



ADIIIF

AUSTRALIAN DIVERSIFIED INCOME FUND

## INFORMATION MEMORANDUM

29 August 2018

**Trustee** Vasco Investment Managers Limited | ACN 138 715 009

**Investment Manager** Australian Diversified Income Pty Ltd | ACN 622 221 176

**Administration Manager** Vasco Funds Management Pty Ltd | ACN 610 512 331



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### Notice

This Information Memorandum (**IM**) is dated 29 August 2018 and is issued by Vasco Investment Managers Limited ACN 138 715 009, holder of AFS licence number 344486, (**Trustee**), as the trustee of the Australian Diversified Income Fund (**Fund**).

The purpose of this IM is to provide information for prospective Investors to decide whether they wish to invest in the Fund.

The Trustee has appointed Australian Diversified Income Pty Ltd ACN 622 221 176 (**Investment Manager**) as the investment manager of the Fund under the Investment Management Agreement. The Investment Manager is an authorised representative (0001259804) of Rimbal Investment Services Pty Ltd ACN 600 166 774 AFS Licence Number 472548.

By accepting this IM, the recipient agrees to be bound by the following terms and conditions.

**Investors to undertake own due diligence.** Information contained in this IM has been provided to prospective applicants to assist them to make an assessment of whether or not to invest in the Fund. In relation to the information contained in this IM, the Trustee and Investment Manager or their related parties, officers, employees, consultants, advisers or agents do not warrant or represent that:

- All information which is relevant to the making of an investment in the Fund has been provided in this IM;
- All material information which is relevant to the making of an investment in the Fund has been provided in this IM; and
- All information provided under this IM is accurate or correct or does not contain misleading or deceptive statements.

Whilst the Investment Manager has taken steps to ensure that the information presented in this IM is correct, it is possible that due to factors such as the passage of time or the uncertainty in forecast details that the information contained in this IM may be inaccurate at the date of release of the IM or at a later time.

**The Trustee has not sought to verify any statements contained in this IM about the investment opportunity described herein, the investment strategy employed by the Investment Manager, the Investment Manager's business or the business of any other parties named in this IM.**

Prospective investors are strongly encouraged to undertake their own due diligence in relation to the Fund before making an investment. In addition, prospective investors should read this IM in its entirety and seek independent professional advice as to the financial, taxation and other implications of investing in the Fund and the information contained in this IM.

To the maximum extent permitted under the law, the Trustee and the Investment Manager disclaim any liability arising from any information provided in the IM.

By making an investment in the Fund, an investor warrants and represents to the Trustee and Investment Manager that they have undertaken their own due diligence in relation to investment in the Fund, including without limitation, in relation to the structure of the Fund and the likelihood of returns from the Fund.

### Confidentiality

Neither this IM nor any other information provided by the Trustee may be disclosed to any other party, except for the purpose of obtaining independent advice in connection with the consideration of an investment in the Fund, or used for any purpose other than the consideration of an investment in the Fund, unless the express prior written consent of the Trustee is obtained. Any reproduction of all or part of this IM is strictly prohibited without the written consent of the Trustee. In the event that the recipient does not participate in the Fund, this IM, along with all related materials, must be returned to the Trustee immediately upon demand.

### Restrictions on Distribution

This IM does not constitute, and may not be used for the purposes of, an offer of Units or an invitation to apply to participate in the Fund by any person in any jurisdiction in which such offer or invitation is not authorised or in which the person endeavouring to make such offer or invitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or invitation.

No action has been taken to register or qualify interests in the Fund, the invitation to participate in the Fund, or to otherwise permit any public offering of Fund interests in any jurisdiction other than Australia and Singapore.

It is the responsibility of prospective investors to satisfy themselves as to full compliance with the relevant laws and regulations of any territory in connection with any application to participate in the Fund, including obtaining any requisite governmental or other consent and adhering to any other formality prescribed in such territory.

By receiving and viewing this IM, the recipient is warranting that they are legally entitled to do so and the securities laws of their relevant jurisdiction do not prohibit them from acquiring interests in the Fund. Further, the person receiving and viewing this IM from the Trustee warrants that, if they reside in Australia, they are a wholesale client as defined in section 761G of the Corporations Act and, if they reside in Singapore, they are an accredited investor or certain other persons prescribed under s305 of the Securities and Futures Act or, if residing in New Zealand, they are a wholesale investor within the meaning of clauses 3 (2) of Schedule 1 of the Financial Markets Conduct Act 2013 (collectively, "Qualifying Investors").

### Investors from Australia

With respect to Australian jurisdiction, this IM has been prepared on the basis that prospective Investors are wholesale clients or sophisticated investors, not retail clients (all within the meaning of the Corporations Act).

Accordingly, this IM is not a product disclosure statement and does not contain all of the information that would be included in a product disclosure statement issued under the Corporations Act.

### **Investors from Singapore**

With respect to Singaporean jurisdiction, this IM has been prepared on the basis that prospective Investors are also accredited investors or certain other persons prescribed under s305 of the Securities and Futures Act.

Accordingly, this scheme is not authorised or recognised by the Monetary Authority of Singapore and Units in this scheme are not allowed to be offered to the retail public.

Further, this IM is not a prospectus as defined in the Securities and Futures Act and, accordingly, statutory liability under the Securities and Futures Act in relation to the content of prospectuses does not apply, and the offeree should consider carefully whether the investment is suitable for them.

Any prospective investors from Singapore are required to complete a Singapore Accredited Investor Certificate available from the Trustee.

### **Investors from New Zealand**

With respect to New Zealand jurisdiction, this IM has been prepared on the basis that prospective Investors are also wholesale investors within the meaning of clauses 3(2) of Schedule 1 of the Financial Markets Conduct Act 2013. Any prospective investors from New Zealand are required to complete a New Zealand Wholesale Investor Certificate available from the Trustee.

### **Summary of key documents only**

This IM contains a summary of the terms of the Fund and certain other documents. However, prospective Investors should refer to the complete legal documentation for the Fund (available by application to the Trustee). Investments in the Fund are governed by the Constitution for the Fund and associated documents and nothing in this IM limits or qualifies the powers and discretions conferred upon the Trustee and the Investment Manager under those documents. This IM should be read in conjunction with the Constitution and associated documents for the Fund. In the event of any inconsistency between the Constitution and associated documents and this IM, then the Constitution and associated documents will prevail to the extent of the inconsistency.

### **Trustee may reject and no cooling off period**

The Trustee reserves the right to evaluate any applications and to reject any or all applications submitted, without giving reasons for rejection. The Trustee and Investment Manager are not liable to compensate the recipient of this IM for any costs or expenses incurred in reviewing, investigating or analysing any information in relation to the Fund, in submitting an application or otherwise. No cooling off period applies to the issue of interests in the Fund.

### **No tax or investment advice provided**

Prospective Investors should not construe the contents of this IM as tax or investment advice.

This IM does not purport to be complete, accurate or contain all information which its recipients may require to make an informed assessment of whether to invest in the Fund.

Any advice given by the Trustee in connection with the Fund or in this IM is general advice only. This IM does not take into account the objectives, circumstances (including financial situation) or needs of any particular person. Before acting on the information contained in this IM, or making a decision to invest in the Fund, prospective Investors should make their own enquiries and seek professional advice as to whether investment in the Fund is appropriate in light of their own circumstances.

To the maximum extent permitted by law, the Trustee and Investment Manager and their directors, officers, employees, advisers or consultants and their associated companies, businesses, partners, directors, officers or employees do not accept any liability or responsibility for any loss or damage (however caused including without limitation for negligence) arising from reliance placed on the information contained in this IM.

### **No representation other than this IM**

Except where expressly disclosed, the information contained in the IM has not been independently verified or audited. To the maximum extent permitted by law, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Trustee or Investment Manager and/or their advisers as to the accuracy or completeness of any part of this IM, nor will they have any responsibility to update or supplement this IM.

No person is authorised to give any information or to make any representation in connection with the offer of Units in the Fund described in this IM, which is not in this IM. This IM supersedes any prior IM or marketing materials given prior to the issue of the IM to the extent of any inconsistency. Any information or representation in relation to the offer of Units in the Fund described in this IM not contained in this IM may not be relied upon as having been authorised by the Trustee or the Investment Manager and/or their advisers.

### **No guarantee of performance or representations made by Trustee or Investment Manager**

None of the Trustee, the Investment Manager nor any other person or entity guarantees any income or capital return from the Fund.

There can be no assurance that the Fund will achieve results that are comparable to the track record of the Trustee or Investment Manager and/or their advisers or that the Fund's investment objectives will be achieved.

Certain of the information contained in this IM has been obtained from published sources prepared by other parties. None of the Trustee, the Investment Manager or any other person assumes any responsibility for the accuracy or completeness of such information. Except as specifically provided in the IM and associated documents, no representation made or information given in connection with or relevant to an investment in the Fund may be relied upon as having been made or given with the authority of the Trustee and no responsibility is accepted by the Trustee and/or their advisers or any other person in respect thereof.

All statements of opinion and/or belief contained in the IM and all views expressed and all projections, forecasts or statements relating to expectations regarding future events or the

possible future performance of the Fund represent the Trustee's own assessment and interpretation of information available to it as at the date of this IM and are provided for illustrative purposes only. No representation is made or assurance given that such statements, views, projections or forecasts are correct or that the objectives of the Fund will be achieved. Prospective investors must determine for themselves what reliance (if any) they should place on such statements, views, projections or forecasts and no responsibility is accepted by the Trustee and/or their advisers in respect thereof. Prospective Investors are strongly advised to conduct their own due diligence including, without limitation, the potential financial, legal and tax consequences to them of investing in the Fund.

### **Forward looking statements**

Certain information contained in this IM constitutes "forward-looking statements" that can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "estimate," "intend," "continue," or "believe" or the negatives thereof or other variations thereon or comparable terminology. Furthermore, any projections or other estimates in this IM, including estimates of returns or performance, are "forward-looking statements" and are based upon certain assumptions that may change. Due to various risks and uncertainties, including those set forth under "Risk," in Section 7 actual events or results or the actual performance of the Fund may differ materially from those reflected or contemplated in such forward-looking statements.

The forward-looking statements included in this IM involve subjective judgment and analysis and are subject to uncertainties, risks and contingencies, many of which are outside the control of, and are unknown to, the Trustee and/or the Investment Manager. Actual future events may vary materially from the forward-looking statements and the assumptions on which those statements are based. Given these uncertainties, prospective applicants are cautioned to not place undue reliance on such forward-looking statements.

Any estimate, forecast, projection, feasibility, cash flow or words of a similar nature or meaning in this IM are forward looking statements and subject to this disclaimer.

### **Glossary**

Certain capitalised words and expressions used in this IM are defined in the Glossary. All references to dollar amounts in this IM are to Australian Dollars (AUD), unless otherwise stated.

### **Date**

This IM is dated 29 August 2018. Neither the delivery of this IM at any time nor any sale hereunder shall under any circumstances create an implication that the information contained herein is correct as of any time after that date. The Trustee reserves the right to modify any of the terms of issue of Units in the Fund described herein. The Trustee and Investment Manager disclaim any liability which may arise from changes to this IM.

**Any questions regarding this IM should be directed to the Investment Manager on +61 2 8014 7032 or the Trustee at Level 5, 488 Bourke Street, Melbourne, Victoria, 3000, Australia or +61 3 8352 7120.**

## Letter from the Investment Manager

Dear Investor

On behalf of the investment management team at Australian Diversified Income Pty Ltd (ADI) it is my pleasure to present to you an opportunity to invest in the Australian Diversified Income Fund (Fund).

The Fund aims to provide Investors with the opportunity to achieve attractive regular income by investing, indirectly through loans made to special purpose investment companies (SPVs), in a range of income producing assets. These assets may include:

- Recurring revenue (commission) from mortgage broking or life insurance portfolios
- Recurring revenue from residential property rental businesses
- First and second mortgage loans secured over real property
- Fixed income instruments

The Investment Manager may also invest in SPVs that provides finance through loans or direct equity investments to property investors and developers.

In some instances, the Fund may also invest directly into other managed investments that invest in income producing assets such as:

- Domestic and international bonds
- Cash and bank bills
- Corporate debentures and other debt securities
- Secured and unsecured loans to individuals and businesses

The Fund aims to provide investors with quarterly income distributions.

The Investment Manager is supported by a team with significant experience in the investment assets noted above.

The Fund has an independent trustee, Vasco Investment Managers Limited (Vasco). Vasco is part of an investment management group that provides responsible entity, trustee, fund administration and distribution services to Australian and international investment managers.

The Vasco team have significant experience in the Asia Pacific region in the management of equity funds, fixed income funds, REITs, private equity real estate funds, real estate securities funds, and mortgage and real estate debt funds. Some of the funds Vasco's executives have developed include the \$1 billion Australian Unity Healthcare Property Trust and the \$1 billion AIMS AMP Capital Industrial REIT listed on the Singapore Stock Exchange (SGX).

I invite you to read through this IM (including Section 7 entitled "Risks") to allow you to make an informed decision before investing in the Fund.

On behalf of ADI, I look forward to your participation with us in this outstanding investment opportunity.

Regards,

**David Le**  
**Managing Director**

*Australian Diversified Income Pty Ltd*

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## AUSTRALIAN DIVERSIFIED INCOME FUND INFORMATION MEMORANDUM

### 1.0 Key Features

The table below is a summary of the key features of an investment in the Australian Diversified Income Fund (Fund). It is not intended to be exhaustive. You must read the whole of this IM to obtain more detailed information before making a decision to invest in the Fund.

#### Key Features

<b>Trustee</b>	Vasco Investment Managers Limited <b>Please see Section 4.1 for more information about the Trustee.</b>
<b>Investment Manager</b>	Australian Diversified Income Pty Ltd <b>Please see Section 4.1 for more information about the Investment Manager.</b>
<b>Administration Manager</b>	Vasco Funds Management Pty Ltd <b>Please see Section 4.1 for more information about the Administrator.</b>
<b>Investment Structure</b>	<p>The Fund is an unregistered managed investment scheme which pools Investors' money and lends this money to companies known as special purpose vehicles (SPVs) that are controlled by the Investment Manager.</p> <p>These SPVs will invest in a range of income producing assets including:</p> <ul style="list-style-type: none"><li>- Recurring revenue from mortgage broking or life insurance portfolios</li><li>- Recurring revenue from residential property rental businesses</li><li>- First and second mortgage loans secured over real property</li><li>- Fixed income instruments</li></ul> <p>The Investment Manager may also invest in SPVs that provides finance through loans or direct equity investments to property investors and developers.</p> <p>In some instances, the Fund may also invest directly into other managed investments that invest in income producing assets such as:</p> <ul style="list-style-type: none"><li>- Domestic and international bonds</li><li>- Cash and bank bills</li><li>- Corporate debentures and other debt securities</li><li>- Secured and unsecured loans to individual and businesses</li></ul> <p><b>Section 2 contains more information about the Fund's structure.</b></p> <p><b>Section 3 contains more information about the Investment Guidelines the Investment Manager has committed to following when investing in each of the above assets from the SPVs.</b></p>
<b>Hurdle Income Return</b>	<p>The Investment Manager is targeting minimum annual income return (before tax, after fees and expenses) to investors equal to the RBA Cash Rate over a 3-month average plus 3% (Hurdle Income Return).</p> <p>The Investment Manager will only earn its performance fee after the Hurdle Income Return is satisfied.</p> <p>The Hurdle Income Return is not a forecast and returns are not guaranteed.</p> <p>Investors will receive a distribution up to the Hurdle Income Return each calendar quarter, with distributions earned above this amount to be paid at the end of each financial year.</p>
<b>Target Income Return</b>	<p>The Investment Manager aims to achieve an annualised total return (before tax, and after fees and expenses) to investors of between 6 and 7% per annum (Target Income Return).</p> <p>The Target Return is not a forecast and returns are not guaranteed.</p>



## AUSTRALIAN DIVERSIFIED INCOME FUND INFORMATION MEMORANDUM

<b>Who can invest in the Fund?</b>	<p>The Offer is only available to Qualifying Investors, meaning an Investor who:</p> <ul style="list-style-type: none"><li>- invests \$500,000 or more in the Fund; or</li><li>- provides a certificate from a qualified accountant (substantially in a form provided by and available from the Trustee) that states the Investor has net assets of at least \$2.5 million or has a gross income for each of the last two financial years of at least \$250,000; or</li><li>- is a professional investor (including the holder of an Australian financial services licence, a person who controls more than \$10 million or a person that is a listed entity or a related body corporate of a listed entity); and</li><li>- if residing in Singapore, can also demonstrate (in addition to one of the above) they are an accredited investor or certain other person prescribed under s305 of the Securities and Futures Act by providing a declaration to that effect and suitable documentary evidence; or</li><li>- if residing in New Zealand, can demonstrate they are wholesale investors within the meaning of clauses 3(2) of Schedule 1 of the Financial Markets Conduct Act 2013.</li></ul>
<b>Minimum Investment Amount</b>	<p>\$500,000, then increments of \$10,000 thereafter.</p> <p>The Trustee has the discretion to accept amounts lower than specified.</p>
<b>Minimum Investment Term</b>	<p>Investors will only be able to participate in withdrawals (described below) after having been invested in the Fund for at least 2 years (<b>Minimum Term</b>).</p> <p>The Trustee reserves the right to allow an investor to participate in withdrawals prior to their Minimum Term where the investor can demonstrate they are experiencing financial hardship or require the funds in order to comply with a legal obligation.</p>
<b>Withdrawals</b>	<p>Subject to available liquidity and the investment being held for the Minimum Term, the Trustee expects to redeem those Investors who have submitted a Withdrawal Request at the end each quarter. Investors are restricted to withdrawing a maximum of 25% of the balance of their investment each calendar quarter. This means that a full withdrawal is expected to occur over a period of 12 months.</p> <p>Where there is insufficient liquidity to satisfy all Withdrawal Requests, investors redemptions will be satisfied on a pro-rata basis each calendar quarter until all Withdrawal Requests are satisfied.</p> <p>Withdrawal Request Forms are available on the Trustee's website at <a href="http://www.vascofm.com">www.vascofm.com</a> and are required to be submitted at least 30 days prior to the end of the calendar quarter from which they want to be redeemed.</p> <p>Under the terms of the Constitution, in certain situations, the Trustee is able to, amongst other things, suspend all redemptions or compulsorily redeem Investors where it believes that doing so is in the best interests of Investors in the Fund as a whole.</p>
<b>Distributions</b>	<p>Distributions, are expected to be paid on a quarterly basis. The amount paid each quarter may vary and be up to the Hurdle Income Return.</p> <p>Any income above this amount will be distributed (before tax and after fees and expenses) as at the end of each financial year and ordinarily paid within 60 Business Days of this date.</p>
<b>Fund Term</b>	<p>The Fund is open-ended, meaning it does not have a close date. However, the Investment Manager expects to stop accepting applications once the Fund reaches \$20 million in gross assets (<b>Target Fund Size</b>).</p>
<b>Re-investment</b>	<p>Investors have the option of electing on the Application Form to have distributions paid into their nominated bank accounts via EFT or reinvested into the Fund.</p>

<p><b>Units</b></p>	<p><b>Unit price</b> The Trustee intends to issue Units at \$1.00. The Unit price is based on the underlying value of the Fund's assets calculated in accordance with the Constitution.</p> <p>The withdrawal price for a Unit is also based on the underlying value of the Fund's assets. This price may be different from the price originally paid for the Unit in the event that the Fund's assets are re-valued (e.g. in the event of a loss on a loan or reduction in price of any shares held).</p> <p>Unit prices are available at <a href="http://www.vascofm.com">www.vascofm.com</a>. The price that will apply to your application may be different from that on the website as the one that will apply will be the one calculated after you submit your application.</p> <p><b>Issue of Units</b> Units in the Fund will be issued within seven Business Days of the end of the calendar month in which a completed Application Form and investment monies are received. The Trustee reserves the right to issue Units more frequently in its absolute discretion.</p> <p><b>Transfer of Units</b> You can transfer the ownership of your Units at any time provided that the transferee meets the requirements of an Investor in the Fund and has been approved by the Trustee.</p> <p>Under the Constitution, the Trustee has the discretion to refuse the transfer of Units and is not obliged to accept a transfer of Units. Please note that a transfer of Units may have taxation consequences. See Section 6 of the IM for further information.</p> <p>There will not be any established secondary market for the sale of Units.</p>
<p><b>Risks</b></p>	<p>There are risks associated with an investment in the Fund. It is important that you read and consider the risks associated with the Fund before deciding whether to invest.</p> <p>Distributions or capital returns are not guaranteed.</p> <p>Further details regarding the risks associated with investing in the Fund are included in Section 6 of this IM.</p>
<p><b>Entry and exit fees</b></p>	<p>There are no entry and exit fees.</p>
<p><b>Buy and sell spread</b></p>	<p>There is no buy spread.</p> <p>The withdrawal price for a Unit will be subject to a 1% sell spread to cover the costs associated with selling the Fund's investments. The monetary value of the spread remains in the Fund and is not a fee paid to the Trustee or to the Investment Manager.</p>
<p><b>Fees and other costs</b></p>	<p>Management fees and costs payable from the assets of the Fund include:</p> <ul style="list-style-type: none"> <li>- Establishment fees of \$14,500</li> <li>- Trustee fees of 0.10% per annum of the Fund's gross asset value subject to a minimum fee of \$25,000 per annum</li> <li>- Administration fees of up to \$25,000 per annum subject to a 4% increase on the 1st of January of each year.</li> <li>- Investment management fees of 1.00% per annum of the Fund's gross asset value</li> <li>- Performance fees of 50% of the income above the Hurdle Income Return</li> <li>- Expenses incurred by the Trustee or Investment Manager properly incurred in connection with performing their respective duties</li> </ul> <p>The earnings of an SPV which the Fund lends money to may exceed the interest payable to the Fund and in that case the excess earnings will be the entitlement of the shareholders of the SPV, which may be the Investment Manager and its related entities.</p> <p>Section 5 contains a detailed description of the fees and costs payable in relation to the management of the Fund.</p>
<p><b>Borrowings</b></p>	<p>The Fund itself will not borrow money, however the underlying SPV's may borrow money in some instances.</p>





## 2.0 Investment Structure

The Fund aims to provide Investors with the opportunity to achieve attractive returns by lending money to special purpose companies (SPVs) controlled by the Investment Manager. The Investment Manager will control the SPVs as a result of it being the sole shareholder in each SPV, and having its Managing Director as the sole director of each SPV. These SPVs will then invest that money in a range of income producing assets including:

- Recurring revenue (commission) from mortgage broking and life insurance portfolios
- Recurring revenue from residential property rental businesses
- First and second mortgage loans secured over real property
- Fixed income instruments

The Investment Manager may also invest in SPVs that provides finance through loans or direct equity investments to property investors and developers.

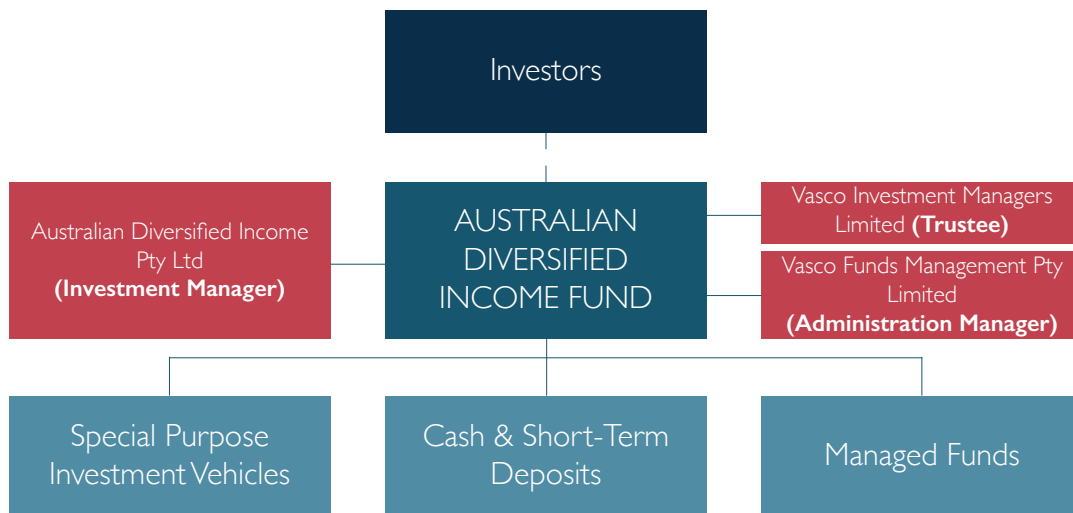
In some instances, the Fund may also invest directly into other managed investments that invest in income producing assets such as:

- Domestic and international bonds
- Cash and bank bills
- Corporate debentures and other debt securities
- Secured and unsecured loans to individuals and businesses

The Trustee does not have any oversight regarding the investments made by the SPVs or the investment decisions of each SPVs management team. However, the Investment Manager has committed, via its control of the SPVs, to following the Investment Guidelines outlined further below.

Legally, the Fund is an unlisted unregistered managed investment scheme structured as a unit trust.

There is no intention to register the Fund with ASIC or to list the Fund on a secondary market such as the ASX. The following diagram illustrates the parties involved in the management of the Fund:



The Fund was established by a Constitution dated 15 November 2017 which regulates the relationship between the Trustee and Investors.

The main responsibilities of the Trustee are to ensure the Fund is operated in accordance with the Constitution, this IM and to ensure compliance with Australian law. Importantly, the Trustee is required to have regard to the best interests of Investors in all decisions that it makes with respect to the Fund.

The Trustee of the Fund has appointed the Investment Manager pursuant to the Investment Management Agreement. The Investment Manager is responsible for, among other things, marketing the fund and managing the Fund's investments.

The Trustee of the Fund has also appointed the Administration Manager pursuant to an Administration Agreement. The Administration Manager is responsible for, among other things, processing application forms, conducting AML/CTF checks, managing the Fund's accounts and sending out distribution statements.

Section 4 contains a profile of each of the parties involved in the management of the Fund.



## 3.0 Investment Guidelines

### 3.1. Loans to SPVs

The Fund will lend money to SPVs which are related to and controlled by the Investment Manager. Each loan to an SPV will be secured by a registered General Security Agreement (GSA) creating a fixed and floating charge over the assets of the SPV.

No more than 50% of the Fund's gross assets will be invested in any one SPV.

The terms of the loan will specify amongst other things the interest rate and interest payment frequency. The Investment Manager will seek to set the interest rate applying to a loan based on the expected risk and return applicable to the underlying investments of the SPV. The earnings of the SPV may exceed the interest payable to the Fund and in that case the excess earnings will be the entitlement of the shareholders of the SPV, which may be the Investment Manager and its related entities.

The loan and other security documents are reviewed by the Fund's legal advisor who is chosen from a panel of legal firms experienced in finance, verification and validation requirements.

### 3.2. Arrears and default management

Investors' capital and returns may be affected if any one SPV defaults under the terms of its loan.

As the loans will be made to related parties of the Investment Manager, the Trustee will administer arrears and default management procedures in the event of late payment or default in accordance with the relevant loan documents prepared by Fund's legal advisor.

Where the SPV fails to satisfy a payment by the payment date under a loan agreement, the Trustee will look to enforce the loan according to the enforcement procedures specified in a loan agreement.

The enforcement procedure can involve significant costs, including legal costs and receiver's fees. These costs may be funded as follows:

1. Paid by the Fund.
2. Paid by the Investment Manager from its own funds. In which case, the Investment Manager will be able to recover these costs from the proceeds received from the borrower in priority to any payment to Investors.
3. Paid by a third party. In which case, any expenses paid plus any amount agreed with the lender (for example, interest or success fees) would be recovered from the proceeds received from the Borrower in priority to any payment to Investors.

### 3.3. Direct investments

The Fund may invest directly into other managed investments offering exposure to income producing assets. These managed investments are expected to be predominantly unlisted but may also include listed investment companies and trusts that invest in income producing assets such as:

- Domestic and international bonds
- Cash and bank bills
- Corporate debentures and other debt securities
- Secured and unsecured loans to individuals and businesses

For example, the fund may invest in the RateSetter Lending Platform, a managed investment scheme that provides its investors (and in this case, the Fund) with an economic interest in the different loans to which they are matched through the platform.

### Asset Selection

The Investment Manager has developed selection criteria designed to ensure the managed investments selected generate suitable returns with a low to medium level of investment risk.

Selection criteria includes:

- Size of the fund / trust
- Type of instruments invested in
- Manager credentials
- Investment approach
- Investment performance history
- Liquidity profile

### Asset Management

The Investment Manager will periodically review the performance of any managed funds that the Fund is invested in to ensure that investments are performing as expected and that they remain appropriate for the Fund. Where appropriate, the Investment Manager may redeem all or part of a managed fund investment or may make additional investments into a particular managed fund.

### Asset Realisation

Managed funds are generally reasonably liquid investments offering daily and weekly redemptions depending on the fund concerned.

The Investment Manager will redeem managed fund investments as circumstances warrant and expects only to invest in funds offering at least weekly redemptions.

### 3.4. Investing surplus funds

From time to time the Trustee may have excess capital which is not immediately required or able to be invested immediately or funds which are being held pending distribution to Investors. In these circumstances, the Trustee may invest, on the Investment Manager's instruction, those funds in cash and cash equivalents (i.e. term deposits offered by ADIs) or such other similar creditworthy and liquid investments as determined by the Trustee from time to time.

### 3.5. SPV investment guidelines

While the Trustee does not have any oversight regarding the investments made by the SPVs or the investment decisions of each SPV's management team, the Investment Manager has committed, via its control of the SPVs, to following the guidelines outlined below in respect of each asset type in which an SPV might invest. The Investment Manager will control the SPVs as a result of it being the sole shareholder in each SPV, and having its Managing Director as the sole director of each SPV.

## MORTGAGE BROKING PORTFOLIOS

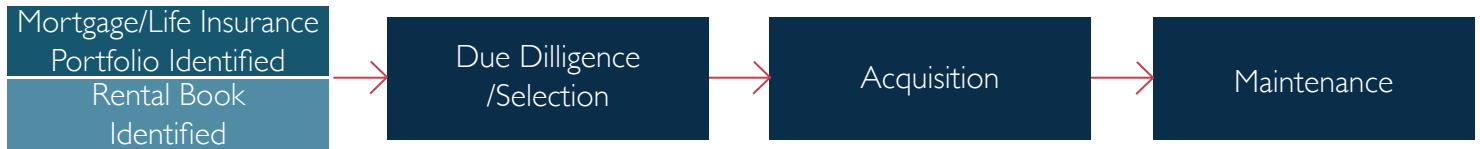
### Background

The mortgage broking industry generates billions of dollars in ongoing revenue annually, having experienced significant growth over the last few decades as a result of the strong Australian property market. While future growth is expected to become more moderate, the industry is established, vibrant and competitive. (source: IBIS World, Mortgage Brokers in Australia: Market Research Report IBISWorld, Jan 2016).

Mortgage brokers are paid ongoing fee income by lending institutions for the introduction of clients (borrowers) to that institution. This income is generally paid monthly in arrears and continues for the entire duration of the loan.

Mortgage brokers have the right to sell the ongoing income earned on a portfolio of mortgage loans to a third party.

The diagram below provides an overview of the process for both mortgage/life insurance portfolios and rental books.



There is an active market in buying and selling these income streams which typically trade at a multiple of the annual income generated.

The Investment Manager will use a SPV to buy a select range of these mortgage portfolio income streams to generate income based returns for the SPV and the Fund.

Over time the original capital paid to purchase the income stream will be returned (by way of regular income) to the SPV. The longer the mortgage portfolio continues to exist, the more profitable the investment in a particular mortgage portfolio will become.

### Asset Selection

The Investment Manager has developed mortgage portfolio selection criteria that is designed to maximise the return generated on the portfolio that is purchased. The selection criteria will identify mature businesses with a successful track record in the industry including:

Vendor brokers:

- should be established and members of a relevant professional association
- have a history of writing a consistent volume of mortgage loans
- must have a diverse referral / client base

AND

Mortgage portfolios must:

- be more than 3 years old
- demonstrate consistency of income
- be diverse without high exposure to any one type of property (e.g. inner-city units)
- exhibit a low level of early loan cancellation

Once a mortgage portfolio has been successfully identified as an acceptable risk, legal documentation is prepared to affect the sale. The transfer of ownership is completed and the sale is settled with the purchase price being transferred to the seller.

### Asset Management

Generally, the purchased income stream of a mortgage broking business will decline progressively over time as client's refinance or sell their properties. This is because most acquirers purchase the annuity income but do not have a continuing relationship with the underlying client base. Often the client will renew their loan with their existing mortgage broker or another mortgage broker. This reduces the size of the mortgage portfolio and the recurring revenue stream that has been purchased.

The Investment Manager seeks to reduce this decline and as a result enhance returns, by working with the vendor mortgage broker in the ongoing management of the loan portfolio. The approach sees the mortgage broker help to maintain the life of the mortgage portfolio. If the broker wants to refinance a client loan from the portfolio they are required to pay a one-off fee to compensate for the loss of recurring income. This one-off fee will have the effect of bringing forward income that would have otherwise been earned over the life of the loan. This should significantly enhance portfolio returns and will discourage the mortgage broker from moving clients to another mortgage portfolio.

### Asset Realisation

Purchased mortgage portfolios may be able to be resold in order to generate a capital return. Generally, however the Investment Manager

intends to retain purchased mortgage portfolios in the SPV indefinitely. When combined with the loan retention management approach, this is expected to see the portfolio continue to generate recurring income. The ongoing income received will eventually equal and ultimately exceed the originally invested capital. This surplus income will then be available for distribution or reinvestment, depending on the available opportunities at that time.

## LIFE INSURANCE PORTFOLIOS

### Background

Life insurance advisers are paid ongoing commission income by life insurance institutions for the introduction of clients (policyholders) to that institution. This income is generally paid fortnightly in arrears and continues for the entire duration of the policy.

Life insurance advisers have the right to sell the ongoing income earned on a portfolio of life insurance policies to a third party. There is an active market in buying and selling these income streams which typically trade at a multiple of the annual income generated.

The Investment Manager will use a SPV to buy a select range of life insurance portfolio income streams to generate income-based returns for the SPV and the Fund. Over time the original capital paid to purchase the income stream will be returned (by way of regular distributions) to the SPV. The longer the life insurance portfolio continues to exist, the more profitable the investment in a particular life insurance portfolio will become.

### Asset Selection

The Investment Manager has developed life insurance sales commission portfolio selection criteria that is designed to maximise the return generated on the portfolio that is purchased. The selection criteria will seek to identify businesses with the following characteristics:

- Mature established business
- Successful track record
- Members of a relevant professional association
- Clean compliance record, no legal proceedings or other actions
- History of writing a consistent volume of risk insurance new business
- Diverse referral / client base

In respect of the life insurance portfolios, they must meet the following criteria:

- Be more than 4 years old
- Minimum number of active clients is 100
- Demonstrate consistency of ongoing income
- Statements of Advice in place for each client
- Be diverse without high exposure to any one life insurer
- Risk insurance spread across superannuation and ordinary
- Little or no legacy products/clients
- Exhibit a low level of turnover/lapses

Once a life insurance portfolio has been successfully identified as an acceptable risk, legal documentation is prepared to affect the sale. The transfer of ownership is completed and the sale is settled with the purchase price being transferred to the seller.

## **Asset Management**

Generally, the purchased income stream of a life insurance business will decline progressively over time as client's risk profiles change, clients move to another adviser or clients opt out of contributing to superannuation and life insurance.

The Investment Manager seeks to reduce this decline and as a result enhance returns, by working with the vendor life insurance adviser in the ongoing management of the portfolio. The approach sees the life insurance adviser help to maintain the life of the portfolio.

## **Asset Realisation**

Purchased life insurance sales commission portfolios may be able to be resold in order to generate a capital return. Generally, however the Investment Manager intends to retain purchased life insurance portfolios in the SPV indefinitely. When combined with the client retention management approach, this is expected to see the portfolio continue to generate recurring income. The ongoing income received will eventually equal and ultimately exceed the originally invested capital. This surplus income will then be available for distribution or reinvestment, depending on the available opportunities at that time.

## **RECURRING REVENUE FROM RESIDENTIAL PROPERTY MANAGEMENT BUSINESSES**

### **Background**

Property managers in the real estate services industry have reaped the benefits of a booming residential property market for many years now. While future growth is expected to moderate, the residential rental sector is anticipated to remain a major industry segment with revenues forecast to grow to over the period through to 2021-22, to \$3.9 billion annually (source: IBIS World, Residential Property Leasing and Management in Australia: Market Research Report IBISWorld, April 17).

Rental property managers are paid an ongoing percentage of property rents in exchange for property management services. Property management books are keenly sought after in the residential real estate market, as they form the basis for supporting regular cash flows and assisting the agent in generating new sales. A market exists in buying and selling property management books and these typically trade at a multiple of recurring income.

The Investment Manager will use a SPV to buy a select range of property management portfolios to generate income based returns for the SPV.

### **Asset Selection**

The Investment Manager has developed residential rental portfolio selection criteria that is designed to maximise the return generated on the book that is purchased. Rental portfolios will be identified through a relationship with one of the top five real estate agency groups in Australia. The selection criteria will identify rental portfolios with a successful track record in rental management including:

- rental portfolios must be more than 5 years old
- demonstrate consistent, long term income
- significant exposure to capital city and major regional centre rental portfolios
- a diverse client base.

Once a rental portfolio has been successfully identified as an acceptable risk, legal documentation is prepared to affect the sale, transfer of ownership is completed and the sale is settled with the purchase price transferred to the seller.

## **Asset Management**

The Investment Manager, via the SPV, enters into a tripartite agreement with the selling property manager and the real estate agency franchisor. This agreement sees the sale of the rental book on terms that retain the involvement of the property manager (or a new manager under a succession arrangement). In addition, the rental book is actively managed by the franchisor to ensure the retention and growth of the rental book. In addition, if the property manager defaults or does not maintain the growth of the rental portfolio, the franchisor will step in and identify a new property manager to replace them.

## **Asset Realisation**

Purchased rental books are long term investments, with an investment horizon of 7 years or more and may be able to be sold in order to generate a capital return. The Investment Manager intends on retaining the purchased rental book indefinitely. Towards the end of the investment horizon, a review of the book will be undertaken to determine whether it is to be retained.

Resale options will be put in place to facilitate the partial sale of the rental portfolio to the franchisor part way through the investment horizon, providing a liquidity opportunity for the SPV.

Where the rental book is retained, the ongoing income will eventually equal and ultimately exceed the originally invested capital. This surplus income will then be available for distribution or reinvestment, depending on the available opportunities at that time.

Finally, the rental book can also be resold on the open market at any time, although pricing and market depth will vary depending on the economic conditions prevailing at the time.

## FIRST AND SECOND MORTGAGE LOANS SECURED OVER REAL PROPERTY

The Investment Manager will use a SPV to offer loans to qualified borrowers, secured by either first or second mortgage over real property. Loans will be offered to business and investment borrowers who will offer real property (such as residential, commercial, industrial and retail property) as security.

The following table provides a summary of the SPV's Lending Guidelines.

<b>Borrowers</b>	The SPV will lend money to business and investment borrowers to be used for a range of purposes.
<b>Security</b>	Loans will be secured by a registered first or second mortgage over real property within Australia. In some instances, additional security such as guarantees or listed equities may be sought.
<b>Type of Security</b>	The security property may be any type of real property, including office, retail, industrial, residential, vacant land, construction or development sites, hotels or specialist property.
<b>Location of Security Property</b>	Security property will be located in Australia with a focus on capital cities and major regional centres.
<b>Maximum Loan to Value Ratio (LVR)</b>	The maximum LVR of the loan at the time it receives approval will be 70%. For construction or development Loans the 70% LVR is assessed against the "as if complete" market valuation, in all other circumstances the 70% LVR is assessed against the "as is" market valuation.
<b>Maximum Exposure to a Single Loan</b>	The SPV's maximum exposure to any single loan is the greater of \$2,500,000 or 10% of the Fund's total funds under management as at the date the loan is approved.
<b>Maximum Exposure to a Single Borrower</b>	The SPV's maximum exposure to any single borrower (including their related entities) is the greater of \$5,000,000 or 20% of the Fund's total funds under management as at the date the loan receives approval.
<b>Maximum Loan Term</b>	Loans must be for an initial period of no more than 12 months.

### Loan Selection and Assessment

Within the SPV, the Investment Manager will be responsible for undertaking the assessment of any loans proposed to be made by the SPV, having regard to the lending guidelines outlined above.

The Investment Manager has entered into an arrangement with a legal firm with specialist expertise in mortgage management. This arrangement will see clients of the law firm co-invest (co-lend) with the SPV lending to borrowers. This arrangement is known as a contributory mortgage.

### Analysis and evaluation

The Investment Manager will assess the merits of each prospective loan and the associated risks. This analysis takes into account a set of criteria including:

- the available security
- the precise nature of the security property
- loan to value ratio
- evidence of the borrower's ability to service the loan

### Approval and ongoing management

Subject to the satisfactory completion of its assessment, the Investment Manager will instruct the solicitors of the SPV to prepare the formal loan documentation.

After the loan is made, the specialist law firm is responsible for the day to day management of the loan. It will provide reports to the Investment Manager about the performance of the loan, including payment and collection of interest and compliance with the loan covenants and conditions.

### Valuation policy

Valuations sought by the SPV on any security property will depend on the circumstances and may include director valuations, independent valuations or reports or other market based valuation assessment approaches as determined by the Investment Manager from time to time.

### Documentation and settlement of security property

Loan documents are prepared and reviewed by the specialist legal firm that is experienced in finance, verification and validation requirements and who also attend to settlement of the legal documentation.

Normal funding conditions such as the receipt of independent engineers and/or quantity surveyors' reports confirming costs, expenses and cost to complete development projects will be required before loans are made for development purposes.

### Arrears and default management

The specialist legal firm will undertake arrears and default management functions on behalf of the SPV. Where a borrower fails to make a payment on or before the due date, a period of 7 days' grace will be allowed for the borrower to make the payment. If the borrower does not do so, the law firm will proceed to take recovery action on behalf of the SPV against the defaulting borrower, which may include:

- Becoming mortgagee in possession of the security property
- Enforcement action in respect of any third party or directors' guarantees held
- Placing the security property on the market for sale
- Appointment of another party to manage the security property or complete the development of a security property before commencing a sale process
- If a security property is sold for less than the amount required to satisfy the outstanding loan, then recovery action against the borrower and any guarantors will continue.

### FIXED INCOME INSTRUMENTS

#### Background

The SPVs will also invest in more traditional fixed interest instruments. These instruments represent debt obligations by the party issuing the instrument (security) and provide a regular income (or interest payment) to the holder.

On maturity, the original amount invested (loaned) is returned. In some instances, interest may be paid at the end of the term at the same time as the principal is repaid. The types of securities will vary depending on the nature of the issuing party. Issuers may include banks, government and semi-government agencies, finance companies or trading companies. Similarly, interest rates paid and the security offered will vary depending on the issuer.

Typical fixed income instruments may include:

- Government and semi-government bonds
- Bank issued hybrid securities
- Corporate bonds
- Securitised debt obligations
- Secured and unsecured notes

#### Asset Selection

The Investment Manager has developed fixed income instrument selection criteria designed to ensure the portfolio generates suitable returns with a low to medium level of investment risk. Selection criteria includes:

- Credit rating
- Issuer suitability
- Interest rate offered
- Instrument maturity / duration

#### Asset Management

Fixed income portfolios will be managed to ensure that there is adequate liquidity, diversification of both the types of securities held and the issuers of those securities, as well as to ensure a range of maturity dates are maintained. Listed securities may be held to maturity or traded depending on the Investment Manager's view of the outlook for interest rates (and hence returns on fixed income instruments) and the availability of more attractive investment opportunities at any particular point in time. The instruments purchased will typically have a short-term maturity profile (up to 12 months). Longer-term instruments may also be purchased.

#### Asset Realisation

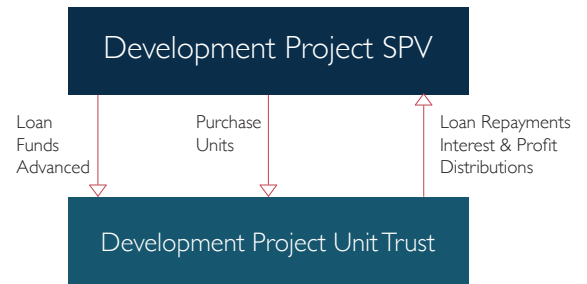
Invested capital will be repaid to the SPV upon maturity of the instrument. As noted above, some instruments may be sold in the secondary market prior to maturity.

### PROPERTY DEVELOPMENT PROJECTS

#### Background

To provide the SPV with some potential for higher returns, the Investment Manager may invest in a SPV that provides finance to qualifying property investors and developers. This finance may be provided by way of a loan to a particular project or equity in a particular project (or a combination of both). The interest rate received on each loan will be variable depending on a range of factors including the loan term, loan to value ratio, assessment of development risk and the success of the project

The diagram below illustrates the investment arrangement.



#### Asset Selection

The Investment Manager has developed selection criteria to ensure that the Fund, indirectly via an SPV, gains exposure to suitable development projects, without being exposed to undue investment risk. The Investment Manager will aim to at least receive a second mortgage (registered or unregistered) over the property being used as security for any loan made by an SPV. Investment selection criteria includes:

- Projected returns on development loans must enable the SPV to achieve Target Income Returns for the Fund
- Projects must be in Australia
- Property investment or development(s) must relate to residential, industrial, commercial, retail, retirement village or accommodation
- Consumer loans will not be considered
- The Investment Manager must be satisfied that the:
  - borrower and the borrowing principals are commercially sound; and
  - current market value and/or end value of the Development is sufficient to enable the loan to be repaid to the SPV.

The Investment Manager will ensure that the maturity of the SPV's assets suit the needs and requirements of the Fund.

#### Asset Management

Subject to the satisfactory completion of its assessment, the Investment Manager will instruct solicitors to prepare the formal loan and security documentation for the SPV. At the same time, it will make arrangements to purchase units in any underlying development unit trust.

After the investment is made, the Investment Manager is responsible for its ongoing management within the SPV. This includes monitoring the status of any development against project schedule, ensuring that loan interest is paid when it falls due as well as negotiating suitable terms for loan extensions, where necessary.

The SPV will maintain a spread of project types with different projected completion dates. In addition, the SPV itself must maintain adequate liquidity in order to meet interest payments on its loan from the Fund.

In the event of a loan default, the Investment Manager will initiate recovery action against a defaulting borrower which may include:

- the Investment Manager becoming mortgagee in possession of a secured property;
- arranging for other parties to complete the development of a secured property before commencing a sale process;
- placing the secured property on the market for sale;
- taking further recovery action against the borrowers and any guarantors where the sale proceeds of a security property is less than the total amount owed on the loan.

#### Asset Realisation

Development projects are illiquid in nature. As a result, repayment of loans and the redemption of investments by the SPV to the Fund will be limited and only be available upon successful completion of a project and the sale of the property.

## 4.0 Management Profiles

### 4.1 The Investment Manager

Australian Diversified Income Pty Ltd is the Fund's Investment Manager. The Directors of the Investment Manager include:

**David Le**  
*Managing Director*

David has over 17 years of extensive professional and management experience across a broad range of businesses in the financial services and property industry.

David has held a number of senior executive roles and directorships with various financial services, business advisory and property fund management groups. David possesses deep knowledge and experience in the areas of asset selection, portfolio construction and risk management disciplines.

David's formal credentials include degrees in both Business Administration and Accounting from the University of Canberra, a Masters of Taxation Law from the University of NSW, specialising in property and taxation advisory, financial planning and cross-border investments. He is also a Chartered Tax Adviser with the Tax Institute of Australia, a Registered Tax Agent and an Authorised Financial Planner.

**David Ingram**  
*Non-Executive Director*

David has worked on a range of ventures from establishing competitive business units within a large health service to co-founding a successful disruptive technology start-up.

In 2011 he cofounded Split It, a business specialising in online aggregation platforms that help consumers compare and connect to health insurance, financial services and utilities.

Following the successful sale of Split It to the Loan Market Group (part of the Ray White Group) David was appointed as CEO to see the business through the acquisition. David created a new brand called Ray White Home Now. He has also worked on other partnerships with real estate franchises and large corporates including REA Group and Origin Energy.

Prior to Split It, David worked for KPMG Advisory during which he managed a number of high profile projects for the NSW Government. He has also managed business units delivering Medical Imaging, Sterilising and Pharmacy services across seven hospital sites, employing 420 staff and turning over \$50M annually.

David remains a Non-Executive Director at Ray White Home Now and is also an advisor and investor in a number of start-ups working on RealTech, HealthTech, InsurTech, and RegTech.

David holds a MBA and BSc from University of Southampton.

**John Vamvakaris**  
*Non-Executive Director*

John brings a wealth of experience in real estate, property and corporate advisory. His specific skills include residential and commercial real estate development, feasibility/due diligence studies, property valuation, contract negotiations, mixed-use property, asset management, and construction. Over the past 20 years, John has run his own property and corporate advisory business, Aspect Group, providing consulting services to the real estate and property industry.

Prior to setting up his own business, John worked for Bovis Lend Lease, a listed property group specialising in project management and construction, real estate investment and development. John also spent

several years working as an executive at Macquarie Bank.

John is highly qualified with a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia, Bachelor of Applied Science (Property Economics) from the Queensland University of Technology and a Bachelor of Commerce (Economics) from Griffith University.

**Tony Zulli**  
*Principal Consultant*

Tony is a senior business leader and executive with over 30 years experience in the Australian financial services sector and a proven ability to originate, build and grow businesses.

Tony was the founder and a director of the Accountable Financial Group, which also includes the financial services licence, Accountable Financial Solutions Pty Ltd. He was the Responsible Manager and Key Person on the financial services licence.

Tony brings a broad range of skills and core competencies across financial advisory, banking, wealth management, funds management, superannuation, life insurance and salary packaging administration. His functional management roles have included advice, distribution and channel management, account management, strategic alliances, marketing, product management and profit/cost centre management.

Tony was also the founder and owner of a specialist, financial services marketing agency and consultancy, Elevate Financial Marketing.

Previous roles included Head of Aligned Distribution and CEO of Pivotal Financial Advisers, a wholly owned financial advice business within Tower Australia (now TAL), Head of Distribution – Investments for Tower Australia Group and Head of Marketing – Wealth Management Banking for Citibank in Australia.

Tony's qualifications include a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia, and a Bachelor of Business from Charles Sturt University.

### 4.2 The Trustee and Administration Manager

Vasco Investment Managers Limited (Trustee) and Vasco Funds Management Pty Ltd (Administration Manager) are part of an investment management group (Vasco) that provides responsible entity, trustee, fund administration and distribution services to Australian and international investment managers.

The Vasco team have significant experience in the Asia Pacific region in the management of equity funds, fixed income funds, REITs, private equity real estate funds, real estate securities funds, and mortgage and real estate debt funds.

Vasco executives have developed funds including the \$1 billion Australian Unity Healthcare Property Trust ARSN 092 755 318 and the \$1 billion AIMS AMP Capital Industrial REIT listed on the Singapore Securities Exchange.

The directors of Vasco were responsible for establishing the Australian Unity Funds Management Limited and MacarthurCook Limited real estate funds management businesses, as well as establishing the Asian platform for industrial real estate manager, Goodman Group.

Clients of Vasco have included China Asset Management (HK), Golden Age Capital, Auspacific Capital Management, Lauders Development Group, Cyan SIV Emerging Companies Fund, Infrastructure Partners Investment Fund, Vital Healthcare Property Fund, Residential Property Fund, EMR Capital Pty Ltd, Phillip Asset Management Limited and Morgan Stanley Real Estate.



## 5.0 Fees & Costs

### 5.1. Trustee fees

The Trustee is entitled to the following fees (excluding GST):

1. A once off establishment fee of \$14,500 payable on establishment of the Fund
2. A fee equal to 0.10% per annum of the Fund's gross asset value, subject to a minimum fee of \$25,000 per annum. This fee accrues and is calculated daily from execution of the Constitution and is payable to the Trustee monthly in arrears on establishment of the Fund
3. A trustee replacement fee of \$9,500 payable within 14 days of termination or replacement
4. An arrears and default management fee of \$150 per hour for any arrears and default management activities undertaken in accordance with section 3.2.

### 5.2. Administration fee

The Administration Manager is entitled to an annual fee (excluding GST) of:

- \$20,000 where the Fund has gross assets of less than \$10 million and there are less than 25 unitholders
- \$25,000 where the Fund has gross assets greater than \$10 million or where there are 25 or more unitholders

These fees are calculated daily and payable monthly in arrears from acceptance of the first Investor into the Fund and subject to an annual increase of 4% on the 1st of January of each year.

### 5.3. Investment Manager fees

The Investment Managers is entitled to the following fees (excluding GST):

- An investment management fee of 1.0% per annum of the Fund's gross asset value.
- A performance fee of 50% of the income above the Hurdle Income Return.

In addition, if there is excess performance in an SPV, the Investment Manager or its related entity, which is the shareholder in the SPV, is entitled to that excess performance by way of dividend or like return.

### 5.4. Payment of Fees and Costs

The Investment Manager has agreed to forego its fees, or part thereof, at all times where the expense of those fees may, in the Trustees discretion, reduce the Unit Price of the Fund to below \$1.00. The Investment Manager may be reimbursed from the Fund for these fees at a later time.

The Investment Manager has also agreed to pay other fees and costs of the Fund until such time, in the Trustee's discretion, as they are able to be paid from the assets of the Fund, and may be reimbursed from the Fund for these payments.

### 5.5. Expenses

The Trustee is entitled to be paid or reimbursed for expenses associated with establishing and the operation of the Fund, such as the costs associated with the administration or distribution of income and other expenses properly incurred in connection with performing its duties and obligations in the day to day operation of the Fund.

The Investment Manager is also entitled to be paid or reimbursed for expenses associated with and properly incurred in connection with performing its investment management duties. These Investment Manager related expenses are expected to be up to 0.25% per annum of the gross asset value of the Fund.

### 5.6. Goods and services tax

Unless otherwise stated, all fees quoted in the IM are quoted exclusive of GST.

### 5.7. Waiver, deferral or rebate of fees

The Trustee may, in its absolute discretion, accept lower fees and expenses than it is entitled to receive, or may defer payment of those fees and expenses for any time. If payment is deferred, then the fee will accrue until paid. In addition, the Investment Manager or Trustee may waive, negotiate or rebate their fees, for example, in the case of a large investment amount.



## 6.0 Risks

Like any investment, there are risks associated with investing in the Fund. There are a number of risk factors that could affect the performance of the Fund and the repayment of Investor's capital. Many risk factors fall outside of the Trustee and the Investment Manager's control and cannot be completely mitigated.

All investments involve varying degrees of risk. While there are many factors that may impact on the performance of any investment, the section below summarises some of the major risks that Investors should be aware of when investing in the Fund.

The following is a non-exhaustive list of the main risks associated with investment in the Fund. Investors should carefully consider each risk, and make their own assessment as to whether they are comfortable with them.

### **General investment risk**

The value of an investment may rise or fall, distributions may or may not be paid and an SPVs or Investor's capital may or may not be returned.

### **Specific investment risks**

**Loans** - a borrower may default and the security provided may not be sufficient to recover the amount originally loaned. The ability of an SPV or the Fund to recover any of its debt investments may also be impacted by the solvency of a counterparty and subject to the rights of any senior secured lender. This means that where a senior debt lender has priority in respect of funds generated by investments made by an SPV or the Fund, there may not be sufficient funds to repay the SPVs or Fund's investment after repayment of the senior debt facility. Further, there will be no rights to recover the debt by seeking to take control or sell any real property of the Investment Manager.

### **No guarantee of performance or representations is made by the Trustee or the Investment Manager**

None of the Trustee, the Investment Manager nor any other person or entity guarantees any income or capital return from an SPV or the Fund.

### **Investment Manager risk**

The Trustee and Investment Manager may elect to retire or may be replaced as the Trustee or Investment Manager of the Fund or the services of key personnel of the Trustee and Investment Manager may become unavailable for any reason.

There is always a risk that the Trustee and Investment Manager may fail to identify and adequately manage the investment risks of the Fund and thus affect the ability to pay distributions or reduce the value of the Units.

Operational risks of the Trustee, the Investment Manager and the Administration Manager include the possibility of systems failure, regulatory requirements, documentation risk, fraud, legal risk and other unforeseen circumstances.

The Fund is relying on the ability of the Investment Manager to achieve its investment objectives. If the Investment Manager were not to continue in its role, the Fund may not be able to achieve these objectives.

### **Related party transactions**

The Investment Manager is not a related party of the Trustee. The contractual arrangements between the Trustee and the Investment Manager are negotiated at arm's length between the parties. The Trustee may from time-to-time enter into transactions with related entities. For example, the Administration Manager is a related party of the Trustee.

By making an investment in the Fund, Investors acknowledge that the Fund will make investments in or through related parties of the Investment Manager, such as the SPVs.

It is not the responsibility of the Trustee to assess the merits of each investment recommended by the Investment Manager; but rather to review that each investment is contemplated by this IM and the Constitution.

The Trustee does not have any oversight regarding the investments made by the SPVs in which the Fund has invested through loans to the SPVs. The Trustee will rely solely on the confirmation of the Investment Manager that these SPVs are investing according to the guidelines specified in this IM and will not undertake any independent review that this is in fact the case. Accordingly, the Trustee does not guarantee that these transactions will be entered into on arm's length terms.

By investing in the Fund, Investors acknowledge that the Investment Manager is responsible for making investment decisions for the Fund, directly and indirectly through the SPVs and that the investments entered into by the Fund, either directly or indirectly through the SPVs, may not be on arm's length terms and that they have made their own independent investigations to satisfy themselves of the benefit of becoming an Investor in the Fund.

Enforcement action procedures, if required, in the event of default on a loan to a SPV will be managed by the Trustee and is set out above in Section 3.2.

### **SPV structure risk**

A significant proportion of the assets of the Fund are intended to be interest bearing loans to SPVs which are related to and controlled by the Investment Manager.

The Investment Manager may not be in total control of the investments of the SPV, for example in the case of the SPV investing in a contributory mortgage fund. This may mean that investments of an SPV are realised at times different to those that would most suit Investors in the Fund (for example, if there was a need for liquidity).

The rate of interest applicable to the loans by the Fund to the SPVs will be set on a case by case basis by the Investment Manager and may not necessarily reflect the risk and return profile of the underlying investments of the SPV. Whilst the Investment Manager will seek to set the interest rate applying to a loan to the SPV based around the expected risk and return applicable to the underlying investments of the SPV, the earnings of the SPV may be less than or exceed the interest payable to the Fund. Excess earnings will be the entitlement of the SPV and its shareholder, which will be the Investment Manager and its related entities, and not the Fund. In the case of insufficient earnings, the Fund in effect bears that risk, as the assets of the SPV are expected to be only those monies lent to it by the Fund.

Given that any excess earnings of an SPV are the entitlement of the SPV and its owners, there may be an implication that the Investment Manager is incentivised for the SPV to make investments which return significantly more than the interest rate payable by the SPV to the Fund, with the proportionate increase in risk that such an investment strategy may give rise.

### **Legal, regulatory and compliance risk**

Changes in government legislation, regulation and policies may have material adverse effects on the operating results of the Fund. Although unable to predict future policy changes, the Investment Manager intends to manage this risk by monitoring and reacting to any potential regulatory and policy changes.

The operation of a funds management business in Australia is subject to significant regulation by Australian government authorities, including without limitation, the Australian Securities and Investments Commission, the Australian Transactions Reporting and Analysis Centre, the Foreign Investment Review Board and the Australian Consumer and Competition Commission. There is a risk that the Fund may not comply at all times with its various obligations under government regulations and this may result in the loss of authorisations of the Australian Financial Services Licence held by the Trustee thereby preventing the continued operation of the Fund.

**Liquidity risk**

The Fund is an illiquid investment.

This is the risk stemming from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimise a loss or make a profit.

There are no rights for an investor to require the Trustee to repurchase an investor's investment. However, investors may be able to transfer their investment to another person, although there is no guarantee that any third party can be found to acquire the investor's investments or to acquire such investments at a fair price.

An investment in the Fund should be viewed as illiquid. There is currently no secondary market for units in the Fund and it is unlikely that any active secondary market will develop. There are substantial restrictions upon the transferability of Fund interests under the Fund documents and applicable securities laws.

You should only consider an investment in this Fund if you are not likely to require access to your investment in the medium term.

**Information not complete or accurate**

The Trustee is not in a position to confirm the completeness, genuineness or accuracy of any information or data included in this IM. A significant amount of the material provided in this IM was supplied by third parties including the Investment Manager. This information has not been audited or independently reviewed.

**Tax risk**

Tax regulations can change and changes can be adverse. Investors should consider their own circumstances before investing.

**Underlying investment risk**

There may be external influences from time-to-time, including unforeseen items of expenditure which have not been budgeted for and loss of revenue, which adversely affect the income of the Fund. These may result in a reduction of distributions and returns.

It is not the responsibility of the Trustee to assess the merits of each investment recommended by the Investment Manager; but rather to review that each investment is contemplated by this IM and the Constitution.

The Trustee does not have any oversight regarding the investments made by the SPVs in which the Fund has invested through loans to the SPVs. The Trustee will rely solely on the confirmation of the Investment Manager that these SPVs are investing according to the guidelines specified in this IM and will not undertake any independent review that this is in fact the case.

Additional risks specific to the SPVs may include:

**Decline in Mortgage Book Value Risk**

A SPV purchasing mortgage broking books may see a decline in value of the book purchased. Generally, the purchased income stream of a mortgage broking business will decline progressively over time as client's refinance or sell their properties. This is because most acquirers purchase the annuity income but do not have a continuing relationship with the underlying client base. Often the client will renew their loan with their existing mortgage broker or another mortgage broker. This reduces the size of the mortgage portfolio and the recurring revenue stream that has been purchased.

The Investment Manager seeks to reduce this decline and as a result enhance returns, by working with the vendor mortgage broker in the ongoing management of the loan portfolio. The approach sees the mortgage broker help to maintain the life of the mortgage portfolio. If the broker wants to refinance a client loan from the portfolio, they are required to pay a one-off fee to compensate for the loss of recurring income. This one-off fee will have the effect of bringing forward income that would have otherwise been earned over the life of the loan. This should significantly enhance portfolio returns and will discourage the

mortgage broker from moving clients to another mortgage portfolio.

**Decline in value of life insurance portfolios**

An SPV purchasing life insurance portfolios may see a decline in value of the portfolio purchased. Generally, the purchased income stream will decline progressively over time as clients switch insurance policy provider or the insurance policies are paid out. Many acquirers who purchase these types of annuity income do not have a continuing relationship with the underlying client base. Often the client will renew their policy with their existing broker or another broker. This reduces the size of the annuity portfolio and the recurring revenue stream that has been purchased.

The Investment Manager seeks to reduce this decline and as a result enhance returns, by working with the vendor life insurance brokers in the ongoing management of the annuity portfolio. The approach sees the life insurance brokers help to maintain the life of the portfolio.

**Loan Default Risk**

A SPV lending money on mortgage security could experience loan defaults by borrowers. A range of companies and individuals may borrow money from a SPV. Borrowers may default for a wide range of reasons, including changes in personal circumstances, death, changes in the general state of the Australian and/ or international economies, conditions of the particular market in which the borrower's primary business operates and property market conditions. Borrowers may also default by using funds for consumer purposes, making the loan regulated under the National Consumer Credit Protection Act 2009.

**Construction and Development Risk**

There are specific risks for property construction projects, including:

- construction or development costs can exceed budgeted costs and the borrower may be unable to complete the project unless the borrower can obtain further funds;
- completion of a development project could be delayed;
- any loan funds kept in reserve to complete the project being insufficient to meet the cost of completion; and
- a change in market conditions could result in the project's value on completion being worth less than anticipated, or in lower sale rates and prices than expected.

The risks could be managed by:

- ensuring a guaranteed maximum price building contract from reputable and established builders who have experience in the type of proposed construction to be executed between the builder and borrower;
- ensuring that the project is employing standard construction techniques and that adequate building insurance cover is in place;
- requiring minimum pre-sales or leasing commitments on the proposed development;
- monitoring all construction loan draw-downs to ensure that there are always sufficient funds remaining to complete the project; and
- an independent quantity surveyor or construction cost manager may be appointed prior to the commencement of the project to verify that there are sufficient funds available to complete the project and to verify the completion of each stage of construction prior to the draw-down of funds. The Investment Manager could also require the developer to include a contingency factor on total construction costs in the debt funding required for each project

**Operating history**

The Fund has no operating history upon which Investors may base an evaluation of its likely performance. The success of the Fund's investment activities will depend almost entirely on the Investment Manager's ability to carry out the proposed investment strategy successfully. While the principals of the Investment Manager have previous experience making and managing investments of the type contemplated by the Fund, a number of the targeted investment types could be considered to require detailed market and industry knowledge, and there can be no assurance that the Fund's investments will achieve the Target Income Return or will avoid a loss.

**Return of capital**

There can be no assurance that profits will be realised from the Fund's investments, and losses may be realised before gains are realised. Investors should also note that Fund operating expenses, including annual management fees, may exceed income or realised profits therefore requiring the difference to be paid from the Fund's capital.

**Valuation risk**

This is the risk that the valuation of the investments contemplated by the Fund are inaccurate at the time of deciding to invest so that the amount realised on exit is less than would have been expected had the valuation been correct. There is also the risk that where a professional valuer is used who provides an inaccurate valuation, that the valuer does not have or no longer has adequate professional indemnity insurance to cover the valuation on which the lender relies.

**Fees and expenses**

The Fund will incur fees and expenses regardless of whether it is successful. The Fund will pay investment management fees, Trustee fees and administration fees whether or not it receives its returns.

In addition, the Fund will also be required to pay investment management fees, Trustee fees and administration fees whether the funds raised are fully utilised or not. The Fund must therefore ensure that sufficient liquidity is maintained in order to meet these and other expenses.

The Trustee and the Investment Manager expect to incur significant costs and expenses in seeking to source, evaluate, structure, negotiate, close, monitor and exit an investment including, but not limited to, financial, legal, technical, regulatory, commercial advisers, engaged to assist the Trustee and the Investment Manager in seeking to source, evaluate, structure, negotiate, close, monitor and exit the investment. There can be no assurance that the Fund will be successful in being able to recover these fees and expenses from a successfully closed investment. These amounts may be significant and could have an adverse impact on the return that Investors might otherwise realise.

**Currency risk**

The Fund's investments will be made in Australian dollars and therefore the weakening of a country's currency relative to the Australian dollar will negatively affect the value of the Fund from the perspective of an international investor.

**Thinly-capitalised management**

The Investment Manager does not have any material independent financial resources. If an action or claim is brought against the Investment Manager and such claim is not covered by the professional indemnity or directors' and officers' insurance policies arranged by or on behalf of the Investment Manager, the Fund cannot assure that the Investment Manager will have sufficient financial resources to cover any amounts payable under any such claim. The Fund is reserved to certain sophisticated investors who are required to be aware of the risks involved in an investment such as the Fund and who accept that they will have recourse only to the Fund's assets in existence at any given time.

**Other risks**

It is important to note that not all risks can be foreseen. It is therefore not possible for the Investment Manager to protect the value of the Fund's investment from all risks. Investors should ensure they obtain appropriate professional advice regarding the suitability of an investment in the Fund having regard to their individual circumstances, including investment objectives, their level of borrowings, their financial situation and individual needs.

Whilst the Investment Manager has taken steps to ensure that the information presented in this IM is correct, it is possible that due to factors such as the passage of time or the uncertainty in forecast details, that the information contained in this IM may be inaccurate at the date of release of the IM or at a later time.

The Trustee has not sought to verify any statements contained in this IM about the investment opportunity described herein, the investment strategy employed by the Investment Manager, the Investment Manager's business or the business of any other parties named in this IM.

Neither the Trustee nor Investment Manager guarantees the repayment of investments or the performance of the Fund.

**We strongly recommend that Investors obtain independent financial advice before investing in the Fund.**

## 7.0 Taxation Information

Investors should seek their own taxation advice in relation to the taxation of income and capital returns from the Fund.

### 7.1. Tax File Number and Australian Business Number (Australian Investors only)

It is not compulsory for an Investor to quote a Tax File Number (TFN), claim a valid exemption for providing a TFN, or (in certain circumstances) provide an Australian Business Number (ABN). However, if an Investor does not provide a TFN, exemption or ABN, tax will be required to be deducted from the Investor's distributions at the highest marginal tax rate plus Medicare levy and any other applicable Government charges (currently 49%).

### 7.2. Australian Goods and Services Tax (GST)

GST should not be payable on the issue or redemption of units nor on any of the distributions to Unit holders. GST may apply to the fees charged to the Fund by the Investment Manager and in relation to other expenses of the Fund. The Fund may be entitled to claim input tax credits and / or reduced input tax credits for any GST paid.

### 7.3. Foreign Account Tax Compliance Act

In compliance with the United States (US) income tax laws commonly referred to as the Foreign Account Tax Compliance Act ('FATCA') and the Intergovernmental Agreement signed between the US and Australian Governments in April 2014 in relation to FATCA, the Fund will be required to provide information to the ATO in relation to Investors that are: (a) US citizens or residents; (b) entities controlled by US persons; and (c) financial institutions that do not comply with FATCA.

Where Investors do not provide appropriate information to the Fund, the Fund will also be required to report those accounts to the ATO.

### 7.4. Common Reporting Standards (CRS)

CRS is the standard set by the Organisation for Economic Co-operation and Development (OECD) for the automatic exchange of information with revenue authorities for tax non-residents that invest in certain financial accounts. The standard covers both the identification of tax non-residents and reporting on the applicable financial accounts. The Trustee may be required to comply with its CRS obligations under any relevant Australian laws and regulations, including obtaining and disclosing information about certain investors to the ATO or other foreign tax authorities as required.

To facilitate these disclosures, Investors will be required to provide certain information such as that relating to their country of tax residence and their relevant taxpayer identification number (if applicable).

## 8.0 Additional Information

### 8.1. Summary of material documents

The following is a summary of material documents relevant to the Fund. The material documents are:

- Constitution
- Investment Management Agreement
- Administration Agreement
- Sponsors Deed

You should consider whether it is necessary to obtain independent advice on any of the documents.

#### **Constitution**

The Constitution is the primary document that governs the way the Fund operates and sets out many of the rights, liabilities and responsibilities of both the Trustee and Investors.

The Constitution includes provisions dealing with the following:

- The powers of the Trustee - the Trustee has broad powers to manage the assets of the Fund, subject to the obligations under the law which require it to act honestly and in the best interests of Investors.
- Indemnity of the Trustee - to the extent permitted by law, the Trustee is entitled to be indemnified out of the assets of the Fund for all liabilities incurred in the proper performance of its duties and for fees and costs payable to it. This indemnity does not apply where there has been negligence, fraud, breach of duty or breach of trust by the Trustee.
- The issue of Units and the calculation of Unit prices.
- Redemption of Units.
- The transfer of Units.
- The fees payable and the expenses for which the Trustee is entitled to be reimbursed (including a Trustee removal fee).
- The retirement and removal of the Trustee (noting that the Trustee cannot be removed within the first three years after Units are first issued in the Trust, except if the Trustee consents in writing).

The obligations, duties and powers of the Trustee, the delegation of its functions and the principles by which the assets of the Fund will be valued. Each Unit gives you an equal and undivided interest in the Fund. However, a Unit does not give you an interest in any particular part of the Fund.

Subject to the Constitution, as an Investor you have the following rights:

- The right to share in any distributions.
- The right to attend and vote at meetings of Investors.
- The right to participate in the proceeds of winding up of the Fund.
- The Constitution contains provisions about convening and conducting meetings of Investors.

The Trustee can amend the Constitution without Investors' approval provided it reasonably considers the change will not adversely affect Investors' rights.

The Constitution can also be amended by a special resolution passed by Investors.

A copy of the Constitution is available free of charge by contacting the Trustee on: +61 3 8352 7120.

#### **Investment Management Agreement**

The Investment Management Agreement is between the Investment Manager and the Trustee under which the Investment Manager provides investment management services to the Fund.

The Investment Management Agreement sets out the Investment Manager's obligations to the Trustee and to the Fund. The agreement also contains the arrangements in relation to the Fees and Costs that are summarised in Section 5.

The Investment Management Agreement will remain in force until the Fund is wound up, unless the agreement is terminated earlier in accordance with its provisions. The agreement can be terminated by the Trustee if the Investment Manager is in material breach of the agreement, and that breach has not been remedied after a certain time. There are also provisions allowing the Trustee to terminate if, for example, the Investment Manager becomes insolvent.

The Investment Manager is permitted to terminate the agreement in certain circumstances, such as if the Trustee ceases to be the trustee for the Fund.

#### **Administration Agreement**

The Administration Agreement is between the Administration Manager and the Trustee under which the Administration Manager provides fund administration and accounting services to the Fund.

The Fund Administration Agreement sets out the Administration Manager's obligations to the Trustee and to the Fund. The agreement also contains the fees payable to the Administration Manager for its services.

#### **Sponsors Deed**

The Sponsors Deed is between the Trustee and the Investment Manager, under which the following material matters as regards the Fund and its administration have been agreed:

- The Trustee will not make any material decision with respect to the Fund unless it has first consulted with the Investment Manager. This includes utilising a Unit issue price as determined in the Trustee's discretion or forcing the sale of an Investor's Units if the Investor owes monies to the Trustee or the Fund.
- If required by the Investment Manager, the Trustee must resign as Trustee of the Fund in favour of a replacement Trustee, which must be an entity holding an appropriate Australian Financial Services Licence. The Investment Manager must not require the Trustee to resign within the first three years of the Fund.
- Neither the Trustee nor any of its related entities may subscribe for or invest or accept a transfer of Units in the Fund, except where consented to in writing by the Investment Manager (acting reasonably).
- The Trustee will use all reasonable endeavours to accept applications from applicants for Units where those applications are recommended by the Investment Manager; subject to relevant laws and its duties and rights as Trustee under the Constitution and otherwise.

### 8.2. Related party transactions

The Investment Manager is not a related party of the Trustee. The contractual arrangements between the Trustee and the Investment Manager are negotiated at arm's length between the parties. The Trustee may from time-to-time enter into transactions with related entities. For example, the Administration Manager is a related party of the Trustee.

By making an investment in the Fund, Investors acknowledge that the Fund will make investments in or through related parties of the Investment Manager, such as the SPVs.

It is not the responsibility of the Trustee to assess the merits of each investment recommended by the Investment Manager, but rather to review that each investment is contemplated by this IM and the Constitution.

The Trustee does not have any oversight regarding the investments made by the SPVs in which the Fund has invested. The Trustee will rely solely on the confirmation of the Investment Manager that these SPVs are investing according to the guidelines specified in this IM and will not undertake any independent review that this is in fact the case. Accordingly, the Trustee does not guarantee that these transactions will be entered into on arm's length terms or that an SPV's investments are appropriate.

By investing in the Fund, Investors acknowledge that the Investment Manager is responsible for making investments decisions for the Fund, directly and indirectly through the SPVs and that the investments entered into by the Fund, either directly or indirectly through the SPVs, may not be on arm's length terms and that they have made their own independent investigations to satisfy themselves of the benefit of becoming an Investor in the Fund.

Enforcement action procedures, if required, in the event of default will be managed by the Trustee and is set out above in Section 3.2.

### 8.3. Privacy

In applying to invest, you are providing the Trustee and the Investment Manager with certain personal details (your name, address etc.). The Trustee uses this information to establish and manage that investment for you.

Under the Privacy Act 1988 (Cth), you can access personal information about you held by the Trustee, except in limited circumstances. Please let the Trustee know if you think the information is inaccurate, incomplete or out of date. You can also tell the Trustee at any time not to pass on your personal information by advising it in writing.

If you do not provide the Trustee with your contact details and other information, then it may not be able to process your application to invest.

Under various laws and regulatory requirements, the Trustee may have to pass-on certain information to other organisations, such as the Australian Tax Office or the Australian Transaction Reports and Analysis Centre (AUSTRAC).

By applying to invest, you give the Trustee permission to pass information it holds about you to other companies which are involved in helping it administer the Fund, or where they require it for the purposes of compliance with AML/CTF law or in connection with the holding of Application Money. The Trustee may also use your information to provide you with details of future investment offers made by it or the Investment Manager.

### 8.4. Anti-money laundering law

The Trustee is required to comply with the Anti-Money Laundering and Counter Terrorism Financing Act 2006 ("AML/CTF Law"). This means that the Trustee will require potential Investors to provide personal information and documentation in relation to their identity when they invest in the Fund. The Trustee may need to obtain additional information and documentation from Investors to process applications or subsequent transactions or at other times during the period of the investment.

The Trustee may need to identify:

(a) an Investor prior to purchasing Units in the Fund. The Trustee will not issue Units until all relevant information has been received and an Investor's identity has been satisfactorily verified; and

(b) anyone acting on behalf of an Investor; including a power of attorney.

In some circumstances, the Trustee may need to re-verify this information.

By applying to invest in the Fund, Investors also acknowledge that the Trustee may decide to delay or refuse any request or transaction, including by suspending the issue or withdrawal of Units in the Fund, if it is concerned that the request or transaction may breach any obligation of, or cause the Trustee to commit or participate in an offence under; any AML/CTF Law, and the Trustee will incur no liability to Investors if it does so.

### 8.5. Foreign Account Tax Compliance Act (FATCA)

FATCA is United States (US) tax legislation that enables the US Internal Revenue Service (IRS) to identify and collect tax from US residents that invest in assets through non-US entities. If you are a US resident for tax purposes, you should note that the Fund is or is expected to be a 'Foreign Financial Institution' under FATCA and it intends to comply with its FATCA obligations, as determined by either the FATCA regulations or any inter-governmental agreement (IGA) entered into by Australia and the US for the purposes of implementing FATCA. Under these obligations, the Fund will have to obtain and disclose information about certain Investors to the Australian Taxation Office (ATO). In order for the Fund to comply with its obligations, we will also request that you provide certain information about yourself, including your US Taxpayer Identification Number (TIN).

We will only use such information for this purpose from the date the Fund is required to do so.

### 8.6. Consents

Written consent to be named in the IM in the form and context in which they are named have been provided by the following parties and who have not withdrawn their consent prior to the date of this IM:

- Australian Diversified Income Pty Ltd
- Vasco Funds Management Pty Ltd

## 9.0 Glossary

<b>Administration Manager</b>	Vasco Funds Management Pty Ltd ACN 610 512 331
<b>AFS Licence</b>	Australian financial services licence.
<b>Application Form</b>	The application form included in or accompanied by this IM.
<b>Application Money</b>	The money paid by an applicant for Units.
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>ASX</b>	The Australian Securities Exchange Limited.
<b>Borrowers</b>	An entity which the Fund lends money to under the terms of Loan Agreement.
<b>Business Day</b>	A day on which banks are open for business in Melbourne, except a Saturday, Sunday or public holiday.
<b>Constitution</b>	The document establishing the Fund dated 15 November 2017 as amended from time to time.
<b>Corporations Act</b>	Corporations Act 2001 (Cth) for the time being in force together with the regulations of the Corporations Act.
<b>Fees and Costs</b>	The fees, costs and expenses payable to the Trustee, the Administration Manager and Investment Manager as set out in Section 4.
<b>Fund</b>	Australian Diversified Income Fund
<b>GST</b>	Goods and Services Tax as defined in A New Tax System (Goods and Services Tax) Act 1999, as amended.
<b>IM</b>	This Information Memorandum.
<b>Investment Management Agreement</b>	The investment management agreement between the Trustee and the Investment Manager dated on or about the date of this IM.
<b>Investment Manager</b>	Australian Diversified Income Pty Ltd ACN 622 221 176.
<b>Investor</b>	A holder of Units.
<b>Offer</b>	The offer under this IM to subscribe Units.
<b>Qualifying Investor</b>	The Offer is only available to persons who, if they reside in Australia, are a wholesale client as defined in section 761G of the Corporations Act and, if they reside in Singapore, are an accredited investor or certain other person prescribed under s305 of the Securities and Futures Act and if they reside in New Zealand are wholesale investors within the meaning of clauses 3(2) of Schedule 1 of the Financial Markets Conduct Act 2013 (collectively, "Qualifying Investors").
<b>Security and Futures Act or SFA</b>	Singapore's Securities and Futures Act (Chapter 289)
<b>SPV</b>	A special purpose vehicle related to and controlled by the Investment Manager; which will borrow from the Fund to make investments.
<b>Trustee</b>	Vasco Investment Managers Limited ACN 138 715 009, holder of AFS licence number 344486.
<b>Unit</b>	A unit in the Fund.
<b>Withdrawal Request</b>	A withdrawal request by an Investor to withdraw from the Fund.



## 10.0 Application for Units

An application for Units can only be made by completing and lodging the "Application Form" form that is attached to this IM ("Application"). Instructions relevant to completion of the Application are set out in the form.

A completed and lodged Application, together with payment of the relevant Application Monies should be returned to the Administration Manager at the address shown on the Application. This will constitute a binding and irrevocable application for the number of Units noted on the Application.

If the Application for Units is not completed correctly or if the payment of the Application Monies is for the wrong amount, it may still be treated as a valid Application at the sole discretion of the Trustee. However, where the payment is for less than the number of Units applied for, the Application will be deemed to be for the lower number of Units.

The Trustee reserves the right to reject an Application (in whole or in part) without reason.

Applications along with application monies should be emailed, faxed, mailed or delivered to:

**Vasco Investment Managers Limited**  
Level 5, 488 Bourke Street Melbourne, Victoria, 3000, Australia  
T +61 3 8352 7120 F +61 3 8352 7199 E [info@vascofm.com](mailto:info@vascofm.com)

All application money payments should be made as follows:

### 1. By cheque:

Cheques should be made out to "Vasco Investment Managers Limited ATF Australian Diversified Income Fund" and crossed "Not Negotiable". No application will be processed until the cheque has been cleared.

### 2. By electronic transfer:

Electronic transfers should be made to:

"Vasco Investment Managers Limited ATF Australian Diversified Income Fund"

c/o Macquarie Bank  
BSB: 182 512  
Account: 965696784

and identified by the name of the person or entity making the transfer (including ACN or ABN) where applicable.

The Macquarie Bank Swift Code is MACQAU2SXXX.

All application monies received in relation to the Offer will be held in the account of the Trustee until allotment.



# Application Form

## Australian Diversified Income Fund



Use this application form if you wish to invest in:

### Australian Diversified Income Fund

This Information Memorandum (IM) dated 18 July 2018 for the Australian Diversified Income Fund (Fund) includes information about purchasing units in the Fund. Any person who gives another person access to the application form must also give the person access to the IM and any incorporated information. You should read the IM and any incorporated information before completing this application form.

The trustee of the Fund is Vasco Investment Managers Limited (Vasco) ABN 71 138 715 009, AFSL 344486. Vasco or a financial adviser who has provided an electronic copy of the IM and any incorporated information, will send you a paper copy of the IM and any incorporated information and application form free of charge if you so request.

## Customer identification

If you are a new investor, you are also required to complete the relevant Customer Identification Form (FSC/FPA forms) depending on what type of investor you are e.g. individual or super fund. The Customer Identification Forms are available on our website [www.vascofm.com](http://www.vascofm.com) or by calling our Investor Services team on 03 8352 7120.

Australia's Anti-Money Laundering and Counter Terrorism Financing (AML/CTF) legislation obliges us to collect identification information and documentation from prospective investors.

Investors are required to complete this Application Form together with the relevant Customer Identification Form and send these to us with the required identification documentation. We will not be able to process your Application without a correctly completed Customer Identification Form and the required identification documentation.

## Important Information for Financial Advisers

When using this Customer Identification Form, please complete Sections 1 or 2 and 3.

If you are a financial adviser who has identified and verified the investor, by completing this Customer Identification Form together with the verification procedure and in the consideration of Vasco Investment Managers Limited (Vasco) accepting the investor's application:

- you agree to identify and verify all new investors, using this Customer Identification Form or the industry standard FSC/FPA Identification Form for identifying new investors
- you agree to retain a copy of the completed forms and all identification documents received from the investor in the investor's file for seven (7) years after the end of your relationship with the investor
- you agree to advise Vasco in writing when your relationship with the investor is terminated and agree to promptly provide Vasco all identification documents and/or the record of identification received from the investor at this time, or as otherwise requested from Vasco, from time to time.

## Contact details

Mail your completed application form and identity verification documents to:

Vasco Investment Managers Limited  
Level 5, 488 Bourke Street  
Melbourne VIC 3000

If you have any questions regarding this form or the required Customer Identification requirements, please contact our Investor Services team on 03 8352 7120.

## Checklist

Before sending us your application please ensure you have:

- completed this form in full;
- for new investments, completed the relevant 'Identity Verification Form' available on our website [www.vascofm.com](http://www.vascofm.com);
- if paying via direct debit, completed section 11 ensuring ALL bank account signatories have signed;
- if paying via cheque, ensure cheque is made payable to 'Vasco Investment Managers Limited ATF ADIF' and attach it to this application form; and
- read the declaration and provided all relevant signatures.



#### 4. Contact details

This is the address where all correspondence will be sent.

Contact person

Unit number  Street number

Street name

Suburb

State  Postcode

Country

Phone (after hours)  Phone (business hours)

Mobile  Facsimile

Email

#### 5. Tax information

It is not against the law if you choose not to give your TFN or exemption reason, but if you decide not to, tax may be taken out of your distributions at the highest marginal tax rate (plus Medicare levy).

##### 5a. Individual investor or entity

##### 5b. Investor 2 (joint investors)

TFN  TFN

Tax exemption  Tax exemption

ABN

##### 5c. Non-residents

If you are an overseas investor, please indicate your country of residence for tax purposes.

#### 6. Investment allocation and payment options

Please indicate how you will be making your new or additional investment and the amount you wish to invest.

I/we are making my/our investment via:

Direct Credit/EFT → see below.

Bank Cheque → make cheque payable to 'Vasco Investment Managers Limited ATF ADIF'.

Fund name	Initial investment
Australian Diversified Income Fund	\$ <input type="text"/> , <input type="text"/> , <input type="text"/> . <input type="text"/> <input type="text"/>

**Cheque Instructions:** Bank Cheques or drafts must be made payable to Vasco Investment Managers Limited ATF ADIF. Only cheques or drafts in Australian currency and drawn on an Australian bank will be accepted. Your cheque(s) should be crossed NOT NEGOTIABLE. Mail or deliver your completed Application Form with your cheque(s) to:

Vasco Investment Managers Limited  
 Level 5, 488 Bourke Street  
 Melbourne, VIC, 3000  
 P +61 3 8352 7120 F +61 3 8352 7199 E info@vascofm.com

##### Direct Credit / EFT Instructions

Alternatively you can direct credit your application funds to:  
 Vasco Investment Managers Limited ATF ADIF  
 Macquarie Bank  
 BSB 182 512  
 Account number 965696784  
 Swift Code MACQAU2SXXX  
 Please note the applicants name when transferring the funds.  
 Please ensure all funds transferred are net of all bank charges.





## 11. Declaration and applicant(s) signature(s)

Please read the declarations below before signing this form. The signatures required are detailed at the bottom of this form.

I/We declare that:

- all details in this application and all documents provided are true and correct and I/we indemnify the Trustee of the Fund against any liabilities whatsoever arising from acting on any of the details or any future details provided by me/us in connection with this application;
- I/we have received a copy of the current IM and all information incorporated into the IM to which this application applies and have read them and agree to the terms contained in them and to be bound by the provisions of the current IM (including the incorporated information) and current Constitution (each as amended from time to time);
- I/we have legal power to invest in accordance with this application and have complied with all applicable laws in making this application;
- I/we have received and accepted this offer in Australia, New Zealand or Singapore;
- the details of my/our investment can be provided to the adviser group or adviser named at the end of this form or nominated by them by the means and in the format that they direct;
- if this application is signed under Power of Attorney, the Attorney declares that he/she has not received notice of revocation of that power (a certified copy of the Power of Attorney should be submitted with this application unless we have already sighted it);
- sole signatories signing on behalf of a company confirm that they are signing as sole director and sole secretary of the company;
- I/we acknowledge that if Vasco reasonably believes an email or facsimile communication it receives is from me/us Vasco is entitled to rely on that email or facsimile communication and will not be liable for any loss it may suffer if it is later found the email or facsimile communication was fraudulent.
- unless alternative authority for signature is notified to and accepted by Vasco, the person/persons that signs/sign this form is/are able to operate the account on behalf of the company and bind the company for future transactions, including in respect of additional deposits and withdrawals, including withdrawals by telephone and fax;
- I/we acknowledge that I/we have read and understood the information under the heading 'Privacy policy' in the relevant IM. I am/We are aware that until I/we inform Vasco otherwise, I/we will be taken to have consented to all the uses of my/our personal information (including marketing) contained under that heading and I/we have consented to my/our financial adviser providing such further personal information to Vasco as is required or reasonably deemed necessary by Vasco under applicable law;
- I/we understand that if I/we fail to provide any information requested in this application form or do not agree to any of the possible use or disclosure of my/our information as detailed on the IM, my/our application may not be accepted by Vasco and we agree to release and indemnify Vasco in respect of any loss or liability arising from its inability to accept an application due to inadequate or incorrect details having been provided;
- I/we acknowledge that none of Vasco, or any other member of Vasco or any custodian or investment manager, guarantees the performance of the Fund or the repayment of capital or any particular rate of return or any distribution;
- I/we are bound by the Constitution and that an application for Units is binding and irrevocable;
- I/we have not relied on statements or representations made by anybody, other than those made in the IM;
- I/we agree and acknowledge no cooling off period applies and I/we have had the opportunity to seek independent professional advice on subscribing for Units;
- I/we agree and acknowledge Vasco is required to comply with the anti-money laundering laws in force in a number of jurisdictions (including the Anti-Money Laundering and Counter-Terrorism Financing Act 2006) and I/we must provide Vasco with such additional information or documentation as Vasco may request of me/us, otherwise my/our Application for Units may be refused, Units I/we hold may be compulsorily redeemed, and any disposal request by me/us may be delayed or refused and Vasco will not be liable for any loss arising as a result thereof;
- I/we have provided a tax file number, and if not, I/we consent to Vasco withholding tax at the highest marginal tax rate;
- I/we acknowledge and agree to having read and understood the risks of investing in the fund as described in the Information Memorandum and understand that the risks associated with the Fund's investments may result in lower than expected returns or the loss of my/our investment.

I/We also warrant and acknowledge that:

- All information contained in my/our Application is true and correct;
- I/we are not a Politically Exposed Person (PEP) as defined by the AML/CTF legislation;
- I/we are a "wholesale client" for the purposes of section 761G of the Corporations Act or, if residing in Singapore, an "accredited investor" or certain other person prescribed under s305 of the Securities and Futures Act or, if residing in New Zealand, a wholesale investor within the meaning of clauses 3(2) of Schedule 1 of the Financial Markets Conduct Act 2013 and relevant information has been provided to confirm this and by investing in this Fund I/we will not cause any breach of the Corporations Act by or for Vasco;
- if the Applicant is a SMSF, it is compliant and investing in this Fund complies with the Superannuation Industry Supervision Act 1993 (Cth); and
- I/we hold the appropriate authorisations to become an Investor in the Fund and that offer cannot be revoked.

Refer to list of signatories on page 8 of this application form





### 13. Adviser use only

I consent to my advisor, whose details are provided below, receiving information about my investment in the Fund.

Office name

Surname

Given name(s)

Title (Mr/Mrs/Miss/Ms)

Phone (business hours)

Email

Adviser group name

Adviser group AFSL

#### Important notes

This application must not be handed to any person unless the relevant IM and access to the information incorporated into the IM is also being provided. Vasco may in its absolute discretion refuse any application for Units. Persons external to Vasco or other entities who market Vasco products are not agents of Vasco but are independent investment advisers. Vasco will not be bound by representations or statements which are not contained in information disseminated by Vasco. Application monies paid by cheques from investment advisers will only be accepted if drawn from a trust account maintained in accordance with the Corporations Act.

## Signatories

The table below provides guidance on completing the Declaration and applicant(s) signature's section of the application form. Before signing the application form please ensure you have read the declaration.

Type of investor	Names required	Signature required	TFN/ABN to be provided
<b>Individual and/or joint investors</b>	i. Full name of each investor (please do not use initials).	Individual investor's; or each joint investor's	Individual investor's; or each joint investor's
<b>Sole trader</b>	i. Full name of sole trader; and ii. Full business name (if any).	Sole trader's	Sole trader's
<b>Australian or foreign company</b>	i. Full company name as registered with the relevant regulator; and ii. Name of each director of the company; and iii. Full name of each beneficial owner*	i. Sole director's; or ii. Two directors'; or iii. One director's and company secretary's	Company's
<b>Trust/Superannuation fund</b> If you are investing on behalf of a superannuation fund, we will assume the superannuation fund to be a complying fund under the Superannuation Industry (Supervision) Act.	i. Full trust/superannuation fund name (e.g. Michael Smith Pty Ltd ATF Michael Smith Pty Ltd Super Fund); and ii. Full name of the trustee(s) in respect of the trust/super fund. Where the trustee is an individual, all information in the 'Individual and Sole Traders' section must be completed. If any of the trustees are an Australian company, all information in the 'Australian company' section must also be completed; and iii. Names of beneficiaries (if identified in Trust Deed). iv. Full name of the settlor** v. Full name of each beneficial owner	Individual trustee(s) 'as trustee for'  If any of the trustees are an Australian company, the signatures set out in the 'Australian company' section are also required.	Superannuation fund's or trust's
<b>Account designation</b>	Name of the responsible adult, as the investor.	Adult(s) investing on behalf of the person/minor	Adult(s)
<b>If the investment is being made under Power of Attorney (POA)</b> Please ensure an original certified copy of the POA is attached to the application form. Each page of the POA must be certified.	i. Full name of each investor(s) (as listed in section 3); and ii. Full name of person holding POA (underneath signature).	Person holding Power of Attorney <b>In the case that the POA document does not contain a sample of the POA's (i.e. Attorney's) signature, please provide a certified copy of either the POA's driver's licence or passport containing a sample of their signature.</b>	Individual investor's; or each joint investor's

\* Beneficial owner means an individual who ultimately owns or controls (directly or indirectly) the investors. Owns mean ownership (either directly or indirectly) of 25% or more of the investor.

\*\*This is not required in some circumstances.

## 12.0 Schedule - Offering Legends

It is the responsibility of any persons wishing to subscribe for interests to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdictions. Prospective Investors should inform themselves as to the legal requirements and tax consequences within the countries of their citizenship, residence, domicile and place of business with respect to the acquisition, holding or disposal of interests, and any foreign exchange restrictions that may be relevant hereto.

### AUSTRALIA

This IM may not be circulated or distributed and no offer for subscription or purchase of the Units offered hereby, nor any invitation to subscribe for or buy such interests has been made or issued, directly or indirectly, in Australia, other than to prospective Investors who are wholesale clients as defined in section 761G of the Corporations Act in an offer exempt from the disclosure requirements of Part 7.9 of the Corporations Act. Further, the Units offered hereby may not be resold in Australia within a period of 12 months after the date of issue otherwise than by means of an offer exempt from the disclosure requirements of Part 7.9 of the Corporations Act.

This IM is not a prospectus or product disclosure statement under the Corporations Act and is not required to be, and has not been, lodged with the Australian Securities and Investments Commission. To the extent that information in this IM constitutes financial product advice, it is general financial product advice only, is provided by the Investment Manager and does not consider the specific objectives, financial intentions or needs of any particular person. Each person considering subscribing for interests should read this IM in full before making a decision to acquire any interests. There is no cooling-off regime in Australia that applies in respect of the issue of the interests.

### SINGAPORE

The Fund is a restricted scheme as referred to in s305 of the SFA and an application for registration will be submitted to the Monetary Authority of Singapore prior to any offer made to investors in Singapore. This IM has been prepared on the basis that prospective Investors from Singapore are accredited investors or certain other persons prescribed under s305 of the SFA. Accordingly, this scheme is not authorised or recognised by the Monetary Authority of Singapore and Units in this scheme are not allowed to be offered to the retail public. Further, this IM is not a prospectus as defined in the Securities and Futures Act and, accordingly, statutory liability under the Securities and Futures Act in relation to the content of prospectuses does not apply, and the offeree should consider carefully whether the investment is suitable for them. The Trustee, Investment Manager and Fund are all regulated by the Australian Securities and Investments Commission (ASIC) under the Corporations Act 2001 (Cth). ASIC is located at 120 Collins Street, Melbourne VIC 3000, Australia and can be contacted on 1300 300 630.

### CHINA

The Units are not being offered or sold and may not be offered or sold, directly or indirectly, to the general public in the People's Republic of China ("PRC") (for such purposes, not including the Hong Kong and Macau Special Administrative Region or Taiwan). This IM or other offering materials has not been filed with or approved by the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Region or Taiwan) authorities, and is not an offer of securities (whether IPO or private placement) within the meaning of the PRC securities law or other pertinent laws and regulations of the PRC. This IM shall not be offered to the general public if used within the PRC, and the interests can only be offered or sold to PRC Investors that are authorised to engage in the purchase and sale of the type being offered or sold. PRC Investors are responsible for obtaining all relevant government regulatory approvals/licenses themselves, including without limitation any which may be required from the State Administration of Foreign Exchange, the China Banking Regulatory Commission, and complying with all relevant PRC regulations.

### NEW ZEALAND

This IM has been prepared on the basis that prospective Investors from New Zealand are wholesale investors within the meaning of clauses 3(2) of Schedule 1 of the Financial Markets Conduct Act 2013. Accordingly, this scheme is not authorised or recognised by the New Zealand Financial Markets Authority and Units in this scheme are not allowed to be offered to the retail public. Any prospective investors from New Zealand are required to complete a New Zealand Wholesale Investor Certificate available from the Trustee.



## AUSTRALIAN DIVERSIFIED INCOME FUND

### INVESTMENT MANAGER

#### **Australian Diversified Income Pty Ltd**

Level 9, 48 Hunter Street  
Sydney NSW 2000  
Telephone: +61 2 8014 7032  
Email: [info@adifunds.com.au](mailto:info@adifunds.com.au)

### TRUSTEE

#### **Vasco Investment Managers Limited**

Level 5, 488 Bourke Street  
Melbourne Victoria 3000 Australia  
Telephone: +61 3 8352 7120  
Email: [info@vascofm.com](mailto:info@vascofm.com)

### ADMINISTRATION MANAGER

#### **Vasco Funds Management Pty Ltd**

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Melbourne Victoria 3000 Australia  
Telephone: +61 3 8352 7120  
Email: [info@vascofm.com](mailto:info@vascofm.com)

