

MA Priority Income Fund

ARSN 648 809 849

Condensed Half-Year Financial Report for the period ended
31 December 2023



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Directors' report

The Directors of MAAM RE Ltd, in its capacity as the Responsible Entity of the MA Priority Income Fund (the "Fund") present their report together with the condensed half-year financial report of the Fund, for the half-year ended 31 December 2023 ("period") and the auditor's report thereon.

Principal activities

The Fund is a registered managed investment scheme that is an unlisted Australian unit trust. All references to the Fund hereafter are taken to mean the Fund as a whole, which is the MA Priority Income Fund.

The Fund invests in Class A units of the MA Master Credit Trust (the "Master Trust"), an unregistered wholesale Australian unit trust which invests in a portfolio of credit investments, as set out in the current Product Disclosure Statement, and in accordance with the provisions of the Fund's governing documents.

A wholly owned subsidiary of MA Financial Group Limited ("MAFG") co-invests via Class B units in the Master Trust an amount equal to 10% of the Fund's investment in Class A units of the Master Trust (Manager Co-Investment). The Manager's co-investment is made on a first loss and subordinated basis. As at 31 December 2023, no impairment of the Capital Buffer has been noted.

The Fund did not have any employees during the period.

There were no significant changes in the nature of the Scheme's activities during the period.

The various service providers to the Fund are outlined below:

Service providers

Responsible Entity	- MAAM RE Ltd
Investment Manager	- MA Investment Management Pty Ltd
Custodian	- Certane CT Pty Limited
Administrator	- Alter Domus Australia Pty Ltd
Unit Registry	- Boardroom Pty Limited
Auditor	- KPMG Sydney

Directors

The following persons held office as Directors of the Responsible Entity during the period, or since the end of the financial period and up to the date of this report:

Alice Tang
Andrew Martin
Giles Boddy
Jannamaria Robertson

This report is made in accordance with a resolution of the Directors.

Directors' report (continued)

Review and results of operations

The condensed half-year financial report for the period ended 31 December 2023 and the results herein are prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001 (Cth).

During the period, the Fund was managed in accordance with the investment objective and strategy set out in the Fund's Product Disclosure Statement and in accordance with its Constitution.

The performance of the Fund, as represented by the results of its operations for the period, was as follows:

	FOR THE HALF-YEAR ENDED 31 DECEMBER 2023	FOR THE HALF-YEAR ENDED 31 DECEMBER 2022
Profit attributable to unitholders (\$'000)	40,048	14,972
Distributions paid or payable (\$'000)	40,048	14,972
Distribution per unit (in cents)	8.2194	6.3611

Significant changes in state of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Fund that occurred during the period.

Likely developments and expected results of operations

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Fund and in accordance with the provisions of the Constitution.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed, and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Indemnity and insurance of officers

No insurance premiums are paid for out of the assets of the Fund in regard to insurance cover provided to either the officers of the Responsible Entity or the auditors of the Fund. So long as the officers of the Responsible Entity act in accordance with the Fund Constitution and the Law, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

Indemnity of auditor

The auditors of the Fund are in no way indemnified out of the assets of the Fund.

Fees paid to and interests held in the Fund by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its associates out of Fund property during the period are disclosed in note 8 to the financial statements.

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

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the period are disclosed in note 8 to the financial statements.

Interests in the Fund

The movement in units on issue in the Fund during the period is disclosed in note 6 to the financial statements.

The value of the Fund's assets and liabilities is disclosed on the balance sheet and derived using the basis set out in note 2 to the financial statements.

Directors' report (continued)

Environmental regulation

The operations of the Fund are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

Matters subsequent to the end of the financial period

No matters or circumstances have arisen since 31 December 2023 that has significantly affected, or may significantly affect:

- the operations of the Fund in future financial periods, or
- the results of those operations in future financial periods, or
- the state of affairs of the Fund in future financial periods.

Auditor's independence declaration

The auditor's independence declaration as required under s.307C of the Corporations Act 2001 (Cth) is set out immediately after the Directors' Declaration.

Rounding of amounts

In accordance with *Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* amounts in the Directors' Report and the Condensed Half-Year Financial Report have been rounded to the nearest thousand dollar unless otherwise indicated.

Signed in accordance with a resolution of the Board of Directors of MAAM RE Ltd as Responsible Entity of the MA Priority Income Fund made pursuant to s.306(3) of the Corporations Act 2001 (Cth).



Alice Tang
Director
15 March 2024



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of MAAM RE Ltd as the Responsible Entity of MA Priority
Income Fund

I declare that, to the best of my knowledge and belief, in relation to the review of MA Priority Income
Fund for the half-year ended 31 December 2023 there have been:

- i. no contraventions of the auditor independence requirements as set out in the
Corporations Act 2001 in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Shaun Kendrigan

Partner

Sydney

15 March 2024

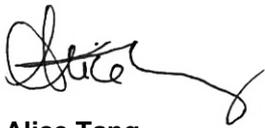
Directors' declaration

In the opinion of the Directors of MAAM RE Ltd as Responsible Entity of the MA Priority Income Fund:

- a) The Condensed Half-Year Financial Report and notes, set out on pages 8 to 26, are in accordance with the *Corporations Act 2001*, including:
 - i) Give a true and fair view of the Fund's financial position as at 31 December 2023 and of its performance as represented by the results of the operations and its cash flows, for the half-year ended on that date in accordance with the accounting policies described in note 2;
 - ii) Comply with Australian Accounting Standards (including the Australian Accounting Interpretations) to the extent described in note 2, and the *Corporations Regulations 2001*; and
- 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.

Dated in Sydney this 15 day of March 2024.

Signed in accordance with a resolution of the Directors of MAAM RE Ltd as Responsible Entity of the MA Priority Income Fund made pursuant to s.306(3) of the *Corporations Act 2001* (Cth).



Alice Tang
Director

Condensed half-year statement of comprehensive income

For the half-year ended 31 December 2023

	NOTES	HALF-YEAR ENDED 31 DECEMBER 2023 (\$'000)	HALF-YEAR ENDED 31 DECEMBER 2022 (\$'000)
Investment income			
Distribution income		40,048	14,972
Expense reimbursement income	8	127	42
Total investment income		40,175	15,014
Expenses			
Other operating expenses	8	127	42
Total expenses		127	42
Profit for the period		40,048	14,972
Other comprehensive income		-	-
Total comprehensive income for the period		40,048	14,972

All amounts presented are in Australian Dollars.

The above Condensed half-year statement of comprehensive income should be read in conjunction with the accompanying notes.

Condensed half-year statement of financial position

As at 31 December 2023

	NOTES	31 DECEMBER 2023 (\$'000)	30 JUNE 2023 (\$'000)
Current assets			
Cash and cash equivalents	4	43	18
Financial assets at FVTPL	5	1,056,870	792,418
Distribution receivables	8	7,475	5,248
Total current assets		1,064,388	797,684
Current liabilities			
Management fees payable	8	-	-
Distribution payable	7	7,475	5,200
Other payables		43	66
Total current liabilities		7,518	5,266
Net assets attributable to unitholders - equity	6	1,056,870	792,418

All amounts presented are in Australian Dollars.

The above Condensed half-year statement of financial position should be read in conjunction with the accompanying notes.

Condensed half-year statement of changes in equity

For the half-year ended 31 December 2023

	NOTES	31 DECEMBER 2023 (\$'000)	31 DECEMBER 2022 (\$'000)
Comprehensive income for the period			
Profit for the period		40,048	14,972
Other comprehensive income		-	-
Total comprehensive income for the period		40,048	14,972
Transactions with unitholders			
Subscriptions	6	394,132	210,567
Redemptions	6	(132,480)	(32,035)
Units issued upon reinvestment of distributions	6	2,800	879
Distributions paid and payable	7	(40,048)	(14,972)
Total transactions with unitholders		224,404	164,439
Net change in net assets for the period		264,452	179,411
Total equity at the beginning of the period		792,418	365,356
Total equity at the end of the period		1,056,870	544,767

All amounts presented are in Australian Dollars.

The above Condensed half-year statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed half-year statement of cash flows

For the half-year ended 31 December 2023

	HALF-YEAR ENDED 31 DECEMBER 2023 (\$'000)	HALF-YEAR ENDED 31 DECEMBER 2022 (\$'000)
Cash flows from operating activities		
Acquisition of financial assets at FVTPL*	(396,932)	(211,446)
Disposal of financial assets at FVTPL*	132,480	32,035
Distribution received	37,821	13,132
ERA received and paid	25	9
Net cash used in operating activities	(226,606)	(166,270)
Cash flows from financing activities		
Distributions paid to unitholders	(35,021)	(12,252)
Proceeds from applications by unitholders	394,132	210,566
Payments for redemptions by unitholders	(132,480)	(32,035)
Net cash from financing activities	226,631	166,279
Net increase in cash and cash equivalents	25	9
Cash and cash equivalents at the beginning of the period	18	2
Cash and cash equivalents at the end of period	43	11
Non-cash financing activities		
During the year the following distribution payments were satisfied by the issue of units under the distribution reinvestment feature	2,800	879

*The net cash used in operating activities and the net cash used in investing activities for the comparative period has been represented to align with the current year presentation of acquisition of financial assets at FVTPL, disposal of financial assets at FVTPL and increase in distribution received. Refer to note 2.3.

All amounts presented are in Australian Dollars.

The above Condensed half-year statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

For the half-year ended 31 December 2023

1 Corporate information

MA Priority Income Fund (the “Fund”) (ARSN 648 809 849) is a registered managed investment scheme domiciled in Sydney, Australia. MAAM RE Ltd (the “Responsible Entity”) acts as Responsible Entity of the Fund. The Responsible Entity’s address is Level 27, Brookfield Place, 10 Carrington Street, Sydney, NSW 2000. The Investment Manager of the Fund is MA Investment Management Pty Ltd (the “Investment Manager”).

The Fund was constituted on 12 November 2018 as an Australian wholesale unit trust (unregistered managed investment scheme). On 17 March 2021 the Fund changed its name from MA Fixed Income Fund to MA Priority Income Fund, and the former trustee MA Asset Management Limited retired as trustee and MAAM RE Ltd became the Responsible Entity. On 1 April 2021 the Fund became a registered managed investment scheme.

The Fund is an open-ended fund whose investment strategy is primarily focused on Australian private debt that is secured, asset-backed or otherwise has defensive characteristics. Investments are sourced from both MA Financial Group proprietary and third-party origination platforms. The objective of the Fund is to provide investors with a target net cash yield (after all fees and costs) equal to the RBA Cash Rate + 4.00% per annum. The Fund seeks to achieve this through investing in Class A units of the MA Master Credit Trust (the “Master Trust”), an unregistered Australian unit trust which invests in a portfolio of credit investments, as set out in the current Product Disclosure Statement, and in accordance with the provisions of the Fund’s governing documents. The Investment Manager is also the Investment Manager of the Master Trust.

The Responsible Entity has appointed Alter Domus Australia Pty Limited to act as Administrator of the Fund, Certane CT Pty Limited to act as Custodian of the Fund, and Boardroom Pty Limited to act as Unit Registry of the Fund.

The Condensed half-year financial report was authorised for issue by the Responsible Entity of the Fund on 15 March 2024. The Directors of the Responsible Entity have the power to amend and reissue the Condensed half-year financial report.

2 Summary of 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 periods presented, unless otherwise stated in the following text.

2.1 Basis of preparation

The Condensed Half-Year Financial Report is a general-purpose interim condensed financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The Condensed Half-Year Financial Report does not include notes of the type normally included in an Annual Financial Report and should be read in conjunction with the most recent Annual Financial Report and any public announcements made during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001. The Fund is a for-profit entity for the purpose of preparing the Condensed Half-Year Financial Report. The principal accounting policies adopted in the preparation of this Condensed Half-Year Financial Report are consistent with those adopted and disclosed in the Fund’s 2023 Annual Financial Report for the financial year ended 30 June 2023. The accounting policies are consistent with Australian Accounting Standards.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected assets and liabilities as described in these policies.

The functional currency of the Fund is measured using the currency of the primary economic environment in which the entity operates. The financial statements are presented in Australian dollars which is the entity’s functional and presentation currency and is rounded to the nearest thousand dollar.

Notes to the financial statements

For the half-year ended 31 December 2023

2 Summary of material accounting policies (continued)

2.1 Basis of preparation (continued)

i) Compliance with International Financial Reporting Standards

The financial statements of the Fund also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

ii) New and amended standards adopted by the Fund

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial period beginning 1 July 2023 that have a material impact on the amounts recognised in prior periods or will affect the current or future periods.

iii) New standards, amendments and interpretations effective after 1 January 2024 and have not been early adopted

A number of new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2023 and have not been early adopted in preparing these financial statements. These standards, amendments or interpretations are not expected to have a material impact on the financial statements of the Fund.

2.2 Going concern

The condensed half-year financial report for the period ended 31 December 2023 has been prepared on a Going Concern basis, which assumes continuity in the ordinary course of business for the next 12 months.

2.3 Cash and cash equivalents

For the purpose of presentation in the Statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The Statement of Cash Flows has been prepared using the direct method. Payments and receipts relating to the purchase and sale of investment securities are classified as cashflows from operating activities, as movements in the fair value of these securities represent the Fund's main income generating activity.

For the purposes of the presentation of the statement of cash flow presentation of acquisition of financial assets at FVTPL of (\$'000) 211,446 and disposal of financial assets at FVTPL of (\$'000) 32,035 and increase in distribution receivable of (\$'000) 1,841 has been reclassified from investing to operating activities due to the incorrect presentation in the comparative period to align with above accounting policy of the fund. This resulted in the following changes in the statement of cashflows for the comparative period in (\$'000):

- Net cash used in operating activities decreased by \$181,252; and
- Net cash used in investing activities increased by \$181,252.

There is no material impact on the Fund's financial performance, changes in equity, net assets or any other quantitative metric of the Trust.

2.4 Prior period comparatives

Comparative information has been disclosed in respect of the previous period for amounts reported in the financial statements. Where the presentation or classification of items in the financial statements is amended, the comparative amounts have been reclassified to conform with current period presentation.

Notes to the financial statements

For the half-year ended 31 December 2023

2 Summary of material accounting policies (continued)

2.5 Rounding of amounts

In accordance with *Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, amounts in the Directors' report and the Condensed half-year financial report have been rounded to the nearest thousand Australian dollars, unless otherwise indicated.

2.6 Significant accounting judgements

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the current period and next year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Key estimates and assumptions relate to the valuation of financial assets at fair value through profit or loss and impairment of financial assets. Management assesses impairment of financial assets at each reporting date by evaluating conditions specific to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined.

3 Financial risk management

The Fund, through its investment in the Master Trust, is exposed to a number of risks due to the nature of its activities and as further set out in its offer document. These risks include market risk (including price risk and interest rate risk), credit risk and liquidity risk.

The Fund's overall risk management program focuses on ensuring compliance with the Fund's Product Disclosure Statement and the investment guidelines of the Fund. It also seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance.

The management of these risks is carried out by the Investment Manager on behalf of the Fund, who manages the Fund's assets in accordance with its investment objective. This involves an ongoing process of identification, measurement, monitoring and controlling of risks. The Investment Manager is aware of the risks associated with the business of investment management.

The Investment Manager uses different methods to measure different types of risk to which the Fund is exposed through its investment in the Master Trust and the Master Trust is exposed to through its investments in loans. These methods are explained below.

(a) Credit risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due, causing a financial loss to the Fund.

The main concentration of credit risk, to which the Fund is exposed, arises from the Fund's investment in Class A units issued by the Master Trust. The Master Trust is exposed to credit risk in its portfolio of investments in loans.

The Investment Manager of the underlying investments in the Master Trust intends that each new investment opportunity will be subject to the Investment Manager's established and rigorous evaluation and approval process, which is focused on in-depth credit analysis with the key emphasis on capital preservation. Once a potential investment opportunity is identified, the Investment Manager follows a defined screening, due diligence, and approval process.

Notes to the financial statements

For the half-year ended 31 December 2023

3 Financial risk management (continued)

(a) Credit risk (continued)

The investment team will undertake a detailed review of the company and the sector within which it operates and present a detailed investment proposal to the Investment Committee. Alongside this proposal, the investment team will also build a financial model to forecast credit risk and perform multiple downside scenario analyses. At the committee meeting the investment team will be challenged and, if required, further research will be undertaken. The outcome of the Investment Committee process is a decision on the approved holding limits of an investment if the transaction is approved.

Comprehensive due diligence will be undertaken as part of each new transaction in which the Fund is involved. The scope of the due diligence undertaken will include all areas of potential risk in the transaction.

Once a deal is completed there is regular and active post-investment monitoring which is designed to identify risks within the portfolio. The Investment Manager will be responsible for the execution and monitoring of the investment, all the way through to exit. Monitoring of investments is a continuous process and the key components of the Investment Manager's post investment risk management are as follows:

- Regular interaction with investee company management teams;
- Monthly or quarterly review of individual investment performance upon receipt of management accounts from the investment; and
- Each quarter, the Investment Committee reviews each investment in the portfolio. Risk ratings are assigned to each investment to enable the Investment Manager to monitor both the operating performance of the business and the absolute credit risk compared with original expectations. The review also includes an assessment of valuations, future realisations and repayment dates.

The Investment Manager believes that close contact with investee companies and the monthly and quarterly reviews are essential to ensure effective monitoring of its investments. It also helps to provide an early indication of changes in the performance and credit risk of an investee company. The Investment Manager executives and senior management continuously share information about market conditions and industry wide issues in order to enhance risk management and improve monitoring across the business.

The Fund is also exposed to counterparty credit risk on cash and cash equivalents and other receivables. 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.

(b) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund is exposed to monthly cash redemptions of its units.

The Fund has invested in unlisted Class A units issued by the Master Trust and as such may not be able to quickly liquidate its investments in these instruments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer or counterparty.

In order to manage the Fund's overall liquidity, the Responsible Entity has the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interests of unitholders. The Fund did not reject or withhold any redemptions during the period ended 31 December 2023 and 30 June 2023.

Compliance with the Fund's policy is reported to the Board on a quarterly basis.

Notes to the financial statements

For the half-year ended 31 December 2023

3 Financial risk management (continued)

(b) Liquidity risk (continued)

Maturity analysis for financial liabilities

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

	< 1 MONTH (\$'000)	< 1 YEAR (\$'000)	1 - 2 YEARS (\$'000)	> 2 YEARS (\$'000)	TOTAL (\$'000)
31 DECEMBER 2023					
Distributions payable	7,475	-	-	-	7,475
Other payables	43	-	-	-	43
Contractual cash flows	7,518	-	-	-	7,518
30 JUNE 2023					
Distributions payable	5,200	-	-	-	5,200
Other payables	66	-	-	-	66
Contractual cash flows	5,266	-	-	-	5,266

(c) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange (currency risk), market interest rates (interest rate risk) and market prices (price risk). The Fund manages this risk via outsourcing its investment management whereby; the Investment Manager manages the financial risks relating to the operations of the Fund in accordance with an investment objective set out in accordance with the Constitution and Product Disclosure Statement. There has been no change to the Fund's exposure to market risks or the manner in which it manages and measures the risk. The Fund has no exposure to foreign exchange (currency risk).

i) Market price risk

Market price risk is the risk that the fair value of investment decreases as a result of changes in market prices, whether those changes are caused by factors specific to the individual assets or factors affecting all instruments in the market. The Fund is invested in the Class A units issued by the Master Trust. The value of the Fund's units in the Master Trust is primarily based on the value of the Master Trust portfolios of loans and other securities. As a result, the price risk arising from the Fund's investments is impacted by changes in the value of the Master Trust's investment portfolios.

The Fund monitors its market price risk exposure to ensure concentrations of risk remain within acceptable levels. The sensitivity analysis to a change in the net asset value of the Fund's investment in the Class A units in the Master Trust is disclosed in note 3(d).

Notes to the financial statements

For the half-year ended 31 December 2023

3 Financial risk management (continued)

(c) Market risk (continued)

ii) Interest rate risk

Interest rate risk is the risk of changes in the value of the Fund's financial instruments from changes in market interest rates. The Fund is not subject to significant amounts of interest rate risk due to fluctuations in the prevailing levels of market interest rates.

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows of financial instruments.

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

31 DECEMBER 2023 (\$'000)	FLOATING INTEREST RATE	FIXED INTEREST RATE	NON-INTEREST BEARING	TOTAL
Assets				
Cash and cash equivalents	43	-	-	43
Financial assets at FVTPL	-	-	1,056,870	1,056,870
Distribution receivables	-	-	7,475	7,475
Total assets	43	-	1,064,345	1,064,388
Liabilities				
Management fees payable	-	-	-	-
Distribution payables	-	-	7,475	7,475
Other payables	-	-	43	43
Total liabilities	-	-	7,518	7,518
Net Exposure	43	-	1,056,827	1,056,870

Notes to the financial statements

For the half-year ended 31 December 2023

3 Financial risk management (continued)

(c) Market risk (continued)

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

30 JUNE 2023 (\$'000)	FLOATING INTEREST RATE	FIXED INTEREST RATE	NON-INTEREST BEARING	TOTAL
Assets				
Cash and cash equivalents	18	-	-	18
Financial assets at FVTPL	-	-	792,418	792,418
Distribution receivables	-	-	5,248	5,248
Total assets	18	-	797,666	797,684
Liabilities				
Management fees payable	-	-	-	-
Distribution payables	-	-	5,200	5,200
Other payables	-	-	66	66
Total liabilities	-	-	5,266	5,266
Net Exposure	18	-	792,400	792,418

(d) Fair value measurement

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value 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).

Recognised fair value measurements

The following table presents the Fund's financial assets measured and recognised at fair value as at 31 December 2023 and 30 June 2023.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	LEVEL 1 (\$'000)	LEVEL 2 (\$'000)	LEVEL 3 (\$'000)	TOTAL (\$'000)
31 DECEMBER 2023				
Class A units of the Master Trust	-	-	1,056,870	1,056,870
30 JUNE 2023				
Class A units of the Master Trust	-	-	792,418	792,418

Notes to the financial statements

For the half-year ended 31 December 2023

3 Financial risk management (continued)

(d) Fair value measurement (continued)

Valuation techniques used to derive level 2 and level 3 fair value

The fair value of financial assets and liabilities that are not exchange-traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This may be the case for certain unlisted shares, certain corporate debt securities and unlisted unit trusts with suspended applications and withdrawals. The level 3 asset, being the investment in the Master Trust, is valued as the proportionate share of the Net asset value of the Master Trust.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund's holds.

Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

The determination of what constitutes 'observable' requires significant judgement by management. Management consider observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

The Fund's investment in the Master Trust is recorded at the net asset value (NAV) as reported by the Trust. The Fund may make adjustments to the value based on considerations such as the; liquidity of the Investee Fund or its underlying investments, the value date of the net asset value provided, or any restrictions on redemptions and the basis of accounting. As these inputs are not market observable, the Fund's investment in unit trusts is categorised in Level 3 of the fair value hierarchy.

Valuation inputs and relationship to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in the level 3 fair value measurements.

Financial Asset	Fair Value (\$'000)	Unobservable Inputs	Impact to Valuation from an Increase in Input
AS AT 31 DECEMBER 2023			
Class A units of the Master Trust	1,056,870	Discount for lack of marketability of the trust	A significant change in marketability of the trust can result in changes to fair value of the investment
AS AT 30 JUNE 2023			
Class A units of the Master Trust	792,418	Discount for lack of marketability of the trust	A significant change in marketability of the trust can result in changes to fair value of the investment

Notes to the financial statements

For the half-year ended 31 December 2023

3 Financial risk management (continued)

The following table presents the movement in level 3 financial instruments:

OPENING BALANCE – 1 JULY 2023 (\$'000)	792,418
Additions	396,932
Redemptions	(132,480)
CLOSING BALANCE – 31 DECEMBER 2023 (\$'000)	1,056,870
OPENING BALANCE – 1 JULY 2022 (\$'000)	365,356
Additions	551,771
Redemptions	(124,709)
CLOSING BALANCE – 30 JUNE 2023 (\$'000)	792,418

The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between fair value hierarchy levels during the period (30 June 2023: None).

The sensitivity of Class A units of the Master Trust due to a change in the valuation of the underlying assets is +/- Nil (30 June 2023: +/- Nil). As the Manager's Co-investment (in Class B units of 10%) will be first impacted in the event of any impairment of capital, this provides investors of the Fund a Capital Buffer equal to 10% of the Invested Capital. As such any sensitivity movement of 10% would have no impact on the fair value holdings of the Fund.

4 Cash and cash equivalents

	31 DECEMBER 2023 (\$'000)	30 JUNE 2023 (\$'000)
Cash at bank	43	18
Total	43	18

5 Financial assets at fair value through profit or loss

	AS AT 31 DECEMBER 2023 (\$'000)	AS AT 30 JUNE 2023 (\$'000)
Investment in Class A units of the Master Trust	1,056,870	792,418
Total financial assets	1,056,870	792,418

Notes to the financial statements

For the half-year ended 31 December 2023

5 Financial assets at fair value through profit or loss (continued)

A wholly owned subsidiary of MAFG co-invests via Class B units in the Master Trust an amount equal to 10% of the Fund's investment in Class A units of the Master Trust (Manager Co-Investment). The Manager Co-Investment is made on a first loss and subordinated basis, which means that:

- the Manager Co-Investment is first impacted in the event of an impairment of capital, providing Unitholders with the benefit of a Capital Buffer; and
- Unitholders are expected to benefit from priority returns, providing a significant degree of capital and income protection.

MAFG will only receive a return on the Manager Co-Investment if unitholders have been paid the full Target Return (in all prior periods) and the Capital Buffer is equal to 10% of the Fund's invested capital (Invested Capital). As at 31 December 2023, no impairment of the Capital Buffer has been noted.

	AS AT 31 DECEMBER 2023 (\$'000)	AS AT 30 JUNE 2023 (\$'000)
Master Trust NAV (excluding ECL)	1,162,619	871,713
Class A ownership	1,056,870	792,418
Class B ownership	105,749	79,295

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, and the relevant activities are directed by means of contractual arrangements. The Fund considers the Master Trust to be a structured entity. The Fund invests in Class A units of the Master Trust for the purpose of receiving the Target Return.

6 Net assets attributable to unitholders

Subscriptions

Applications to invest in the Fund are made by way of the Subscription Agreement provided by the Investment Manager. To invest in the Fund, completed Subscription Agreements and associated documents (such as proof of identity documents) must be received by the Responsible Entity and/or the transfer agent. Applications may be refused in full or in part by the Responsible Entity in its absolute discretion.

Units issued will be issued at the Unit Price as determined in accordance with the Responsible Entity's Unit Pricing Policy (rounded to the nearest four decimal places) and adjusted for any transaction costs. The number of units ultimately issued to a unitholder is determined by dividing the amount a unitholder agrees to invest by the relevant issue price (rounded to the nearest four decimal places).

The Constitution was amended by Supplemental Deed dated 31 March 2021, giving rise to new redemption provisions. Where the Fund is not liquid, withdrawals from the Fund may only be effected pursuant to a regulated withdrawal offer issued by Responsible Entity in accordance with the *Corporations Act 2001*. Under normal market conditions, the Responsible Entity expects that the Fund will be liquid. Where the Fund is liquid, Investors may request to redeem all or a portion of their Units with a 30-day notice period, or a lesser period as determined by the Responsible Entity.

Notes to the financial statements

For the half-year ended 31 December 2023

6 Net assets attributable to unitholders (continued)

Subscriptions (continued)

The movements in number of units and net assets attributable to unitholders during the financial period were as follows:

	HALF-YEAR ENDED		YEAR ENDED	
	31 DECEMBER 2023 (\$'000)	31 DECEMBER 2023 UNITS ('000)	30 JUNE 2023 (\$'000)	30 JUNE 2023 UNITS ('000)
Opening balance	792,418	396,209	365,356	182,678
Subscriptions	394,132	197,066	549,083	274,542
Redemptions	(132,480)	(66,240)	(124,709)	(62,356)
Distribution reinvested	2,800	1,400	2,688	1,345
Closing balance	1,056,870	528,435	792,418	396,209

As stipulated within the Fund Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are two separate classes of units for the Fund. Each unit has the same rights attaching to it as all other units of the Fund.

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 monthly basis as the Fund is subject to monthly applications and redemptions at the discretion of unitholders. Net assets attributable to unitholders are representative of the expected cash outflows on redemption. Monthly applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a periodic basis by the Responsible Entity. Under the terms 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.

7 Distributions to unitholders

	31 DECEMBER 2023 (\$'000)	31 DECEMBER 2023 CPU	31 DECEMBER 2022 (\$'000)	31 DECEMBER 2022 CPU
Distributions paid*	32,573		11,751	
Distribution payable	7,475		3,221	
	40,048	8.2194	14,972	6.3611

*Some distributions were satisfied by the issue of units (reinvestment). See note 6.

Notes to the financial statements

For the half-year ended 31 December 2023

8 Related party disclosures

(a) Responsible Entity

As disclosed in note 1 of this financial report, the Responsible Entity of the Fund is MAAM RE Ltd and it is managed by MA Investment Management Pty Ltd. The ultimate holding company of the Responsible Entity and the Manager is MA Financial Group Limited. All entities are incorporated in Australia.

(b) Key management personnel

Key management personnel of the Fund include the Directors of the Responsible Entity, and members on the Investment Committee.

The key management personnel of the Responsible Entity held units in the Fund as follows:

	31 DECEMBER 2023 (\$'000)	31 DECEMBER 2022 (\$'000)	31 DECEMBER 2023 ('000)	31 DECEMBER 2022 ('000)
John Sheffield	390	270	195	135
Steve Bennett	-	400	-	200
Christopher Wyke	500	585	250	293
Frank Danieli	100	30	50	15
Colin Richardson	1,950	-	975	-

No other members of the Investment Committee, nor the Board of the Responsible Entity hold investments in the Fund except for the above.

(c) Transactions with key management personnel

Key management personnel services are provided by the Responsible Entity and included in the management fees disclosed in note (d) below. There is no separate charge for these services. There was no compensation paid directly by the Fund to any of the key management personnel.

The following transactions occurred with key management personnel during the reporting period:

	31 DECEMBER 2023 (\$'000)	31 DECEMBER 2022 (\$'000)	31 DECEMBER 2023 ('000)	31 DECEMBER 2022 ('000)
Application for units	1,440	40	720	20
Redemption of units	(1,485)	(200)	(743)	(100)

Except as disclosed above, no key management personnel have entered into any transactions with the Fund during the period and there were no material balances involving key management personnel's interests outstanding at period end.

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to key management personnel or their personally related entities at any time during the reporting period.

Notes to the financial statements

For the half-year ended 31 December 2023

8 Related party disclosures (continued)

(d) Responsible Entity's fees and other fees

During the period the Responsible Entity rendered services in accordance with the Fund's Constitution. The Responsible Entity is entitled to a fee out of the assets of the Fund of up to 2% (excluding GST) of the Fund's NAV, accrued daily and payable monthly in arrears (Responsible Entity Fee). The Responsible Entity waived its entitlement to this fee for as long as the Investment Manager remains Manager of the Fund and Master Trust. If the Investment Manager ceases to be the Manager of the Fund and Master Trust, the Responsible Entity intends to charge this fee. The Investment Manager charges the Master Trust a management fee of 0.5% (including GST) of the Master Trust's NAV.

The Fund has an Expense Reimbursement Agreement with the Master Trust that the Master Trust will reimburse all fees and expenses including remuneration paid to auditors and other operating expenses incurred by the Fund from the date of establishment of the Fund. Fees and costs reimbursed are outlined below.

	31 DECEMBER 2023 (\$'000)	31 DECEMBER 2022 (\$'000)
Income:		
Expense reimbursement income	127	42
Expenses:		
Remuneration paid to auditors	10	9
Other operating expenses	117	33
Total expenses	127	42

Notes to the financial statements

For the half-year ended 31 December 2023

8 Related party disclosures (continued)

(e) Related party unitholdings

The only related party to the Fund as defined by AASB 124 *Related Party Disclosures* is the Responsible Entity which has no unit holdings in the Fund. Other schemes (managed by related parties of the Responsible Entity), held units in the Fund as follows:

	NO. OF UNITS HELD OPENING ('000)	NO. OF UNITS HELD CLOSING ('000)	FAIR VALUE OF INVESTMENT (\$'000)	INTEREST HELD (%)	NO. OF UNITS ACQUIRED ('000)	NO. OF UNITS DISPOSED ('000)	DISTRIBUTIONS PAID/ PAYABLE BY THE FUND (\$'000)
31 DECEMBER 2023							
MA Fixed Income Fund III	24,804	21,057	42,113	4.0%	-	3,747	1,935
MA Wholesale Credit Income Fund	-	53	105	0.0%	53	-	1
MA Wholesale Priority Income Fund	86,085	105,365	210,729	19.9%	56,389	37,109	9,243
	110,889	126,475	252,947	23.9%	56,442	40,856	11,179
31 DECEMBER 2022							
MA Fixed Income Fund III	25,304	25,304	50,608	9.3%	-	-	1,610
MA Wholesale Credit Income Fund	-	-	-	-	-	-	-
MA Wholesale Priority Income Fund	7,243	48,359	96,718	17.7%	43,115	2,000	2,131
	32,547	73,663	147,326	27.0%	43,115	2,000	3,741

Notes to the financial statements

For the half-year ended 31 December 2023

8 Related party disclosures (continued)

(f) Investments

The Fund held investments in the following unit trusts which are also managed by the Investment Manager

	FAIR VALUE OF INVESTMENT (\$'000)	DISTRIBUTIONS RECEIVED/ RECEIVABLE (\$'000)	UNITS ACQUIRED DURING THE PERIOD ('000)	UNITS DISPOSED DURING THE PERIOD ('000)
31 DECEMBER 2023				
MA Master Credit Trust	1,056,870	40,048	198,466	66,240
30 JUNE 2023				
MA Master Credit Trust	792,418	40,426	275,886	62,355

The Fund did not hold any investments in the Responsible Entity or its related parties during the period.

Transactions with related parties have taken place at arm's length and in the ordinary course of business.

(g) Other transactions

	31 DECEMBER 2023 (\$'000)	30 JUNE 2023 (\$'000)
Related party receivable ¹	7,475	5,248
Related party payable ²	43	18

¹ Distribution receivable from the Master Trust. Received in full in January 2024 and January 2023.

² Relates to bank interest income earned and payable to Master Trust per the ERA (refer to note 8(d)).

9 Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factors in deciding control and the relevant activities are directed by means of contractual arrangements.

The Scheme considers all investments in unlisted unit trusts to be structured entities. The Scheme may invest in related and unrelated unlisted unit trusts for the purpose of capital appreciation and earning investment income.

The unlisted unit trusts are invested in accordance with the investment strategy by their respective investment managers. The return of the unlisted unit trusts is exposed to the variability of the performance of their investments. The unlisted unit trusts finance their operations by issuing redeemable units which are puttable at the holder's option and entitle the holder to a proportional state in the respective trusts' net assets and distributions.

The Scheme's exposure to structured entities at 31 December 2023 was \$1,056,869,773 (30 June 2023: \$792,418,012).

The fair value of these entities is included in financial assets at fair value through profit or loss in the balance sheet.

The Scheme's maximum exposure to loss from its interests in the structured entities is equal to the total fair value of its investments in these entities as there are no off-balance sheet exposures relating to them. The Scheme's exposure to any risk from the structured entities will cease when these investments are disposed of.

Notes to the financial statements

For the half-year ended 31 December 2023

9 Structured entities (continued)

The Scheme does not have current commitments or intentions and contractual obligations to provide financial or other support to the structured entities. There are no loans or advances currently made to these entities.

Unconsolidated subsidiaries

The Scheme applies the investment entity exception to consolidation available under AASB10 *Consolidated Financial Statements* and measures its subsidiaries at fair value through profit or loss.

The following unconsolidated structured entities are considered to be the Scheme's subsidiaries at the reporting date:

	Fair value		Ownership Interest	
	31 DECEMBER 2023 (\$'000)	30 JUNE 2023 (\$'000)	31 DECEMBER 2023 %	30 JUNE 2023 %
Master Trust	1,056,870	792,418	90.90%	90.90%

The principal place of business for the above entities is Sydney, Australia.

10 Approval of half-year condensed financial report

The condensed half-year financial report of the Fund for the period ended 31 December 2023 was approved and authorised for issue by the Responsible Entity effective 15 March 2024.

11 Events occurring after the reporting period

Subsequent to 31 December 2023 the Fund paid the December 2023 distribution to unitholders of \$7,474,610.13.

No other matter or circumstance has occurred subsequent to period end 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 entity in subsequent financial periods.



Independent Auditor's Review Report

To the unitholders of MA Priority Income Fund

Conclusion

We have reviewed the accompanying **Condensed Half-year Financial Report** of MA Priority Income Fund (the Fund).

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Condensed Half-year Financial Report of MA Priority Income Fund does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the Fund's financial position as at 31 December 2023 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Condensed Half-year Financial Report** comprises:

- Condensed half-year statement of financial position as at 31 December 2023;
- Condensed half-year statement of comprehensive income, Condensed statement of changes in equity and Condensed statement of cash flows for the Half-year ended on that date;
- Notes 1 to 11 including selected explanatory notes; and
- The Directors' Declaration.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Fund in accordance with the auditor independence requirements of 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of the Directors for the Condensed Half-year Financial Report

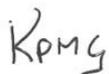
The Directors of the Fund are responsible for:

- the preparation of the Condensed Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- such internal control as the Directors determine is necessary to enable the preparation of the Condensed Half-year Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Condensed Half-year Financial Report

Our responsibility is to express a conclusion on the Condensed Half-year Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Condensed Half-year Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Fund's financial position as at 31 December 2023 and its performance for the Half-Year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a Condensed Half-year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



KPMG



Shaun Kendrigan

Partner

Sydney

15 March 2024