

Msquared Mortgage Income Fund

ARSN 682 099 350

Annual Financial Report
For the year ended 30 June 2026

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Directors' Report

For the year ended 30 June 2026

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 2026 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 2026 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.

Msquared Mortgage Income Fund

Directors' Report (continued) For the year ended 30 June 2026

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 managed 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 Msquared Capital Retail Funds Management Pty Ltd (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 Limited (ABN 69 141 757 360) (up to 30 September 2025) Caruso Software AU Pty Limited (ABN 28 672 398 382) (commenced on 1 October 2025)
Auditor	BDO Audit Pty Ltd (ABN 33 134 022 870)
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 2026 was \$5,464,648 (30 June 2025: \$2,961,743).

Distributions

In respect of the financial year ended 30 June 2026, the Fund declared \$5,498,759 (30 June 2025: \$2,947,419) in distribution entitlement to unitholders, of which \$544,863 (30 June 2025: \$367,128) was payable as at 30 June 2026.

The average annualised distribution rate for the year was 7.43% (30 June 2025: 8.00%).

Directors' Report (continued)
For the year ended 30 June 2026

Significant changes in state of affairs

Effective 1 October 2025, Caruso Software AU Pty Ltd (ABN 28 672 398 382) became the new registry service provider replacing One Registry Services Pty Ltd (ABN 69 141 757 360).

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 2026 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 and interests held in the Fund by the Responsible Entity and its associates

Fees paid to the Responsible Entity and its associates out of Fund property during the period are disclosed in Note 17 to the financial statements.

No fees were paid out of Fund property to the directors of the Responsible Entity during the period.

The Responsible Entity or its associates do not hold any interests in the scheme as at the end of the period.

Interests in the Fund

The movement in units on issue in the Fund during the period and the number of interests in the scheme as at the end of the period is disclosed in Note 15 to the financial statements.

The value of the Fund's assets and liabilities is disclosed in the statement of financial position and derived using the basis set out in Note 3 to the financial statements.

The withdrawals from the scheme during the period are disclosed in Note 15 to the financial statements.

Directors' Report (continued)
For the year ended 30 June 2026

Auditor's independence declaration

A copy of the Auditor's Independence Declaration is set out on page 5.

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

A handwritten signature in black ink, appearing to read 'Frank Tearle', written in a cursive style.

Frank Tearle
Director
11 September 2026

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 2026, 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, 11 September 2026

**Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2026**

	Note	1 July 2025 to 30 June 2026	1 July 2024 to 30 June 2025
		\$	\$
Revenue			
Interest income	5	4,123,318	1,685,284
Distribution income	6	2,817,250	2,062,291
Total revenue		6,940,568	3,747,575
Expenses			
Administrative expenses	7	280,347	176,668
Responsible Entity fees	17(a)	56,946	91,856
Management fees	17(b)	1,040,789	564,063
Provision for/(decrease in) expected credit loss	10(a)	97,838	(46,755)
Total expenses		1,475,920	785,832
Profit for the year		5,464,648	2,961,743
Other comprehensive income for the year			
Other comprehensive income		-	-
Total comprehensive income for the year		5,464,648	2,961,743

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 2026

	Note	30 June 2026 \$	30 June 2025 \$
Assets			
Cash and cash equivalents	12(a)	5,203,694	4,338,675
Receivables	9	322,234	306,795
Financial assets	10	89,531,455	56,322,381
Prepayments		2,257	-
Total assets		95,059,640	60,967,851
Liabilities			
Trade and other payables	13	203,456	178,284
Distribution payable		544,863	367,128
Interest retention monies on Direct Loans	14	1,859,585	1,194,796
Interest payable	17(d)	19,627	9,989
Application money received in advance		50,000	40,000
Total liabilities (excluding net assets attributable to unitholders)		2,677,531	1,790,197
Net assets attributable to unitholders (Equity)	15	92,382,109	59,177,654

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 2026

	Note	1 July 2025 to 30 June 2026 \$	1 July 2024 to 30 June 2025 \$
Cash flows from operating activities			
Interest received		4,779,523	2,487,400
Distribution received		2,830,115	1,916,044
Payment to suppliers		(1,365,249)	(794,430)
Net cash provided by operating activities	12(b)	<u>6,244,389</u>	<u>3,609,014</u>
Cash flows from investing activities			
Proceeds from disposal of Loan Products		22,845,659	8,482,407
Investment in Loan Products		(25,977,503)	(29,409,243)
Proceeds from disposal of Direct Loans		16,269,133	14,519,656
Investment in Direct Loans		(46,444,201)	(25,626,406)
Net cash used in investing activities		<u>(33,306,912)</u>	<u>(32,033,586)</u>
Cash flows from financing activities			
Proceeds from units issued and application monies		40,524,445	39,599,738
Redemption of units		(8,877,883)	(5,381,868)
Distributions paid to unitholders		(3,719,020)	(2,733,796)
Net cash provided by financing activities		<u>27,927,542</u>	<u>31,484,074</u>
Net increase in cash and cash equivalents		865,019	3,059,502
Cash and cash equivalents at the start of the year		<u>4,338,675</u>	<u>1,279,173</u>
Cash and cash equivalents at the end of the year	12(a)	<u>5,203,694</u>	<u>4,338,675</u>

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

Msquared Mortgage Income Fund

Statement of Changes in Equity For the year ended 30 June 2026

	Note	Total equity \$
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
Balance at 1 July 2025		59,177,654
Comprehensive income		
Profit for the year		5,464,648
Other comprehensive income		-
Total comprehensive income for the year		5,464,648
Transactions with unitholders in their capacity as owners		
Units issued		40,514,445
Units issued upon reinvestment of distributions		1,602,004
Redemptions		(8,877,883)
Distributions declared	15	(5,498,759)
Balance at 30 June 2026	15	92,382,109

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 2026

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 established in Australia on 14 November 2024. The financial statements cover the financial year ended 30 June 2026.

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 investments 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 2026, the proceeds of which are used to make loans that meet the Lending Guidelines of the Fund (Loan Products).

These financial statements are general purpose financial statements prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the requirements of the Corporations Act 2001. The Fund is a disclosing entity for the purposes of section 111AC of the Corporations Act 2001 and accordingly applies Tier 1 reporting requirements.

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. Impact of new accounting standards

(a) New and amended accounting standards adopted by the Fund in the current financial year

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2025 that have, or will have, a material impact on the amounts recognised in the current year or future periods.

(b) New standards, amendments and interpretations effective in future financial years

AASB 18 Presentation and Disclosure in Financial Statements (effective for annual reporting periods beginning on or after 1 January 2027).

AASB 18 introduces several new requirements that will impact the presentation and disclosure of the Fund. These include:

- the requirement to classify all income and expenses into three defined categories - operating, investing and financing - to improve the structure of the income statement, and requires all entities to provide new defined subtotals, including operating profit. The improved structure and new subtotals will give investors a consistent starting point for analysing performance and make it easier to compare entities.
- enhanced guidance on the aggregation, location and labelling of items across the primary financial statements and the notes.
- mandatory disclosures about management-defined performance measures.

AASB 18 has not been early adopted in preparing these financial statements. AASB 18 will have an impact on presentation and disclosure only. A detailed assessment will occur prior to formal adoption of AASB 18.

AASB 2024-2 Amendments to Australian Accounting Standards – Classification and Measurement of Financial Instruments [AASB 7 & AASB 9] (effective for annual periods beginning on or after 1 January 2026).

In July 2024, the AASB issued amendments to AASB 7 Financial Instruments: Disclosures and AASB 9 Financial Instruments. This amendment amends requirements related to settling financial liabilities using an electronic payment system and assessing contractual cash flow characteristics of financial assets with environmental, social and corporate governance and similar features. It also amends disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and adds disclosure requirements for financial instruments with contingent features that do not relate directly to basic lending risks and costs. The amendments will be effective for annual reporting periods beginning on or after 1 January 2026.

Management is currently working to identify all the impact of the new standards and amendments on the primary financial statements and the related notes.

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) Investments and other financial assets

Investments and other financial assets 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.

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.

1. Financial assets at amortised cost

The Fund's financial assets measured at amortised cost comprise cash and cash equivalents and investment in loans advanced directly to borrowers secured by registered first mortgages over Australian real property, held through a security trustee structure (Direct Loans). These loans are held to collect contractual cash flows that are solely payments of principal and interest and are therefore measured at amortised cost. They are initially recognised at fair value plus directly attributable transaction costs and subsequently measured using the effective interest method, less an allowance for expected credit losses.

Msquared Mortgage Income Fund

Notes to the Financial Statements For the year ended 30 June 2026

3. Material accounting policies (continued)

(d) Investments and other financial assets (continued)

II. Financial assets at fair value through profit or loss

The Fund's investment in unit classes in MCMIF (Loan Products) is measured at fair value through profit or loss. The units do not give rise to contractual cash flows that are solely payments of principal and interest and are therefore mandatorily measured at fair value through profit or loss under AASB 9. Fair value is determined by reference to the unit price of the relevant class, which reflects the net asset value of that class. Changes in fair value are recognised in profit or loss in the period in which they arise, and distributions from MCMIF are recognised when the Fund's right to receive them is established.

III. Impairment of financial assets

The Fund recognises a loss allowance for expected credit losses on financial assets which are measured at amortised cost. 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.

(e) 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 2026 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.

Msquared Mortgage Income Fund

Notes to the Financial Statements For the year ended 30 June 2026

3. Material accounting policies (continued)

(f) 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 2026.

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

(g) 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.

3. Material accounting policies (continued)

(h) 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.

(i) 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.

(j) 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.

(k) 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(d) 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.

(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.

4. Financial Risk Management Objectives and Policies (continued)

(a) Market risk (continued)

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.

The Fund manages its exposure to movements in property values by lending within maximum loan to valuation ratio (LVR) limits set out in the Fund's lending guidelines and product disclosure statement.

Where the Fund is the only lender for a Loan, the LVR must not exceed 70%. Where the Fund is not the sole source of funding for a Loan, the LVR of the Loan may be greater than 70% provided that the Fund's investment in the Loan:

- does not exceed 70% of the value of the Security Property at the time the Loan is approved by the Manager; and
- ranks ahead of the other lenders' investment in the Loan that provide funding for an amount in excess 70% of the value of the Security Property.

As at 30 June 2026, the weighted average LVR of the Fund's direct mortgage portfolio was 57.99% and all Loan Investments were within the applicable limit at settlement as at the period end.

Msquared Mortgage Income Fund

Notes to the Financial Statements For the year ended 30 June 2026

4. Financial Risk Management Objectives and Policies (continued)

(a) Market risk (continued)

Price Risk

This disclosure is provided to assist unitholders in understanding the potential impact of movements in property values on the Fund's financial position and performance, in particular the ECL provision. The following table details the Fund's sensitivity to a 10% increase and 10% decrease in property values across the portfolio. The 10% movement represents management's assessment of a reasonably possible change in property price risk having regard to market conditions as at the balance date; the percentage applied is a matter of management judgement and is applied to the entire asset portfolio at period end.

The Fund invests into Direct Loans and Loan Products secured by registered first ranking mortgages over real estate. "Value of the underlying mortgage security property" refers to the market value of the real estate property held as security for each loan within the Fund's portfolio. This value is a key input in determining the loan-to-value ratio (LVR) of each loan and, in turn, the expected credit loss (ECL) provision recognised in respect of the Fund's loan assets.

	Base Case	Property value increase by 10%	Property value decrease by 10%
Value of the underlying mortgage security property (\$)	296,292,364	325,921,600	266,663,127
Weighted average LVR (%)	57.99%	52.72%	64.43%
Estimated ECL provision (Direct Loans only) (\$)	124,083	82,920	295,447
Impact on net profit (\$)	-	41,163	(171,364)

A 10% increase in property values reduces the weighted average LVR to 52.72% and the estimated ECL provision to \$82,920, increasing net profit by \$41,163 (due to reduced ECL provision required). A 10% decrease increases the weighted average LVR to 64.43% and the estimated ECL provision to \$295,447, reducing net profit by \$171,364 (due to increased ECL provision required).

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 2026

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 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.

This disclosure is provided to assist unitholders in understanding the potential impact of movements in interest rates on the Fund's financial position and performance. The following table details the Fund's sensitivity to a 0.50% increase and 0.50% decrease in interest rates across the portfolio. The 0.50% movement represents management's assessment of a reasonably possible change in interest rate risk having regard to market conditions at balance date; the movement applied is a matter of management judgement and is applied to the entire portfolio at period end.

The Fund is exposed to interest rate risk as substantially all of the Fund's loan assets earn interest on a variable rate basis linked to RBA Cash Rate. Where interest rates rise, this leads to an increase in the interest income earned by the Fund, and a corresponding increase in profit; conversely, where interest rates fall, interest income and profit reduce by a corresponding amount.

	Increase in interest rates by 50bps (\$)	Decrease in interest rates by 50bps (\$)
Impact on profit/(loss)	344,663	(344,663)
Impact on equity	Nil	Nil

Any changes in net interest income or expense arising from interest rate movements are likely to impact the distribution rate. As a result, the profit or loss impact shown above is expected to be offset by a corresponding movement in distributions payable to unitholders in the same period, resulting in no net impact on net assets attributable to unitholders (equity).

Msquared Mortgage Income Fund

Notes to the Financial Statements For the year ended 30 June 2026

4. Financial Risk Management Objectives and Policies (continued)

(b) Interest rate risk (continued)

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 2026				
Assets				
Cash and cash equivalents	5,203,694	-	-	5,203,694
Financial assets	52,935,735	-	-	52,935,735
Total assets	58,139,429	-	-	58,139,429
-				
Net exposure	58,139,429	-	-	58,139,429
	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

(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.

Msquared Mortgage Income Fund

Notes to the Financial Statements For the year ended 30 June 2026

4. Financial Risk Management Objectives and Policies (continued)

(c) Liquidity risk (continued)

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.

30 June 2026	<1 month	1-6 months	6-12 months	>12 months	Total
	\$	\$	\$	\$	\$
Liabilities					
Trade and other payables	203,456	-	-	-	203,456
Distribution payable	544,863	-	-	-	544,863
Interest payable	19,627	-	-	-	19,627
Total liabilities	767,946	-	-	-	767,946
30 June 2025	<1 month	1-6 months	6-12 months	>12 months	Total
	\$	\$	\$	\$	\$
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

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

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.

Msquared Mortgage Income Fund

Notes to the Financial Statements For the year ended 30 June 2026

4. Financial Risk Management Objectives and Policies (continued)

(d) Credit risk (continued)

In addition, the amount invested, whether by Direct Loan, Loan Product or a combination of both, in any single Loan or lent to a single Borrower will not:

(a) where the Net Asset Value of the Fund is less than \$50 million, exceed 15% of the Net Asset Value of the Fund at the time of approval of the Loan by the Manager; and

(b) where the Net Asset Value of the Fund is \$50 million or more, exceed 10% of the Net Asset Value of the Fund at the time of approval of the Loan by the Manager.

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 2025 to 30 June 2026	1 July 2024 to 30 June 2025
	\$	\$
Interest from Direct Loans	3,908,484	1,588,378
Interest from bank	214,834	96,906
Total interest income	4,123,318	1,685,284

6. Distribution income

	1 July 2025 to 30 June 2026	1 July 2024 to 30 June 2025
	\$	\$
Distribution income from Loan Products	2,438,905	1,910,290
Management fee rebate from Loan Products	378,345	152,001
Total distribution income	2,817,250	2,062,291

Msquared Mortgage Income Fund

Notes to the Financial Statements For the year ended 30 June 2026

7. Administrative expenses

	1 July 2025 to 30 June 2026	1 July 2024 to 30 June 2025
	\$	\$
Fund administration costs	121,318	80,119
Audit fee	109,820	60,939
Other costs	49,209	35,610
Total administrative expenses	280,347	176,668

8. Distribution to unitholders

Premium Units

	30 June 2026	30 June 2025
Month	Annualised rate %	Annualised rate %
July	7.70%	-
August	7.50%	-
September	7.50%	-
October	7.50%	-
November	7.50%	-
December	7.25%	8.00%
January	7.25%	8.00%
February	7.25%	8.00%
March	7.25%	8.00%
April	7.50%	8.00%
May	7.50%	8.00%
June	7.50%	8.00%
Total distributions to unitholders	7.43%	8.00%

Msquared Mortgage Income Fund

Notes to the Financial Statements For the year ended 30 June 2026

8. Distribution to unitholders (continued)

Ordinary Units

	30 June 2026	30 June 2025
Month	Annualised rate %	Annualised rate %
July	7.45%	-
August	7.25%	-
September	7.25%	-
October	7.25%	-
November	7.25%	-
December	7.00%	-
January	7.00%	-
February	7.00%	7.75%
March	7.00%	7.75%
April	7.25%	7.75%
May	7.25%	7.75%
June	7.25%	7.75%
Total distributions to unitholders	7.18%	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.

9. Receivables

	30 June 2026 \$	30 June 2025 \$
Interest receivable from Direct Loans	20,376	26,526
Distribution Income receivable	273,211	261,704
GST receivable	28,647	18,565
Total receivables	322,234	306,795

Msquared Mortgage Income Fund

Notes to the Financial Statements For the year ended 30 June 2026

10. Financial assets

	30 June 2026 \$	30 June 2025 \$
Financial assets at fair value through profit or loss		
Loan Products (via Msquared Contributory Mortgage Income Fund)	36,595,720	33,463,876
Total financial assets at fair value through profit or loss	36,595,720	33,463,876
Financial assets at amortised cost		
Direct Loans	53,059,818	22,884,750
Total financial assets at amortised cost	53,059,818	22,884,750
Less: Provision for expected credit loss	10(a) (124,083)	(26,245)
Total financial assets	89,531,455	56,322,381

At the reporting date, the Fund was invested into Direct Loans as per the above schedule. These loans are all variable-interest instruments, with interest rates ranging from 8.24% to 10.94% per annum, and interest is paid monthly. The loans have maturity periods up to 2.72 years.

All loan investments are secured by real property assets.

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.

Msquared Mortgage Income Fund

Notes to the Financial Statements For the year ended 30 June 2026

10. Financial assets (continued)

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

	30 June 2026	30 June 2025
	\$	\$
12-Month ECL	101,913	26,245
Lifetime ECL	22,170	-
Specific ECL	-	-
Total	124,083	26,245
	30 June 2026	30 June 2025
	\$	\$
Opening balance	26,245	73,000
Increase/(decrease) in ECL provision	97,838	(46,755)
Closing balance	124,083	26,245

In determining the ECL provision, the Fund assesses all Direct Loans 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.

10. Financial assets (continued)

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

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. 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.

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.

Msquared Mortgage Income Fund

Notes to the Financial Statements For the year ended 30 June 2026

10. Financial assets (continued)

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

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 2026

	12-Month Category \$	Lifetime Category \$	Specific Category \$	Total Investments \$	LVR Range
Performing	50,739,818	-	-	50,739,818	32.05% to 70.00%
Moderate Risk	-	-	-	-	-
Elevated Risk	-	2,320,000	-	2,320,000	46.67% to 65.00%
Recovery Action	-	-	-	-	-
Total	50,739,818	2,320,000	-	53,059,818	32.05% to 70.00%

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%

(b) LVR Analysis – Direct Loans

The following table represents the LVR profile of Direct Loans

	30 June 2026 \$	30 June 2025 \$
65% to 70%	10,939,000	300,000
50% to 65%	37,702,818	14,494,750
Below 50%	4,418,000	8,090,000
Closing balance	53,059,818	22,884,750

Msquared Mortgage Income Fund

Notes to the Financial Statements For the year ended 30 June 2026

10. Financial assets (continued)

(c) LVR Analysis - Loan Products (via Msquared Contributory Mortgage Income Fund)

The following table represents the LVR profile of Loan Products:

	30 June 2026	30 June 2025
	\$	\$
65% to 70%	1,735,000	5,183,028
50% to 65%	31,340,102	23,253,771
Below 50%	3,520,618	5,027,077
Closing balance	36,595,720	33,463,876

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 Loan Products 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 2026

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 2026 recorded at fair value and presented by level of the fair value hierarchy:

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
30 June 2026				
Financial assets at fair value through profit or loss:				
Units in unlisted unit trusts (Loan Products)	-	36,595,720	-	36,595,720
Total	-	36,595,720	-	36,595,720
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
30 June 2025				
Financial assets at fair value through profit or loss:				
Units in unlisted unit trusts (Loan Products)	-	33,463,876	-	33,463,876
Total	-	33,463,876	-	33,463,876

Transfers between levels

There have been no transfers between levels for the financial year ended 30 June 2026.

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 2026****12. Cash and cash equivalents**

- (a) Cash and cash equivalents include cash at bank. 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 2026	30 June 2025
	\$	\$
Cash at bank	5,203,694	4,338,675
Total cash and cash equivalents	5,203,694	4,338,675

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

	1 July 2025 to 30 June 2026	1 July 2024 to 30 June 2025
	\$	\$
Profit for the year	5,464,648	2,961,743
Adjustments for:		
Provision for expected credit loss	97,838	(46,755)
Change in assets and liabilities:		
Net increase in receivables	(15,439)	(182,252)
Net increase in prepayments	(2,257)	-
Net increase in payables	699,599	876,278
Net cash provided by operating activities	6,244,389	3,609,014

13. Trade and other payables

	30 June 2026	30 June 2025
	\$	\$
Trade payables	156,897	123,045
Accrued expenses	46,559	55,239
Total trade and other payables	203,456	178,284

Msquared Mortgage Income Fund

Notes to the Financial Statements For the year ended 30 June 2026

14. Interest retention monies on Direct Loans

	30 June 2026 \$	30 June 2025 \$
Interest received in advance	1,532,844	1,130,355
Interest buffer	326,741	64,441
Total interest retention monies on Direct Loans	1,859,585	1,194,796

15. Net assets attributable to unitholders

Premium Units

	30 June 2026 No. of Units	30 June 2025 No. of Units	30 June 2026 \$	30 June 2025 \$
Opening balance	59,174,106	-	59,115,415	-
Units Issued	40,234,445	31,079,314	40,234,445	31,079,314
Units issued upon reinvestment of distributions	1,594,483	535,601	1,594,483	535,601
Redemptions	(8,865,238)	(4,385,057)	(8,865,238)	(4,385,057)
Conversion from MMIF Units class	-	31,944,248	-	31,944,248
Profit for the year	-	-	5,454,371	1,797,286
Distributions declared	-	-	(5,488,417)	(1,855,977)
Closing balance	92,137,796	59,174,106	92,045,059	59,115,415

Ordinary Units

	30 June 2026 No. of Units	30 June 2025 No. of Units	30 June 2026 \$	30 June 2025 \$
Opening balance	62,223	-	62,239	-
Units issued	280,000	62,000	280,000	62,000
Units issued upon reinvestment of distributions	7,521	223	7,521	223
Redemptions	(12,645)	-	(12,645)	-
Profit for the year	-	-	10,277	835
Distributions declared	-	-	(10,342)	(819)
Closing balance	337,099	62,223	337,050	62,239

Msquared Mortgage Income Fund

Notes to the Financial Statements For the year ended 30 June 2026

15. Net assets attributable to unitholders (continued)

Total

	30 June 2026	30 June 2025	30 June 2026	30 June 2025
	No. of Units	No. of Units	\$	\$
Opening balance	59,236,329	25,058,459	59,177,654	24,985,460
Units issued	40,514,445	38,658,635	40,514,445	38,658,635
Units issued upon reinvestment of distributions	1,602,004	901,103	1,602,004	901,103
Redemptions	(8,877,883)	(5,381,868)	(8,877,883)	(5,381,868)
Profit for the year	-	-	5,464,648	2,961,743
Distributions declared	-	-	(5,498,759)	(2,947,419)
Closing balance	92,474,895	59,236,329	92,382,109	59,177,654

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 2026	30 June 2025
	\$	\$
Annual audit fee	77,529	58,259
Half-year audit fee	32,291	-
Non-audit services	-	-
Total Remuneration of Auditors	109,820	58,259

Msquared Mortgage Income Fund

Notes to the Financial Statements For the year ended 30 June 2026

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 on 5 November 2024.

The key management personnel of the Responsible Entity, during the year ended 30 June 2026 are:

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 2026:

	30 June 2026	30 June 2025
	\$	\$
Responsible Entity Fees paid	51,798	28,703
Responsible Entity Fees payable	5,148	4,400
Total	56,946	33,103

Msquared Capital Pty Ltd (ACN 622 507 297) (the "Former Trustee") acted as Trustee from 20 June 2022 to 4 November 2024. Out of the total \$91,856 Responsible Entity fees for the financial year ended 30 June 2025, \$58,753 was paid to the Former Trustee.

No fees or remuneration were paid directly to the key management personnel of the responsible entity from the Fund during the financial year ended 30 June 2026.

Msquared Mortgage Income Fund

Notes to the Financial Statements For the year ended 30 June 2026

17. Related Party Transactions (continued)

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

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 \$64,752 (inclusive of the net effect of GST) were incurred for the financial year ended 30 June 2026, of which \$46,443 (inclusive of the net effect of GST) was paid and \$18,309 (inclusive of the net effect of GST) was payable to the Administrator (30 June 2025: \$38,877 was incurred and \$10,790 was payable).

There were no other fees paid or payable to the Administrator for the financial year ended 30 June 2026.

Registry fees

Registry services were provided by One Registry Services Pty Limited (ACN 141 757 360) (the "Registrar") up until 30 September 2025, which is an entity associated with the Responsible Entity. Registry fees of \$14,034 (inclusive of the net effect of GST) were incurred and paid for the financial year ended 30 June 2026 (30 June 2025: \$30,192 was incurred and \$9,894 was payable).

Effective 1 October 2025, Caruso Software AU Pty Ltd, which is not a related party, became the new registry service provider replacing One Registry Services Pty Ltd.

(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 2026 are:

Name	Title
Paul Miron	Managing Director
Paul Myliotis	Managing Director

No fees or remuneration were paid directly to the key management personnel of the Investment Manager from the Fund during the financial year ended 30 June 2026.

Msquared Mortgage Income Fund

Notes to the Financial Statements For the year ended 30 June 2026

17. Related Party Transactions (continued)

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

The following fees were paid or payable to the Investment Manager out of the Fund's assets during the year ended 30 June 2026:

	30 June 2026	30 June 2025
	\$	\$
Management Fees paid	928,827	293,843
Management Fees payable	111,962	75,734
Total	1,040,789	369,577

Msquared Capital Funds Management Pty Ltd (ABN 27 644 643 274) (the "Former Manager") acted as investment manager from 20 June 2022 to 4 November 2024. Out of the total \$564,063 Management fees for the financial year ended 30 June 2025, \$194,486 was paid to the Former Manager.

There were no other fees paid or payable to the Investment Manager for the financial year ended 30 June 2026.

(c) Investments in related parties

	30 June 2026	30 June 2025
	\$	\$
Mortgage loans (via Msquared Contributory Mortgage Income Fund)	36,595,720	33,463,876

Management fee rebate from Loan Products is payable by Msquared Capital Funds Management Pty Ltd as the manager of the Msquared Contributory Mortgage Income Fund.

(d) Msquared High Yield Mortgage Income Fund

The Fund participates in loans jointly with Msquared High Yield Mortgage Income Fund (MHYMIF), a related scheme managed by the Investment Manager under the security trustee structure. Under these arrangements where the Fund is one of the lenders, and collects interest and principal from the borrower, it holds the MHYMIF's share on trust and remits the funds to MHYMIF as per the Trust Creation Notice, a document governing the funding contributions and entitlements of each lender. The Fund recognises only its own beneficial interest in the relevant loans. Interest collected on behalf of MHYMIF is not recognised as revenue of the Fund. During the year the Fund collected \$174,611 (2025: \$49,300) of interest on behalf of MHYMIF, of which \$19,627 (2025: \$9,989) had not been remitted at reporting date and is presented as amounts payable to a related scheme.

18. Commitments and contingencies

There were no commitments or contingencies at 30 June 2026.

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 2026 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 2026

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 37:
 - (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 2026 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
11 September 2026

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 2026, 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 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 2026 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 the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material 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



Fiona Narielwalla
Director

Sydney, 11 September 2026