairments were identified during the reporting period.

In relation to the Loan Products via Msquared Contributory Mortgage Income Fund (MCMIF), these investments represent investment into a unit class issued in MCMIF referable to the mortgage loan MCMIF participates in, either solely or in syndication with other funds under the same security trustee structure as is applicable to Direct Loans funded by the MMIF Fund. The key distinction with these loan products is that they receive net interest income, in the form of distributions, after payment of management fees. Given the structure of these products, they have been classified separately as financial assets at fair value through profit or loss.

(a) Expected Credit Loss (ECL) Provision – Mortgage Investments

	30 June 2025 \$	30 June 2024 \$
12-Month ECL	26,245	54,309
Lifetime ECL	-	18,691
Specific ECL	-	-
Total	26,245	73,000
	30 June 2025 \$	30 June 2024 \$
Opening balance	73,000	-
(Decrease)/increase in ECL provision	(46,755)	73,000
Realised impairment losses	-	-
Closing balance	26,245	73,000

10. Financial assets (continued)

(a) Expected Credit Loss (ECL) Provision – Mortgage Investments (continued)

In determining the ECL provision, the Fund assesses all mortgage investments (including Loan Products investments via Msquared Contributory Mortgage Income Fund) by categorising them, based on risk profiles, into the following categories:

- 12-Month ECL - this represents a provision on investments where there is no significant increase in credit risk since initial recognition. The provision calculated is an estimation of the expected credit loss that is attributable to a possible default event within the next 12 months, based on the probability factors.
- Lifetime ECL - this represents a provision on investments where there has been a significant change in the credit risk since initial recognition but is not specifically impaired. The provision calculated is an estimation of the lifetime expected credit loss that is attributable to a possible default event over the life of the investment, based on the probability factors.
- Specific ECL - this represents a provision on investments where there has been a significant change in the credit risk since initial recognition and have been identified as specifically impaired. The provision calculated is an estimation of the expected shortfall between the net proceeds from the disposal of the underlying security (after all associated costs to recover) and the outstanding balance receivable, including accrued charges.

The risk criteria used to determine the ECL categorisation and method of provisioning are as follows:

- Loan to Value Ratio (LVR);
- Loan purpose;
- Loan term;
- Quality of collateral provided, location of collateral and securities and guarantees provided;
- Loan performance and arrears / default status;
- Past performance of similar loans;
- Past performance and experience with borrowers;
- Nature of communications with borrowers in arrears and default; and
- Forward looking economic indicators and market conditions.

The LVR is a key measure when determining the amount of the loan advanced based on the value of any security granted in respect of the loan. LVR is calculated as the ratio of the approved amount of the loan against the value of the security property on an "as is" basis. The LVR Ranges stated below are reflective of the Fund's funding contribution by way of participation in the loan (either directly or through investment into Msquared Contributory Mortgage Income Fund) against the value of the security. All loans are secured by registered first mortgages, and nearly always benefit from additional securities, such as general security agreements and personal guarantees provided by directors or controlling parties related to the borrower.

Msquared Mortgage Income Fund

Notes to the Financial Statements For the year ended 30 June 2025

10. Financial assets (continued)

(a) Expected Credit Loss (ECL) Provision – Mortgage Investments (continued)

The investments are then classified into the following risk profiles based on the above criteria:

- Performing - complying with all terms and there has been no significant increase in credit risk since initial recognition.
- Moderate Risk - there are characteristics which indicate an increase in credit risk from initial recognition but are generally complying with all key terms.
- Elevated Risk - there are characteristics that indicate higher credit risk from initial recognition including non-compliance with key terms. This category includes investments past maturity date.
- Recovery Action - the lender of record has commenced legal action against the borrower and/or guarantors through initiating court proceedings or by appointing receivers or agents.

The following table sets out the allocation of investments amongst the ECL categories and risk profiles based on the relevant criteria as at reporting date:

30 June 2025

	12-Month Category \$	Lifetime Category \$	Specific Category \$	Total Investments \$	LVR Range
Performing	22,884,750	-	-	22,884,750	11% to 65%
Moderate Risk	-	-	-	-	-
Elevated Risk	-	-	-	-	-
Recovery Action	-	-	-	-	-
Total	22,884,750	-	-	22,884,750	11% to 65%

30 June 2024

	12-Month Category \$	Lifetime Category \$	Specific Category \$	Total Investments \$	LVR Range
Performing	21,257,015	-	-	21,257,015	22% to 70%
Moderate Risk	-	873,025	-	873,025	49% to 55%
Elevated Risk	-	2,185,000	-	2,185,000	60% to 65%
Recovery Action	-	-	-	-	-
Total	21,257,015	3,058,025	-	24,315,040	22% to 70%

Msquared Mortgage Income Fund

Notes to the Financial Statements For the year ended 30 June 2025

10. Financial assets (continued)

(b) LVR Analysis – Mortgage Investments

The following table represents the LVR profile of all mortgage investments:

	30 June 2025	30 June 2024
	\$	\$
65% to 70%	300,000	7,248,664
50% to 65%	14,494,750	11,490,347
Below 50%	8,090,000	5,576,029
Closing balance	22,884,750	24,315,040

11. Fair value measurement

The Fund measures and recognises financial assets and liabilities held at fair value through profit or loss on a recurring basis. The Fund has no assets and liabilities measured at fair value on a non-recurring basis in the current reporting period.

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

Level 1:

Financial instruments are valued by reference to quoted prices in an active market(s) for identical assets or liabilities. These quoted prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2:

Financial instruments are valued using inputs other than quoted prices covered in Level 1. These other inputs include quoted prices that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). The inputs included in this level encompass quoted prices in active markets for similar assets or liabilities, quoted prices in markets in which there are few transactions for identical or similar assets or liabilities. Financial instruments that are valued using other inputs that are not quoted prices but are observable for the assets or liabilities also fall into this categorisation.

The Fund's Level 2 financial instrument includes indirect mortgage investments via the Msquared Contributory Mortgage Income Fund (MCMIF) referred to as Loan Products, which is not traded in an active market. The fair value of the investment is based on the price of the unit within a unit class in MCMIF, which is generally issued at \$1 per unit, although the unit price may be impaired in the event of losses in the underlying mortgage loans. This valuation reflects the net asset value of the relevant MCMIF unit class. The technique used is a market-based approach with observable inputs, consistent with Level 2 measurement under AASB 13.

Msquared Mortgage Income Fund

Notes to the Financial Statements For the year ended 30 June 2025

11. Fair value measurement (continued)

Level 3:

Financial instruments that have been valued, in whole or in part, by using valuation techniques or models that are based on unobservable inputs that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

Unobservable valuation inputs are determined based on the best information available, which might include the entity's own data, reflecting its assumptions as well as best practices carried out or undertaken by other market participants. These valuation techniques are used to the extent that observable inputs are not available.

The following table shows an analysis of financial instruments held at 30 June 2025 recorded at fair value and presented by level of the fair value hierarchy:

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
30 June 2025				
Financial assets designated at fair value through profit or loss:				
Units in unlisted unit trusts	-	33,463,876	-	33,463,876
Total	-	33,463,876	-	33,463,876
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
30 June 2024				
Financial assets designated at fair value through profit or loss:				
Units in unlisted unit trusts	-	12,537,040	-	12,537,040
Total	-	12,537,040	-	12,537,040

Transfers between levels

There have been no transfers between levels for the financial year ended 30 June 2025.

Disclosed fair values

For all financial instruments other than those measured at fair value their carrying value approximates fair value.

Msquared Mortgage Income Fund

Notes to the Financial Statements For the year ended 30 June 2025

12. Cash and cash equivalents

- (a) Cash and cash equivalents include cash at bank net of any outstanding overdrafts. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	30 June 2025	30 June 2024
	\$	\$
Cash at bank	4,338,675	1,279,173
Total cash and cash equivalents	4,338,675	1,279,173

- (b) Reconciliation of profit for the year to net cash flows provided by operating activities:

	1 July 2024 to 30 June 2025	1 July 2023 to 30 June 2024
	\$	\$
Profit for the year	2,961,743	1,405,412
Adjustments for:		
Provision for expected credit loss/impairment	(46,755)	73,000
Change in assets and liabilities:		
Net increase in receivables	(182,252)	(45,400)
Net increase in payables	876,278	213,845
Net cash provided by operating activities	3,609,014	1,646,857

13. Trade and other payables

	30 June 2025	30 June 2024
	\$	\$
Trade payables	123,045	108,647
Accrued expenses	55,239	19,308
Total trade and other payables	178,284	127,955

Msquared Mortgage Income Fund

Notes to the Financial Statements For the year ended 30 June 2025

14. Interest retention monies on mortgage loans

	30 June 2025	30 June 2024
	\$	\$
Interest received in advance	1,130,355	229,004
Interest buffer	64,441	98,719
Total interest retention monies on mortgage loans	1,194,796	327,723

15. Net assets attributable to unitholders

MMIF Units were issued whilst the Fund was an unregistered managed investment scheme and these units were subsequently converted into Premium Units on 12 December 2024. Subsequently, the Premium Units and Ordinary Units were issued as per the PDS dated 12 December 2024, with Ordinary Units issued starting February 2025.

MMIF Units

	30 June 2025	30 June 2024	30 June 2025	30 June 2024
	No. of Units	No. of Units	\$	\$
Opening balance	25,058,459	11,158,940	24,985,460	11,089,865
Units issued	7,517,321	13,813,854	7,517,321	13,813,854
Units issued upon reinvestment of distributions	365,279	85,665	365,279	85,665
Redemptions	(996,811)	-	(996,811)	-
Conversion to Premium Units class	(31,944,248)	-	(31,944,248)	-
Profit for the year	-	-	1,163,622	1,405,412
Distributions declared	-	-	(1,090,623)	(1,409,336)
Closing balance	-	25,058,459	-	24,985,460

Msquared Mortgage Income Fund

Notes to the Financial Statements For the year ended 30 June 2025

15. Net assets attributable to unitholders (continued)

Premium Units

	30 June 2025	30 June 2024	30 June 2025	30 June 2024
	No. of Units	No. of Units	\$	\$
Opening balance	-	-	-	-
Units Issued	31,079,314	-	31,079,314	-
Units issued upon reinvestment of distributions	535,601	-	535,601	-
Redemptions	(4,385,057)	-	(4,385,057)	-
Conversion from MMIF Units class	31,944,248	-	31,944,248	-
Profit for the year	-	-	1,797,286	-
Distributions declared	-	-	(1,855,977)	-
Closing balance	59,174,106	-	59,115,415	-

Ordinary Units

	30 June 2025	30 June 2024	30 June 2025	30 June 2024
	No. of Units	No. of Units	\$	\$
Opening balance	-	-	-	-
Units issued	62,000	-	62,000	-
Units issued upon reinvestment of distributions	223	-	223	-
Profit for the year	-	-	835	-
Distributions declared	-	-	(819)	-
Closing balance	62,223	-	62,239	-

Msquared Mortgage Income Fund

Notes to the Financial Statements For the year ended 30 June 2025

15. Net assets attributable to unitholders (continued)

Total

	30 June 2025	30 June 2024	30 June 2025	30 June 2024
	No. of Units	No. of Units	\$	\$
Opening balance	25,058,459	11,158,940	24,985,460	11,089,865
Units issued	38,658,635	13,813,854	38,658,635	13,813,854
Units issued upon reinvestment of distributions	901,103	85,665	901,103	85,665
Redemptions	(5,381,868)	-	(5,381,868)	-
Profit for the year	-	-	2,961,743	1,405,412
Distributions declared	-	-	(2,947,419)	(1,409,336)
Closing balance	59,236,329	25,058,459	59,177,654	24,985,460

Capital risk management

The Fund considers its net assets attributable to unitholders as capital. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily applications.

Daily applications are reviewed relative to the liquidity of the Fund's underlying assets on a daily basis by the Responsible Entity. Redemptions are processed in response to withdrawal offers, with the Responsible Entity taking into account the liquidity of the Fund's underlying assets when making the withdrawal offers. Net assets attributable to unitholders are representative of the expected cash outflows on redemption. In accordance with the provisions of the Fund's constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust a redemption of units if the exercise of such discretion is in the best interests of unitholders.

16. Remuneration of Auditors

	30 June 2025	30 June 2024
	\$	\$
Audit fee	58,259	9,000
Non-audit services	-	-
Total Remuneration of Auditors	58,259	9,000

17. Related party transactions

(a) One Managed Investment Funds Limited (the "Responsible Entity")

One Managed Investment Funds Limited (ACN 117 400 987) was appointed as Responsible Entity of the Fund after the retirement of the Former Trustee Msquared Capital Pty Ltd (ACN 622 507 297) on 5 November 2024.

The key management personnel of the Responsible Entity, during the year ended 30 June 2025 are:

Msquared Mortgage Income Fund

Notes to the Financial Statements For the year ended 30 June 2025

17. Related party transactions (continued)

(a) One Managed Investment Funds Limited (the "Responsible Entity") (continued)

Name	Title
Frank Tearle	Executive Director and Company Secretary
Sarah Wiesener	Executive Director and Company Secretary
Michael Sutherland	Executive Director

The following fees were paid or payable to the Responsible Entity out of the Fund's assets during the year ended 30 June 2025:

	30 June 2025	30 June 2024
	\$	\$
Responsible Entity Fees paid	28,703	-
Responsible Entity Fees payable	4,400	-
Total	33,103	-

Prior to 5 November 2024, the Trustee of the Fund was Msquared Capital Pty Ltd (ACN 622 507 297) (the "Former Trustee") who acted as Trustee from 20 June 2022 to 4 November 2024.

The following fees were paid to the Former Trustee out of the Fund's assets during the year ended 30 June 2025:

	30 June 2025	30 June 2024
	\$	\$
Trustee Fees paid	58,753	76,212
Trustee Fees payable	-	21,468
Total	58,753	97,680

No fees or remuneration were paid directly to the key management personnel from the Fund during the financial year ended 30 June 2025.

Administration and Accounting fees

Administration and accounting services were provided by Unity Fund Services Pty Ltd (ACN 146 747 122) (the "Administrator"), which is an entity associated with the Responsible Entity. Administration and accounting fees of \$38,877 (inclusive of the net effect of GST) were incurred for the financial year ended 30 June 2025, of which \$28,087 (inclusive of the net effect of GST) was paid and \$10,790 (inclusive of the net effect of GST) was payable to the Administrator (2024: \$33,245 was incurred and \$10,992 was payable).

There were no other fees paid or payable to the Administrator for the financial year ended 30 June 2025.

Msquared Mortgage Income Fund

Notes to the Financial Statements For the year ended 30 June 2025

17. Related party transactions (continued)

(a) One Managed Investment Funds Limited (the "Responsible Entity") (continued)

Registry fees

Registry services were provided by One Registry Services Pty Limited (ACN 141 757 360) (the "Registrar"), which is an entity associated with the Responsible Entity. Registry fees of \$30,192 (inclusive of the net effect of GST) were incurred for the financial year ended 30 June 2025, of which \$20,298 (inclusive of the net effect of GST) was paid and \$9,894 (inclusive of the net effect of GST) was payable to the Registrar (2024: \$18,471 was incurred and \$4,282 was payable).

There were no other fees paid or payable to the Registrar for the financial year ended 30 June 2025.

(b) Msquared Capital Retail Funds Management Pty Ltd (the "Investment Manager")

The Responsible Entity, pursuant to the investment management agreement, has delegated to the Investment Manager the responsibility for managing the Fund on a day to day basis. The Investment Manager has been appointed by the Responsible Entity as the asset manager responsible for implementing the investment strategy as outlined in the PDS. The primary duties of the Investment Manager include:

- seeking investment opportunities for the Fund that meet its investment criteria
- managing the Fund's investments;
- managing the capital of the Fund;
- managing the Fund's assets and liabilities;
- making recommendations to the Responsible Entity with respect to determining distributable income payable to Unitholders.

The key management personnel of the Investment Manager for the financial year ended 30 June 2025 are:

Name	Title
Paul Miron	Managing Director
Paul Myliotis	Managing Director
John Thomas	Chairman (resigned on 31 December 2024)

The following fees were paid or payable to the Investment Manager out of the Fund's assets during the year ended 30 June 2025:

	30 June 2025	30 June 2024
	\$	\$
Management Fees paid	293,843	-
Management Fees payable	75,734	-
Total	369,577	-

The following fees were paid to the Former Manager out of the Fund's assets during the year ended 30 June 2025:

Msquared Mortgage Income Fund

Notes to the Financial Statements For the year ended 30 June 2025

17. Related party transactions (continued)

(b) Msquared Capital Retail Funds Management Pty Ltd (the "Investment Manager") (continued)

	30 June 2025	30 June 2024
	\$	\$
Management Fees Fees paid	194,486	166,683
Management Fees Fees payable	-	75,163
Total	194,486	241,846

There were no other fees paid or payable to the Investment Manager for the financial year ended 30 June 2025.

(c) Investments in related parties

	30 June 2025	30 June 2024
	\$	\$
Mortgage loans (via Msquared Contributory Mortgage Income Fund)	33,463,876	12,537,040

(d) Msquared High Yield Mortgage Income Fund

The Fund received \$49,300 (2024: \$66,773) interest income on behalf of Msquared High Yield Mortgage Income Fund direct loans, of which \$9,989 (2024: \$51,113) remains unsettled as at 30 June 2025.

18. Commitments and contingencies

There were no commitments or contingencies at 30 June 2025.

19. Subsequent events

To the best knowledge and belief of the Directors, there has not been any matter or circumstance occurring subsequent to the end of the year ended 30 June 2025 that has significantly affected, or may significantly affect the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

**Directors' Declaration
For the year ended 30 June 2025**

In accordance with a resolution of the directors of the Responsible Entity, the directors declare that:

- (a) The financial statements and notes, as set out on pages 6 to 35:
 - (i) comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
 - (ii) comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 3 to the financial statements; and
 - (iii) give a true and fair view of the financial position as at 30 June 2025 and of the performance for the year ended on that date.
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.



Frank Tearle
Director
23 September 2025

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Msquared Mortgage Income Fund

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Msquared Mortgage Income Fund (the 'Fund'), which comprises the statement of financial position as at 30 June 2025, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion the accompanying financial report of Msquared Mortgage Income Fund, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Fund's financial position as at 30 June 2025 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Fund in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Fund, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Directors' report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Fund are responsible for the preparation of:

- a) the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and
- b) the consolidated entity disclosure statement that is true and correct in accordance with the Corporations Act 2001, and

for such internal control as the directors determine is necessary to enable the preparation of:

- i) the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- ii) the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our auditor's report.

BDO Audit Pty Ltd

BDO


Fiona Narielwalla

Director

Sydney, 23 September 2025