



MONTHLY INVESTMENT UPDATE

JUNE 2019 // PREPARED BY



LATEST NEWS & INFORMATION

| PROPERTY MARKETS: THE STATE OF PLAY

With expectations of further cuts to official interest rates by the Reserve Bank some economists are now predicting capital city price growth of between 2%- 4% across Australia over the next 12 months.

This is in contrast to where the market was at earlier this year and certainly late last year. So what's changed? Well certainly the recent .25% cut in rates added to buyer confidence along with expectations of more to come but greater certainty around taxation due to the election result and APRA's proposed changes to mortgage serviceability tests also helped change market sentiment.

Despite not all banks passing on the full benefit of the recent rate reduction to mortgage holders, rates on term deposits have been further slashed and with expectations that the reserve bank could lower rates by a further .5% this year, further rate reductions on term deposits are likely.



| WHY INVEST IN ASCF?

The recent property price fluctuations in the Sydney and Melbourne markets show the downside of investing in mortgage funds which undertake loan term loans greater than 12 - 24 months. Property market values can be impacted quite quickly by declining consumer confidence and the tightening of lending criteria by the banks.

This has been clearly evidenced over the last year as part of the effects of the Hayne Commission into banking. The consequences of long loan terms at loan to valuation ratios (LVR) greater than 75% mean that a \$750,000 loan against a \$1,000,000 property in a declining market would actually be 83.33% LVR should the property decline by 10% over a 12 - 18 month period and over 88% LVR should the property decline by 15% over an 18- 24 month period. If you factor interest arrears and recovery costs on a defaulting loan the loan to valuation ratio could quickly be closer to 95% potentially putting capital at risk.

Whilst the Sydney and Melbourne markets have now stabilised with the prospect of an increase in values in these markets in the latter half of the year, there are definitely benefits in investing in a mortgage fund such as ASCF which only provides short term loans. Short term loans are less susceptible to property market fluctuations as the market is less likely to move by any significant amount in a short period of time.

The average loan term with ASCF is less than 5 months, with 90% of our loans approved for a period of 6 months or less. The maximum loan term ASCF is able to provide to borrowers is 12 months and if an extension is sought a new valuation is required to be undertaken prior to approval. At ASCF capital preservation is and always shall be our number one priority.



MAY 2019

AN INTERESTING TRANSACTION

with Joe Bennett

Senior Relationship Executive

| AN INTERESTING TRANSACTION

This month we were approached by a Sydney property developer on a Monday to provide urgent funding in order to complete one of his current developments.

The borrower was seeking \$900,000 including capitalised interest and fees for 3 months with a 6 month facility term.

The security offered was his personal home in Strathfield and a unit in Shoal Bay both as second mortgage security. We issued a letter of offer subject to valuation and confirmation of the 1st mortgage debt and had our valuer in Sydney inspect both properties the next day. The house in Strathfield was valued at \$5m and the unit in Shoal Bay \$600,000.

The 1st mortgage debt which was with a major bank was confirmed with the borrower's personal banker at \$2.4m allowing us to issue loan documents and settle the transaction on the Thursday afternoon. The interest rate charged was 24% per annum with a loan to valuation ratio of 59.29%.

ASCF CURRENT NET INTEREST RATES PAID TO INVESTORS

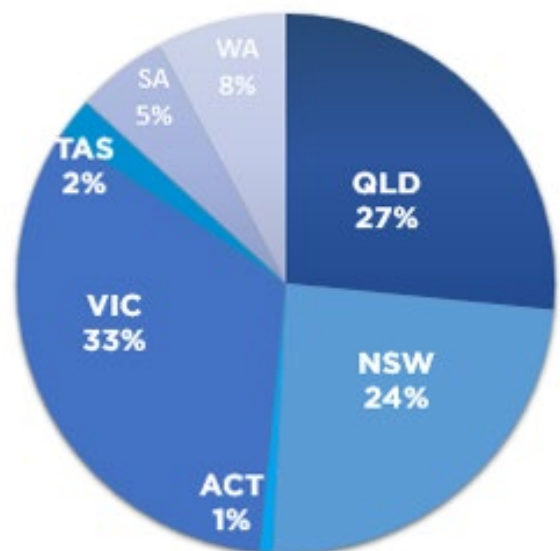


ASCF#1 First Mortgage Fund		ASCF#2 First and Second Mortgage Fund	
Investment Term	Rate	Investment Term	Rate
3 months	6.25% pa	3 months	7.99% pa
6 months	6.50% pa	6 months	8.29% pa
12 months	6.75% pa	12 months	8.69% pa

Rates paid are net of all fund costs and management fees.

| ASCF CURRENT LOANS BY STATE

To view a current summary of our loans as at 30th June 2019, please [click here](#).



KEY FUND INFORMATION

Australian Financial Service Licence No. and Australian Credit Licence No.	491201
ASCF#1 Unit Price as at 28 June	\$1.00
ASCF#2 Unit Price as at 28 June	\$1.00
Income Distribution for June	Paid
ASCF #1 and ASCF #2 Funds under management as at 28 June	\$75,686,782.03
Average Weighted Loan to Valuation Ratio ASCF#1 as at 28 June	63.80%
Average Loan Size ASCF#1 as at 28 June	\$682,269.33
Average Weighted Loan to Valuation Ratio ASCF#2 as at 28 June	64.62%
Average Loan Size ASCF#2 as at 28 June	\$504,435.88
Percentage of ASCF#2 1st Mortgage Loans on a Weighted Basis as at 28 June	60.92%
Percentage of ASCF#2 2nd Mortgage Loans on a Weighted Basis as at 28 June	39.08%

| SINCE COMMENCEMENT IN 2016

- ✓ All investors have received their interest distribution every month
- ✓ All investors have had their request to redeem funds paid on time
- ✓ The value of investors initial investment has remained stable at \$1.00 per unit



BENEFITS OF THE FUND

- * Monthly interest payments to investors
- * No construction loans to developers
- * Low loan to valuation ratios with a maximum 80% loan of property valuation
- * High liquidity fund due to the short-term nature of our loans
- * Capital stability
- * Low risk profile to property market fluctuations with maximum loan term to borrowers of 12 months

This email and the information contained in it has been issued by Australian Secure Capital Fund Ltd ACN 613 497 635 AFS licence and credit licence no. 491201 (ASCF). ASCF is the responsible entity for the ASCF #1 Fund ARSN 616 367 410 and the ASCF #2 Fund ARSN 616 367 330 (Funds).

This email contains general information only and should not be considered as giving financial product advice by ASCF. It does not purport to be complete, nor does it take into account your investment objectives, financial situation or needs. Prospective investors should consider those matters and read the product disclosure statement (PDS) for the Funds in its entirety before making an investment decision.

A copy of the PDS can be downloaded from our website. As with all investments, each Fund is subject to risks, including loan default, security, priority and enforcement risk. If these risks eventuate, they may result in a reduction in the value of your investment in the Funds and/or a reduction or cessation of distributions. The performance of the Funds, the repayment of capital or of any particular rate of return is not guaranteed. This information in this email and in the PDS is not a recommendation by ASCF or any of its officers, employees, agents or advisers and potential investors are encouraged to obtain independent expert advice before any investment decision. Whilst all care has been taken in preparation of this email, to the maximum extent permitted by law, ASCF will not be liable in any way for any loss or damage suffered by you through use or reliance on this email.