MONTHLY INVESTMENT UPDATE

MAY 2019 // PREPARED BY ASCF Australian Secure Capital Fund

LATEST NEWS & INFORMATION

| THE ELECTION: OUR TAKE

Now that the recent election results have been finalised, it appears that Australia is in for a period of much needed political stability. The recent results show that voters do not like politicians changing the rules on them when they have planned many years for their retirement and the results of the election speak for themselves.

With political certainty comes economic consumer confidence and with auction clearance rates across the country jumping last weekend, it is evident that the uncertainty leading up to the election did in fact create a lag on consumer confidence. We would expect Sydney and Melbourne house prices to now stabilise, and turn positive and with most economists predicting at least two Reserve Bank interest cuts over the coming months this should continue to underpin consumer confidence in the property market.

Australian Government 10 year bonds have fallen to a record low of just under 1.5% this week, indicating that investors believe rates will stay lower for longer. As Iron Ore prices continue to hover at around $100 US per tonne and with the AUD now at sub 70 cents to the US dollar, we believe the country is well primed for a resurgence in export and tourism trade revenues resulting in increased government tax income, a lower unemployment rate and hopefully some sign of wages growth across the country.

| WHY INVEST IN ASCF?

When ASCF was established in 2016, we set about ensuring our funds were investor focused and having been in the Private Lending industry since 1997, we believe we were able to capitalise on that experience to ensure we were able to provide the best possible product for our investors. Whilst providing a stable monthly return on investment was important, capital preservation has and always will be our number one priority. Unlike other mortgage funds, one of the areas we therefore decided not to provide funding for were construction loans.

ASCF will only ever lend funds to a borrower with an established property asset on an “as is” valuation. We do not provide loans to developers for construction purposes on an “as if complete” valuation which adopts the end of value of the building to be constructed. Whilst other mortgage funds do provide construction funding to developers on a staged basis, we consider the risks excessive.

These risk include:
Construction Risk- Will the building be built correctly and what are the additional costs if the builder goes broke during construction?

Market Risk- Most construction loans are of 12-18 month duration. Will the building still be worth the same value on completion as when the valuation was undertaken?

Settlement Risk- Will the buyer of the stock be able to settle on completion to enable the loan to be repaid, or have their circumstances changed?

Whilst some mortgage funds do provide construction funding to developers, we do not consider these additional risks worth our originating these types of loans which is why our Product Disclosure Statement specifically precludes us from providing these type of loans. ASCF can still lend to a borrower where the purpose of the loan is for construction as evidenced in this months Interesting Transaction but the security must be based on the value of an existing asset at the time of the loan, not on the value of the end product yet to be built.

ASCF
Australian Secure Capital Fund

MAY 2019

AN INTERESTING TRANSACTION

with Joe Bennett
Senior Relationship Executive

| AN INTERESTING TRANSACTION

This month we assisted a borrower to finalise a major renovation of their existing home which they were mid way through. The borrowers were unable to secure bank or non-bank funding to complete the renovation due to the property being under construction. The customer sought $337,500 in his company name against a land only valuation of $450,000 to refinance the existing mortgage and provide funds to complete the renovation of $200,000. The loan was done at an LVR of 75% at 15% per annum for 6 months. The exit is by way of refinance to a major bank upon completion of renovation.

ASCF CURRENT NET INTEREST RATES PAID TO INVESTORS

ASCF#1 First Mortgage Fund	
Investment Term	Rate
3 months	6.25% pa
6 months	6.50% pa
12 months	6.75% pa

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

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

KEY FUND INFORMATION

Australian Financial Service Licence No. and Australian Credit Licence No.	491201
ASCF#1 Unit Price as at 30 May	$1.00
ASCF#2 Unit Price as at 30 May	$1.00
Income Distribution for April	Paid
ASCF #1 and ASCF #2 Funds under management as at 30 May	$73,664,482
Average Weighted Loan to Valuation Ratio ASCF#1 as at 30 May	64.31%
Average Loan Size ASCF#1 as at 30 May	$685,696.57
Average Weighted Loan to Valuation Ratio ASCF#2 as at 30 May	62.28%
Average Loan Size ASCF#2 as at 30 May	$517,680.14
Percentage of ASCF#2 1st Mortgage Loans on a Weighted Basis as at 30 May	53.53%
Percentage of ASCF#2 2nd Mortgage Loans on a Weighted Basis as at 30 May	46.47%

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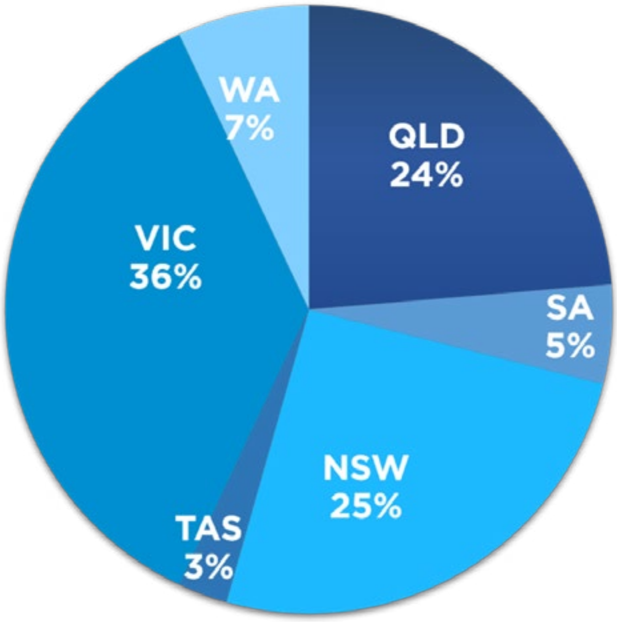
| ASCF CURRENT LOANS BY STATE

To view a current summary of our loans as at 30th May 2019, please click here.



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

ASCF
Australian Secure Capital Fund

Are you looking to invest in ASCF or increase your investment in the funds?

CALL US TODAY ON 1300 269 419