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Chris Andrews
chief investment
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Financial

The awesome power of the peer-to-peer economy

Investors in La Trobe Financial's mortgage funds have benefitted from strong returns without the volatility of equity markets. For those investors who want greater choice and control about how their money is invested, a peer-to-peer approach is a great option.

Peer-to-peer services have attracted a lot of attention in recent years as innovative businesses have sprung up to connect those able to provide lending, access to a service or asset to those who need them.

Made famous by the likes of Airbnb and Go-Get, this new 'sharing economy' is being touted as a means to democratise the services usually provided by giant corporations. Entrepreneur magazine has even called the peer-to-peer economy "the future of market capitalism."

But the practise is not just limited to renting a spare room or a car. Companies like La Trobe Financial are harnessing the power of technology to connect investors with borrowers, generating more attractive and better diversified returns for the former and providing a welcome new source of finance for the latter.

Mortgages and the sharing economy

La Trobe Financial has brought the benefits of peer-to-peer lending to the strong and consistent levels of return available in private mortgage investments. The firm says they are an attractive option for investors looking to grow their wealth and add diversity to their portfolio.

In a traditional pooled mortgage fund, investors provide the capital for the product provider to then lend out to borrowers to purchase a home or commercial property. This is then paid back to the investor plus interest payments over the life of the investment.

While these funds offer a decent level of diversification, investment decisions rest with the provider rather than with the individual investors. For advisers with clients looking for greater control, La Trobe Financial offers peer-to-peer investments.

"Our advisers and investors are after capital stable investments that generate premium income returns. And they're looking to do so through an investment model that offers them choice and control. Peer to peer investment hits the target perfectly here," La Trobe Financial chief investment officer Chris Andrews explains.

"Some recent P2P entrants have developed models that are marketed as peer to peer, but are actually pooled investment schemes. But for those advisers and investors that are after

genuine peer to peer investment – there is a vibrant and flourishing market available."

Unlike many peer to peer start-ups, the company has a strong pedigree managing this type of investment in the Australian market.

"With over sixty years' experience in the asset class and around twenty years' in the peer to peer space. We've seen good times and bad and our processes are battle-hardened," says Andrews.

La Trobe Financial's Select Mortgages Option is part of the La Trobe Australian Credit Fund. It allows investors to invest in individual loans. All are secured by a registered first mortgage – this is not unsecured personal lending – and returns range between 5.50% and 8.50% per annum.

"We've got around 500 loans and \$300 million in the portfolio. At any one time something like 50 loans are available for investment. We believe that this is the largest, most robust peer to peer portfolio in Australia," Andrews continues.

Investors in La Trobe Financial's Select Mortgages Option can choose from a diverse range of mortgage loans across Australia. All are subject to a rigorous credit assessment and none has a loan to value ratio higher than 75%. This diversity allows advisers and investors to choose the loans that suit their own risk profiles.

La Trobe Financial's offering is also built around a registered, managed investment scheme, which is time-tested and completely transparent. Investors get full disclosure in relation to their individual loans and La Trobe reports comprehensively on the whole portfolio each month.

Unless it is a variable rate which is set each month, mortgage investments tend to have a stated interest rate for the length of the loan that is constant. Investors know what they will earn on their investment when they make it. This type of investment is therefore particularly attractive to investors with known liabilities to meet, or pre-retirees looking to plan for the future.

Greater choice

La Trobe Financial's investment platform provides investors and their advisers with a menu of available loans to invest in. Investors can then pick and choose whichever they like to suit their risk appetite.



The quote

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Investors can review the details of the borrower and the proposed loan with their adviser, including investment term, interest rate, and payment terms together with a description of the project or property used as security for the loan. Based on this information, and any additional details required, you make the decision to invest or not.

The types of mortgage investments available can include residential single and multi-unit purchase and development; unit or apartment conversions; land acquisition; land servicing and new construction building loans; or commercial, retail, industrial and other projects.

For example, La Trobe Financial currently lists a three level retail property in Sydney's Redfern. Its entry on the website includes details about the property – a glass fronted shop with storage room and amenities with a three bedroom residential unit above. The platform also lists the total value of the loan at \$1,074,500 secured at a loan to value ratio of 70%. There are 53 months of the original five year loan period remaining and investors can invest up to \$349,000 with a net return of 5.59% per annum.

Similar entries are included in a 12-page shopping list including, among others, a 4,200 square metre warehouse in Epping, VIC paying 7.65% per annum; a 594 square metre factory four kilometres from Townsville paying 6.09%; and a 447 square metre allotment on which five apartments will be built in Burswood, WA, paying 8% per annum.

For each loan, investors receive a copy of a Supplementary PDS – with details of that specific loan – and they can even request a copy of the independent valuation of the security property.

There is no need to fund the entire loan – the minimum investment is just \$1,000 – so advisers and investors can build their own portfolios.

La Trobe Financial co-ordinates all the legal documentation, ongoing loan administration and loan renewal negotiations. The company also collects the interest due and passes it onto the investor. Fees are paid by the borrower via a management fee which is paid with the borrower's interest.

"We've really leveraged technology to make the investment process easy and transparent – that's fundamental to what we do," says Andrews. **FS**



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