ASCF

Australian Secure Capital Fund

# Product Disclosure Statement

## ASCF Mortgage Funds

## ASCF Premium Capital Fund

## ARSN 637 973 409

## ASCF Select Income Fund

## ARSN 616 367 410

## ASCF High Yield Fund

## ARSN 616 367 330

**Responsible Entity**

Australian Secure Capital Fund Ltd

ACN 613 497 635

AFSL and ACL No. 491201

# Important Information

**Issuer**

The issuer of this PDS and of the Units in the ASCF Premium Capital Fund ARSN 637 973 409, the ASCF Select Income Fund ARSN 616 367 410 and the ASCF High Yield Fund ARSN 616 367 330 (together referred to as **the Funds** and each as **a Fund**) is Australian Secure Capital Fund Ltd (**Responsible Entity, we, us, our**). The Responsible Entity holds an AFS Licence and AC Licence No. 491201.

**This document**

This PDS is dated 1 September 2020 and relates to an invitation to subscribe for Units in the Funds (Offer). This PDS has not been lodged with ASIC and is not required by the Corporations Act to be lodged with ASIC. The Responsible Entity will notify ASIC that this PDS is in use in accordance with section 1015D of the Corporations Act. ASIC takes no responsibility for the contents of this PDS.

**No performance guarantee**

Neither the Responsible Entity nor any of its directors, related parties or associates guarantees the performance or success of the Funds, the repayment of capital or any particular rate of capital or income return. Past performance is not indicative of future performance.

**Risks**

There are risks associated with investing in the Funds. These risks may be exacerbated by social and health issues, such as the COVID-19 pandemic happening at the date of this PDS, and any number of unknown risks may also arise as a result of COVID-19, which may adversely impact the Funds and distributions to Investors.

See Section 5 of this PDS for more information. You should carefully consider these factors in light of your personal circumstances (including financial and taxation issues) and seek professional advice before deciding whether to invest in the Funds.

**No investment advice or recommendation**

The Responsible Entity is not authorised to give any personal financial product advice and nothing in this PDS constitutes financial product advice by the Responsible Entity or a recommendation to subscribe for Units in the Funds or invest in the Funds. This PDS contains important information, however it does not take into account your investment objectives, financial/personal situation or particular needs. Accordingly, before you invest, you should read this PDS (and any supplementary PDS and website updates) carefully and in its entirety, conduct an independent investigation and analysis as to the merits and risks of investing in the Funds, and if you consider it necessary or appropriate, obtain independent professional advice (including financial and taxation advice about whether an investment in the Funds is suitable for you.

**Not regulated by APRA**

The Responsible Entity is not authorised under the Banking Act 1959 (Cth) and is not supervised by APRA, and investments in the Funds are not covered by the deposit or protection provisions available to depositors that make a deposit with an Australian authorised deposit-taking institution.

**Forward looking statements**

This PDS includes forward looking statements that may contain the words “believe”, “intend”, “estimate”, “expect”, “anticipate” and words of similar meaning. All statements other than statements of historical facts included in this PDS, including, without limitation, those regarding investment strategy, plans and objectives are forward looking statements. Such forward looking statements involve known and unknown risks, uncertainties and other important factors that are outside the control of the Responsible Entity and could cause the actual results, performance or achievements of the Funds to be materially different from future results, performance or achievements expressed or implied by such forward looking statements.

Any forward looking statements are based on numerous assumptions regarding the Funds’ operations and present and future business and investment strategies. These forward-looking statements are current only as at the date of this PDS. Accordingly, there can be no assurance that such statements, estimates or projections will be realised.

### Information

This PDS supersedes all preliminary information and other previous communications in connection with the Funds and such preliminary information and previous communications should be disregarded.

No one is authorised to provide any information or to make any representation in connection with the Funds, which is not contained in this PDS. Any information or representation not contained in the PDS may not be relied on as having been authorised by us.

Except where expressly disclosed, the information contained in this PDS 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 Responsible Entity or any of its associates, related parties, directors, officers, employees, advisers or representatives as to the accuracy or completeness of any part of this PDS.

Certain information in this PDS is subject to change from time to time. Any updated information will be placed on the Responsible Entity's website at ascf.com.au. This information may include details about investment performance. We strongly recommend all prospective investors review this material before making a decision to acquire Units in the Funds.

### Electronic PDS

An electronic version of this PDS appears at ascf.com.au. If you have received this PDS electronically, then the Responsible Entity will give you a paper copy free of charge, on request. Please telephone the Responsible Entity on 07 3506 3690.

### Availability of Offer

The Offer under this PDS is available to persons receiving the PDS within Australia. This PDS does not constitute and should not be construed as an offer, invitation or recommendation by the Responsible Entity to apply for Units in any state, country, or jurisdiction where such offer, invitation or recommendation may not be lawfully made.

If you come into possession of this PDS in another jurisdiction, you should seek your own advice and observe any such restrictions of the laws of that jurisdiction. We will take your return of a duly completed Application Form to constitute a representation and warranty by you that there has been no breach.

### Our website

Where this PDS indicates certain information is available on the Responsible Entity's website, it is recommended you view that information before making a decision whether to invest. In addition, information contained in this PDS may change from time to time. If the change will be materially adverse to the Funds and the offer is still open, then in accordance with the Corporations Act, the Responsible Entity will issue a supplementary PDS. However, if the change will not be materially adverse to the Funds, then a supplementary PDS will not be issued. Updated information will be available from our website and upon request we will provide you with a paper copy of any updated information free of charge.

### Glossary and photographs

Throughout this PDS, certain defined terms are used. Terms are defined in the Glossary in Section 9 of this PDS (if necessary).

Photographs in this PDS are not assets of the Funds, unless otherwise indicated.

# Contents

## Section 1 Funds Overview

This Section provides an overview of the main features of an investment in the Funds. It is not intended to be exhaustive. For more detailed information, please refer to the relevant Section of the PDS noted in the column on the right. You should read this PDS in its entirety to make an informed decision about whether to invest in the Funds.

| Feature | Overview | Refer to Section |
|---|---|---|
| Responsible Entity | Australian Secure Capital Fund Ltd is the Responsible Entity for the ASCF Premium Capital Fund, ASCF Select Income Fund and ASCF High Yield Fund (each a Fund and collectively the Funds). | 4.1 |
| Custodian | Sargon CT Pty Ltd ACN 106 424 088. | 2.15 |
| Objective | The objective of the ASCF Select Income Fund is to provide monthly income through a selection of investments in short-term registered **first** mortgage loans.<br><br>The objective of the ASCF High Yield Fund is to provide monthly income through a selection of investments in short-term registered **first and second** mortgage loans.<br><br>The objective of the ASCF Premium Capital Fund is to provide monthly income through a selection of investments in short-to-medium term registered **first** mortgage loans with a lower loan to valuation ratio (LVR) than the ASCF Select Income Fund and the ASCF High Yield Fund and provide additional capital protection measures to Investors. | 2.1 |
| Investment strategy | Each Fund is a pooled mortgage scheme which invests in short-term mortgages secured over Australian real property (Loans).<br><br>The Funds target small to medium businesses or individuals seeking finance for business or investment purposes in circumstances where traditional large financiers are too slow, or unreasonably difficult to deal with. The Funds offer customers access to finance with a fast, efficient and sensible lending approach whilst still adopting a stringent lending criteria. Typically, the Loans are repaid from an identified business transaction within a short period of time, usually 1 to 24 months, and are always secured by a registered mortgage over real property. This results in a balanced risk position for the Funds which distinguishes the Funds from other mortgage investment funds.<br><br>All Loans issued by the ASCF Select Income Fund will be secured by **first** ranking Mortgages and shall have an initial loan term no greater than 12 months.<br><br>All Loans issued by the ASCF High Yield Fund will be secured by **first or second** ranking Mortgages and shall have an initial loan term no greater than 12 months.<br><br>All Loans issued by the ASCF Premium Capital Fund will be secured by **first** ranking Mortgages and shall have an initial loan term no greater than 24 months. | 2.2<br><br>3.1 |

| Feature | Overview | Refer to Section |
|---|---|---|
| | Loans will not be provided by the ASCF Select Income Fund or the ASCF High Yield Fund where the total LVR of all loans secured by the Secured Property (including any existing loans advanced by lenders other than the Funds) exceeds 80%.<br><br>Loans will not be provided by the ASCF Premium Capital Fund where the total LVR of all loans secured by the Secured Property exceeds 70%.<br><br>Depending on the structure of the Loan, Mortgages may be taken over vacant land, residential, commercial, retail or industrial properties in Australia.<br><br>The Funds will NOT approve construction Loans for property development purposes based on the anticipated end value of any improvements to be constructed on the proposed Secured Property or on an "as if complete" valuation. That is, the Funds will only approve Loans on the current assessed value of the Secured Property at the time of making the Loan.<br><br>Funds not immediately invested in loans will be deposited in short-term cash and cash-like investments to earn interest for the relevant Fund. | |
| Benefits of the Funds | 1. Monthly income.<br>2. The Responsible Entity actively manages the Funds and invests in short term Loans secured by real property. Investing in short term Loans reduces the risk that the financial position of the Borrower and the value of the Secured Property will change over time.<br>3. An indirect exposure to existing real property assets within the residential, commercial, retail and industrial sectors in Australia.<br>4. Timely and informative communication to you and your advisers.<br>5. Capital stability.<br>6. Fixed investment term. | 2.1 |
| Minimum and maximum investment amount | The minimum investment amount for ASCF Premium Capital Fund is $10,000 per new investor, or $5,000 for any additional investments.<br><br>The minimum investment amount for ASCF Select Income Fund is $25,000 per new investor, or $5,000 for any additional investments.<br><br>The minimum investment amount for ASCF High Yield Fund is $50,000 per new investor, or $5,000 for any additional investments.<br><br>The maximum amount an Investor may invest in the 3 month (A6 Class) Investment Term in each Fund is $250,000 (see below). | 2.4 |

| Feature | Overview | Refer to Section |
|---|---|---|
| | Each subsequent investment is a new investment in a Fund and is subject to a new Investment Term. See Section 2.10 below for more information on withdrawal rights.<br><br>The Responsible Entity may accept lower minimum investment amounts at its sole and absolute discretion. | |
| Unit pricing | The Unit price for each Fund is based on the underlying value of the particular Funds' assets and may rise or fall. Since inception, all Units issued in each of the Funds have been issued at $1.00 and the Unit price in each of these Funds has remained stable at $1.00 per Unit.<br><br>Unit prices are calculated daily and are published on ascf.com.au within two Business Days of the relevant pricing date should a change to the pricing occur.<br><br>Applicants should check the current Unit price before investing in the Funds. | 2.6 |
| Issue of Units | Units will be issued daily, on the day funds are received. | 2.7 |
| Investment options | Investors may invest in one or more of the following Investment Terms available in each of the Funds which offer different Distribution Rates depending on the term of the investment:<br>1. 3 months (A6 Units).<br>2. 6 months (A5 Units).<br>3. 12 months (A4 Units).<br>The current Distribution Rates applicable to each Investment Term in each Fund are available on our website ascf.com.au and should be read in conjunction with this PDS.<br><br>Distribution Payments will be paid monthly within seven days of the end of each month. The Distribution Rates are current as at the date an Investor is issued with Units for the Investment Term, which is net of all management fees and other Fund costs. The Distribution Rates are an investment objective and not a forecast.<br><br>Investors should be aware that distributions are not guaranteed nor is the repayment of capital, however since inception all Distribution Payments have been paid to Investors in full at the Distribution Rate that was current as at the date each Investor was issued with Units and on time. Further, all Withdrawal Requests have been approved and funds withdrawn and paid to withdrawing Investors on the due dates. | |
| Key risks | There are risks associated with investing in the Funds. These risks may be exacerbated by the current COVID-19 pandemic, and any number of unknown risks may also arise as a result of COVID-19, which may adversely impact the Funds and distributions to Investors.<br><br>The Responsible Entity will attempt to manage and mitigate risks, however not all risks can be eliminated, and some risks are outside the control of the Responsible Entity. If risks eventuate, then it can | 5 |

| Feature | Overview | Refer to Section |
| --- | --- | --- |
| | have a negative impact on distributions and the value of your investment. Distribution Payments are not guaranteed nor are any capital returns.<br><br>Key risks include:<br><br>1. Loan default.<br>2. Reduction in the value of Secured Property.<br>3. Breach of borrowing covenants.<br>4. Pooling risks.<br>5. Social and health risks (e.g. COVID-19).<br><br>You should read Section 5 in its entirety before making a decision to invest in the Funds. | |
| Fees and costs | We will receive performance fees for managing the Funds. The performance fees (if any) for each Fund are calculated and payable monthly in arrears. The performance fees are the balance of the respective Fund's income after the payment of all Distribution Payments to Investors and other Expenses of the relevant Fund (such as audit, custody fees, insurance and legal costs). | 6 |
| Tax information | This PDS contains general information about tax. Before investing, you should obtain your own independent tax advice, taking into account your own circumstances. | 7 |
| Withdrawal rights | Each period of an Investor's investment in the Funds is referred to as an **Investment Term**.<br><br>When an Investor invests in a Fund, the first Investment Term begins on the day the investment is accepted (usually the date the Application Money is deposited into the Custodian's bank account) and runs for the length of the Investment Term. At the expiration of the Investment Term, the investment will automatically roll over for the same term at the then prevailing Distribution Rate offered by the relevant Fund at the time. Each subsequent Investment Term runs for the same period of time, starting from the date the preceding Investment Term expires.<br><br>If you wish to withdraw from a Fund in whole or in part at the end of the Investment Term, then you must lodge a Withdrawal Request with the Responsible Entity within the time frames for each Investment Term as set out below:<br><br>1. 3 months (A6 Units)—At least 1 month before the end of the Investment Term.<br>2. 6 months (A5 Units)—At least 2 months before the end of the Investment Term.<br>3. 12 months (A4 Units)—At least 3 months before the end of the Investment Term.<br><br>You do not have the right to withdraw your investment in a Fund until the Investment Term has expired. The Responsible Entity may | 2.10 |

| Feature | Overview | Refer to Section |
|---|---|---|
| | consider an Early Withdrawal Request. In such cases, the Responsible Entity will charge the Investor an early withdrawal fee of 1% of the amount of that Investor's capital being withdrawn.<br><br>The Withdrawal Request form and Early Withdrawal Request form can be found on the Responsible Entity's website ascf.com.au.<br><br>If you do not lodge a Withdrawal Request within the required time frame, then your investment will be automatically rolled over for a further Investment Term of the same length without notice at the then prevailing Distribution Rate applicable for that Investment Term contained on the Responsible Entity's website ascf.com.au. You will not have another opportunity to withdraw your investment until the expiration of that Investment Term (noting the timeframes in which a Withdrawal Request must be lodged prior to the expiration of the Investment Term, as outlined above).<br><br>The Responsible Entity will endeavour to pay Withdrawal Requests on the date the Investor's Investment Term expires, unless that date is not a Business Day, in which case the payment will be made on the next Business Day following the date of expiry of the Investor's Investment Term, and in any event, will pay all Withdrawal Requests which have been accepted within 21 days of the end of an Investor's Investment Term. | |
| Related party loans and loans to Borrowers | The Funds will not make Loans to related parties of the Responsible Entity or any of its officers and all Loans are subject to the Responsible Entity being satisfied that the loan application complies with the Lending Guidelines for the relevant Fund, as detailed in Section 3 of the PDS. | 3.5 |
| Co-investment | The Responsible Entity and its associates (including the directors of the Responsible Entity) may co-invest alongside Investors. | |
| Cooling-off | A 14-day cooling-off period applies to Retail Investors. | 8.11 |
| Complaints | We have a procedure for handling any complaints. We are also a member of the Australian Financial Complaints Authority (AFCA), an independent external dispute resolution organisation. | 8.12 |

## 1.2 ASIC Benchmarks and Disclosure Principles

ASIC has developed eight disclosure benchmarks and eight disclosure principles for unlisted mortgage schemes in Regulatory Guide 45 to assist investors analyse and understand the risks associated with investing in these types of schemes and decide whether such investments are suitable for them. Responsible entities of unlisted mortgage schemes are required to apply these disclosure principles in their product disclosure statements and in other information they provide to their investors on an ongoing basis (through websites and other forms of communication with investors).

The following table contains a brief explanation of each ASIC benchmark and disclosure principle, together with a reference to the Section of this PDS where more information can be found relevant to that disclosure principle.

| Benchmark and disclosure principle | Summary | Refer to Section |
|---|---|---|
| **Benchmark 1 and Disclosure Principle 1: Liquidity** | For a pooled mortgage scheme, the responsible entity has cashflow estimates for the scheme that—<br>1. demonstrates the scheme's capacity to meet its expenses, liabilities and other cash flow needs for the next 12 months<br>2. are updated at least every three months and reflect any material changes, and<br>3. are approved by the directors of the responsible entity at least every three months.<br>**Compliance with the Benchmark**<br>The Funds comply with the benchmark. | 2.9 |
| **Benchmark 2 and Disclosure Principle 2: Scheme borrowing** | The responsible entity does not have current borrowings and does not intend to borrow on behalf of the scheme.<br>**Compliance with the Benchmark**<br>The ASCF Premium Capital Fund and the ASCF Select Income Fund comply with this benchmark because they do not have any borrowings and do not intend to borrow.<br>The ASCF High Yield Fund does not comply with this benchmark because it may borrow in certain circumstances, as set out in Section 2.12 of the PDS. | 2.12 |
| **Benchmark 3 and Disclosure Principle 3: Loan portfolio and diversification** | For a pooled mortgage scheme—<br>1. the scheme holds a portfolio of assets diversified by size, borrower, class of borrower activity and geographic region<br>2. the scheme has no single asset in the scheme portfolio that exceeds 5% of the total scheme assets<br>3. the scheme has no single borrower who exceeds 5% of the schemes assets, and<br>4. all loans made by the scheme are secured by first mortgages over real property (including registered leasehold title).<br>**Compliance with the Benchmark**<br>The Funds comply with the benchmark other than:<br>• The ASCF Select Income Fund and ASCF High Yield Fund do not comply with items 1 and 2 of the benchmark because each may have assets and borrowers in the portfolio which exceed 5% of the total scheme assets, but are less than 10% of the total scheme assets.<br>• The ASCF High Yield Fund does not comply with item 4 of the benchmark as some Loans provided by the ASCF High Yield Fund are secured by first and also second ranking Mortgages and/or a caveat pending registration of the second Mortgage. | 3 |

| Benchmark and disclosure principle | Summary | Refer to Section |
|---|---|---|
| | • The ASCF Premium Capital Fund is a new fund established on 20 December 2019 and as such it is unlikely to comply with items 1,2 and 3 of this benchmark until it is has received sufficient capital from Investors and its portfolio has been fully invested in Loans.<br><br>ASIC also requires the Responsible Entity to disclose certain information about the nature of the Funds' portfolios, and this information is set out in Section 3 of the PDS and the monthly newsletters and loan summary available for download from our website. | |
| **Benchmark 4 and Disclosure Principle 4: Related party transactions** | The responsible entity does not lend to related parties of the responsible entity or to the scheme's investment manager.<br><br>**Compliance with the Benchmark**<br><br>We comply with this benchmark as the Funds do not lend to related parties of the Responsible Entity or any investment manager. | 3.5 |
| **Benchmark 5 and Disclosure Principle 5: Valuation policy** | In relation to valuations for the scheme's mortgage assets and their security property, the benchmark requires the board of the responsible entity to require—<br><br>1. a valuer to be a member of an appropriate professional body in the jurisdiction in which the relevant property is located<br><br>2. a valuer to be independent<br><br>3. procedures to be followed for dealing with any conflict of interest<br><br>4. the rotation and diversity of valuers, and<br><br>5. in relation to security property for a loan, an independent valuation to be obtained—<br><br>(a) before the issue of a loan and on renewal–<br><br>(i) for development property, on both an "as is" and "as if complete" basis, and<br><br>(ii) for all other property, on an "as is" basis, and<br><br>(b) within two months after the directors of the responsible entity form a view that there is a likelihood that a decrease in the value of security property may have caused a material breach of a loan covenant.<br><br>**Compliance with the Benchmark**<br><br>The ASCF Premium Capital Fund complies with this benchmark in respect of all Loans.<br><br>The ASCF Select Income Fund and the ASCF High Yield Fund comply with this benchmark where the LVR is above 65%, or where the Loan term is more than 12 months.<br><br>Where the LVR is below 65% and the Loan term is less than 12 months, the ASCF Select Income Fund and the ASCF High Yield Fund may not comply with this benchmark as they may not meet items 1, 2 | 3.7 |

| Benchmark and disclosure principle | Summary | Refer to Section |
|---|---|---|
| | and 5 of the benchmark. Please refer to Section 3.7 on Valuations for details of our valuation policy for Loans where the LVR is 65% or below for the ASCF Select Income Fund and the ASCF High Yield Fund.<br><br>In respect of Loans made by the ASCF Select Income Fund and the ASCF High Yield Fund, we may rely on an existing valuation of the proposed Secured Property provided the valuation has been carried out within 6 months of the Loan application being made by an independent registered valuer.<br><br>The Responsible Entity has a conflicts of interest policy which extends to engaging independent registered real estate agents and/or valuers to carry out valuations. | |
| **Benchmark 6 and Disclosure Principle 6: Lending principles-loan-to-valuation ratios** | If the scheme directly holds mortgage assets—<br><br>1. where the loan relates to property development - funds are provided to the borrower in stages based on independent evidence of the progress of the development<br><br>2. where the loan relates to property development - the scheme does not lend any more than 70% on the basis of the latest “as if complete” valuation of property over which security is provided, and<br><br>3. in all other cases - the scheme does not lend more than 80% on the basis of the latest market valuation of property over which the security is provided.<br><br>**Compliance with the Benchmark**<br><br>We comply with this benchmark.<br><br>The Funds will NOT approve Loans for property development purposes based on the anticipated end value of any improvements to be constructed on the proposed Secured Property or on an “as if complete” valuation. That is, the Funds will only approve Loans on the current assessed value of the Secured Property at the time of making the Loan.<br><br>The ASCF Premium Capital Fund does not make Loans where the total LVR is more than 70%.<br><br>The ASCF Select Income Fund does not make Loans where the total LVR of all loans secured by the Secured Property (including any existing loans advanced by lenders other than the Fund) is more than 80%.<br><br>The ASCF High Yield Fund does not make Loans where the total LVR of all loans secured by the Secured Property (including any existing loans advanced by lenders other than the Funds in respect to a second Mortgage) is more than 80%. | 3 |
| **Benchmark 7 and Disclosure Principle 7: Distribution practices** | The responsible entity will not pay current distributions from scheme borrowings.<br><br>**Compliance with the Benchmark** | 2.8 |

| Benchmark and disclosure principle | Summary | Refer to Section |
|---|---|---|
| | We comply with this benchmark. The Responsible Entity will not pay current distributions from Fund borrowings. | |
| **Benchmark 8 and Disclosure Principle 8: Withdrawal arrangements** | This benchmark and disclosure principle addresses investors' ability to withdraw from a scheme when the scheme is liquid and when it is not liquid.<br><br>For liquid schemes, the benchmark requires the following:<br><br>1. The maximum period allowed for in the constitution for the payment of withdrawal requests is 90 days or less.<br><br>2. The responsible entity will pay withdrawal requests within the period allowed for in the constitution.<br><br>3. The responsible entity only permits members to withdraw at any time on request if at least 80% (by value) of the scheme property is—<br><br>(a) money in an account or on deposit with a bank and is available for withdrawal immediately, or otherwise on expiry of a fixed term not exceeding 90 days, during the normal business hours of the bank, or<br><br>(b) assets that the responsible entity can reasonably expect to realise for market value within 10 business days.<br><br>For non-liquid schemes, the benchmark requires that the responsible entity intends to make withdrawal offers to investors at least quarterly.<br><br>**Compliance with the Benchmark**<br><br>We do not comply with this benchmark.<br><br>The Funds are liquid schemes. However, Investors will only be able to withdraw their investment at the end of their Investment Term which may be anywhere between 3 to 12 months (subject to lodging a Withdrawal Request in the timeframe required or in limited and exceptional circumstances permitted by the Responsible Entity, such as hardship). If an Investor does not withdraw their investment at the end of an Investment Term, then their investment in the relevant Fund will be rolled over for a further Investment Term of the same length and at the then prevailing Distribution Rate applicable for that Investment Term as contained on the Responsible Entity's website ascf.com.au.<br><br>The Funds' Constitutions allow up to 90 days to determine whether to give effect to a Withdrawal Request and allows up to 21 days from the date of determination to satisfy the Withdrawal Request. The Responsible Entity may in certain circumstances decline to give effect to a Withdrawal Request such as if it does not have adequate funds to satisfy all Withdrawal Requests received. | 2.10 |

Updates to the information required under the ASIC benchmark disclosure principles (Regulatory Guide 45), from time to time, will be placed on our website at ascf.com.au.

### 2.1 Objective of the Funds

Our aim is to provide you with the following in exchange for your investment in the Funds:

(a) Monthly income.

(b) Capital stability.

(c) Actively managed Funds which invest in short term Loans secured by a registered Mortgage over Australian real property. Investing in short term Loans (usually up to 24 months) reduces the risk that the financial position of the Borrower and the value of the Secured Property will change over time.

(d) Fixed investment term.

(e) Exposure to real property assets within Australia including vacant land, residential, commercial, retail and industrial sectors.

(f) Timely and informative communication to you and your advisers with monthly newsletters and a Loan summary of new and repaid Loans published on our website.

The Distribution Rates for each of the Investment Terms are available on our website ascf.com.au. The Distribution Payments will vary depending on which Investment Term and Fund the Investor invests in as each Fund delivers a different Distribution Rate depending on which Investment Term the Investor selects. The Funds will at all times seek to deliver a consistent minimum monthly distribution of at least 4.5% per annum. See Section 1 for more information in relation to the Investment Terms.

The Distribution Rates are an investment return objective and not a forecast. It is merely an indication of what the Funds aim to achieve on the assumption that credit markets remain relatively stable throughout the Investment Term. The Funds may not be successful in meeting this objective. Distribution Payments are not guaranteed, and no assurance is given that any level of distributions will be achieved. There is a risk that you may lose some or all of your capital. See section 5 for further details about the risks of investing in the Funds.

### 2.2 Investment strategy

The Funds target small to medium businesses or individuals seeking finance for business and/or investment purposes in circumstances where traditional large financiers are inefficient, slow, or unreasonably difficult to deal with. We offer customers access to business finance with a fast, efficient and sensible lending approach whilst still adopting a stringent lending criteria. Typically, the Loans are repaid from an identified business transaction and are always secured by a Mortgage over real property. This results in a balanced risk position for the Funds which distinguishes the Funds from other mortgage investment funds.

The Funds have the same investment strategy when it comes to the length and purpose of the Loan. However, the type of security required in relation to the Loan will vary between the Funds (discussed in Section 3).

The Loans provided by the Funds will be short-term in nature, usually between 1 and 24 months in length. However, in certain circumstances and subject to the satisfactory conduct of the Loan and compliance with our valuation policy, the Funds may roll over an existing Loan for a further period of up to 12 months or 24 months. The benefit of investing in short term loans is that the Funds will be repaid in full in a shorter time period, reducing the likelihood that something will affect the financial position of the Borrower, or the value of the Secured Property. The short-term nature of the Loans also facilitates the diversification of the Funds, as the Secured Property will be consistently changing, and the providers of the Secured Property will be varied in nature and not limited to one sector or industry.

The purposes for which the Funds will make the Loans broadly include but are not limited to the following:

(a) Acquisition or refinance of existing vacant land, residential, commercial, retail or industrial property assets.

(b) Business purposes, such as—

  (i) purchasing additional stock
  (ii) payment of debts held in Borrower's name (e.g. business credit card or short-term overdraft)
  (iii) commercial investment
  (iv) working capital
  (v) creditor payments (including payment of debts owing to the Australian Taxation Office)
  (vi) funding of business investments or expansions
  (vii) refinancing existing business debt, and
  (viii) buying out a shareholder or business partner.

The Funds will **NOT** make Loans for property development purposes on a stage-by-stage basis based on the anticipated end value of any improvements to be constructed on the proposed Secured Property or on an "as if complete" valuation. That is, the Funds will only approve Loans on the current assessed value of the Secured Property at the time of making the Loan.

Funds received from Investors which have not been invested in Loans will be invested in short-term cash and cash-like investments.

The Responsible Entity also holds an Australia Credit Licence 491201 which allows the Funds to provide coded loans under the National Credit Code including owner occupier and residential investment loans subject to complying with the requirements of the National Credit Code.

For further details on the credit process and security taken for loans refer to Section 3.

## 2.3 Structure of the Funds

This PDS offers investment in the ASCF Premium Capital Fund, the ASCF Select Income Fund and the ASCF High Yield Fund. The Funds are unlisted unit trusts registered with ASIC as managed investment schemes.

By investing in the Funds, you will hold Units in a Fund which will entitle you to share in any income generated for that Fund from the Loans. Each Investment Term is represented by a different class of Units. The key differences between the classes of Units are the length of the investment and the Distribution Rate we aim to pay Investors.

The rights and obligations that apply to the different classes of Units are set out in each Fund's Constitution.

Each Fund is established by a constitution which regulates the relationship between us as the Responsible Entity and the Investors of the relevant Fund. Please see Section 8.6 for information about each Funds' Constitutions.

## 2.4 Minimum and maximum investment amount

The minimum investment amount for the Funds is as follows:

a) ASCF Premium Capital Fund is $10,000 per new Investor, or $5,000 for any additional investments.
b) ASCF Select Income Fund is $25,000 per new Investor, or $5,000 for any additional investments.
c) ASCF High Yield Fund is $50,000 per new Investor, or $5,000 for any additional investments.

Each subsequent investment by an Investor is a new investment in the Fund and is subject to a new Investment Term. See Section 2.10 below for more information on withdrawal rights.

We may accept lower minimum investment amounts at our sole and absolute discretion.

The maximum investment amount an Investor may invest in the 3 month (A6 Class) Investment Term in each Fund is $250,000.

## 2.5 Investors

The Funds are available for investment by Retail Investors and Wholesale Investors. The Funds are also available for investment by superannuation funds, subject to their own investment criteria.

## 2.6 Unit price

The Unit price is based on the underlying value of the particular Fund's assets and is calculated in accordance with the terms of its Constitution and as such the Unit price of each Fund may fluctuate. Since inception, the Unit price in the Funds has remained stable at $1.00 per unit.

The withdrawal price for a Unit will be the Unit price that is applicable on the day the Withdrawal Request has been accepted by the Responsible Entity. This price may be different from the price an Investor originally paid for the Unit.

Unit prices will be calculated weekly and will be published on our website ascf.com.au usually within two Business Days of the relevant pricing date where a change to the Unit prices has occurred.

Applicants should check the current Unit price before investing in either of the Funds.

## 2.7 Issue of Units

Units will be issued on a daily basis at the prevailing Unit Price, and usually the date funds are received, subject to the receipt of a duly completed application form.

## 2.8 Distributions

*Distribution Payments*

The Funds aim to pay Investors Distribution Payments on a monthly basis based on the amount invested in a Fund and the Investment Term selected by the Investor, paid monthly within seven days of the end of each month. Distribution Payments will be paid into each Investor's nominated bank account.

*Payment and eligibility to receive distributions*

An Investor will become eligible to receive distributions from the relevant Fund from the date their application is accepted and Application Money has been received.

Distributions will only be paid from realised income from Loans.

The Funds will not use any borrowings to pay distributions to Investors.

Investors should be aware that Distribution Payments are not guaranteed and distributions may fluctuate depending on the performance of the Funds. There is a risk that Investors do not receive any income distributions.

## 2.9 Short-term cash and cash-like investments

The Responsible Entity's aim is to hold 5% of each of the Fund's assets in short-term cash or other cash-like investments. However, each Fund may hold more or less than 5% of its assets in short-term cash or cash-like investments, which may depend on factors such as the amount and timing of Withdrawal Requests, available investment opportunities for the Fund, distributions to Investors and the level of fees, costs and expenses of the particular Fund (including abnormal expenses).

Cash and cash-like investments will include short-term cash and other at-call deposits at financial entities.

This short-term cash and other cash-like investments will be used to fund enforcement costs and meet other expenses of the Fund including fees, costs, Expenses, withdrawals and distributions.

## 2.10 Withdrawals

**How the withdrawal mechanism works**

*Investment term*

Each period of an Investor's investment in the Funds is referred to as an **Investment Term**. Investors choose their Investment Term on the Application Form when they make their investment.

When an Investor invests in one of the Funds, the first Investment Term begins on the day their Application is accepted and Units are issued. Unless a Withdrawal Request is received, each subsequent Investment Term will run for the same period of time, starting from the date the preceding Investment Term expires, at the then prevailing Distribution Rate listed on our website for that particular Investment Term and Fund.

If you wish to withdraw from a Fund in whole or in part at the end of the Investment Term, then you must lodge a Withdrawal Request with the Responsible Entity within the time frames for each Investment Term as set out below:

(a) 3 months (A6 Units)—At least 1 month before the end of the Investment Term.

(b) 6 months (A5 Units)—At least 2 months before the end of the Investment Term.

(c) 12 months (A4 Units)—At least 3 months before the end of the Investment Term.

If a Fund becomes illiquid because it holds insufficient liquid assets, then the Responsible Entity may suspend withdrawals or postpone/delay the payment of withdrawals. In this scenario, the Responsible Entity will continue to make Distribution Payments to the extent the income of the relevant Fund permits. If withdrawals are suspended and an Investor's Investment Term expires during the period of suspension, then that Investor will not be able to withdraw its investment at the expiring of the Investment Term, but may apply to do so once the suspension has been lifted.

*Early withdrawal*

The Responsible Entity will consider (but is not obliged to grant) requests by Investors who, through unforeseen or exceptional circumstances, wish to withdraw part or the whole of their investment prior to the maturity date of their Investment Term. Such early withdrawal will be at the discretion of the Responsible Entity. In considering whether to allow the withdrawal, the Responsible Entity will have regard to all the facts and circumstances, including the Responsible Entity's statutory duties to act in the best interests of all Investors of the Funds, its duty to treat all Investors of the same class equally and its duty to treat all Investors of different classes fairly.

To make an early withdrawal you must complete and lodge with the Responsible Entity an Early Withdrawal Request form, which is available at ascf.com.au. If the Responsible Entity approves an Early Withdrawal Request, then the Investor will be required to pay a fee of 1% of the withdrawal amount. The Responsible Entity will deduct the fee from the proceeds of withdrawal before paying the balance to the Investor. The Responsible Entity may in certain circumstances agree to waive the fee in its sole discretion.

See Section 6 of this PDS for further information.

## 2.11 Transfer of Units

You can transfer the ownership of your Units at any time provided that the transferee meets the requirements of an Investor in the relevant Fund and the transfer has been approved by us.

Under the Constitution, the Responsible Entity 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 7 of this PDS for further information.

There will not be any established secondary market for the sale of Units.

## 2.12 Borrowings

The ASCF Premium Capital Fund and the ASCF Select Income Fund do not have any borrowings and do not intend to borrow.

The ASCF High Yield Fund does not have any borrowings but may borrow from a financial institution to supplement funds received from Investors to enable the Responsible Entity to make Loans it reasonably believes will be to the benefit of the Fund and, ultimately, the Investors of the Fund. Fund borrowings will provide additional scale and liquidity to enable the Fund to approve higher loan value, lower interest rate loans at potentially lower LVRs whilst still maintaining an adequate interest margin. The costs associated with the establishment and maintenance of such a loan facility will be paid for by the Responsible Entity and not the Fund. The only costs payable by the Fund will be the interest payable on the borrowings and any line fee the financial institution may charge on the facility. In the event the ASCF High Yield Fund does borrow, the Fund assets may be used as collateral to secure the loan.

## 2.13 How you can invest

Applications to invest in the ASCF Select Income Fund, the ASCF High Yield Fund and/or the ASCF Premium Capital Fund must be made by completing the Application Form for the relevant Fund which is available on our website ascf.com.au. The Responsible Entity may accept or decline any application for investment in the Funds in its sole and absolute discretion.

## 2.14 Investment Term

The Funds are open-ended trusts, meaning there is no fixed term for the Funds. However, your investment is subject to the Investment Term applicable to the class of Units in which you invest.

You will only be able to make a Withdrawal Request at the end of an Investment Term. An Investor will not have a right to withdraw their investment until their Investment Term expires.

Therefore, Investors should view investment in the Funds as a minimum 3 to 12 month fixed-term investment, depending on the Investment Term selected and as outlined in Section 1.

However, in limited circumstances, as outlined in Section 2.10 above, the Responsible Entity may allow Investors to withdraw their investment from a Fund. Please see Section 2.10 above for more information on how to withdraw from the Funds.

## 2.15 Custodian

The Responsible Entity has appointed independent custodian Sargon CT Pty Ltd (Sargon Corporate Trust) as custodian for the Funds, with its principal role being to —

(a) receive and hold Application Money from Investors, and disburse Distribution Payments to Investors

(b) receive and hold all interest and other payments from Borrowers

(c) hold in safe custody all Mortgage securities and other Fund assets.

The Funds meet all fees and expenses of Sargon Corporate Trust as custodian.

As independent custodian Sargon Corporate Trust holds the assets of the Funds in its name and act on the direction of the Responsible Entity to effect cash and investment transactions. Sargon Corporate Trust was appointed under a Custodian Agreement.

Sargon Corporate Trust has no supervisory role in relation to the operation of the Funds and has no liability or responsibility to Investors for any act done or omission made in accordance with the Custodian Agreement.

Sargon Corporate Trust’s role as Custodian is limited to holding the assets of the Funds.

## 3.1 What is short term mortgage lending?

The Funds offer Loans to Borrowers for a short period, between 1 and 24 months “secured” against real property by way of a Mortgage over the Secured Property. In certain circumstances and subject to the satisfactory conduct of the Loan and compliance with our valuation policy, the Funds may roll over an existing Loan for a further period of up to 12 months or 24 months.

The ASCF Premium Capital Fund will only accept residential and commercial properties as security to a maximum LVR of 70% based on the existing value of the Secured Property including improvements, if any.

The ASCF Select Income Fund and the ASCF High Yield Fund will accept residential and commercial properties including vacant land as security to a maximum LVR of 80% based on the existing value of the Secured Property including improvements (if any). In some cases, additional collateral security may be taken over other assets such as motor vehicles and/or plant and equipment to further secure the Loan.

The interest rates charged to Borrowers vary from around 10 percent per annum with each Loan assessed on a case-by-case basis. The Borrower is required to cover all legal, valuation and registration fees associated with the preparation and registration of the Mortgage. The Funds are able to charge a higher rate of interest than usual for commercial lending due to the ability of the Funds to assess most Loans quickly and settle within 2 to 3 Business Days of receiving an application, thereby providing Borrowers with an expedient short term funding solution to meet their requirements (subject to compliance with our valuation policy).

## 3.2 Why is there a demand for this type of finance?

The period post the global financial crisis in Australia saw the Federal Government react by introducing credit legislation known as the National Consumer Credit Protection Act 2009.

The aim of the legislation was to create a national credit regime to try and protect retail consumers by introducing tighter lending practices when it came to buying a family home or investment property. At the same time the credit market tightened with traditional financiers offering less flexibility or availability of business finance.

During this time many established borrowers found themselves in a position where access to debt funding was tight and in some cases they were unable to settle loans which had previously been approved.

Whilst the situation has eased considerably in the residential lending market, it has not eased for those requiring fast access to business, investment or bridging finance loans. Traditional lenders have focused their attention on “mum and dad home loans” or established corporate lending to the big end of town.

The small business owner that requires short-term business funding has been left behind.

## 3.3 Business finance lending

The Funds offer small to medium businesses or individuals’ access to finance with a fast, efficient and sensible lending approach whilst still adopting a stringent lending criteria. Typically, the Loans are repaid from an identified business transaction and are always secured by a Mortgage over real estate with a Loan term of no longer than 24 months. In certain circumstances and subject to the satisfactory conduct of the Loan and compliance with our valuation policy, the Funds may roll over an existing Loan for a further period of up to 12 months or 24 months.

## 3.4 Examples of why Borrowers may borrow from the Funds

**Example 1—Cash flow crisis**

- A Brisbane electrical firm secured a large contract locally and had offered the project builder 90 day terms on payment.
- The firm had 11 sub-contracted electricians working for them on the job - and on day 50 realised their cash flow was running short and they would not be able to pay wages that week.
- It was a union-controlled site - so if no wages were paid, apart from having upset employees, they would be asked to leave the site. Payday was a Friday, and the director applied for the loan on the Wednesday.
- A loan of $65,000 was approved for 2 months with the debt secured by way of a second mortgage against the director's house in Brisbane. After 2 months, the loan was repaid from the profit of the job and the mortgage was discharged.

**Example 2—Opportunity too good to miss**

- An importer has an opportunity to buy goods at a significant discount to the wholesale price; but only if they can pay for the goods within the next few days.
- It is a straight forward commercial transaction where a manufacturer wants to clear old stock at a dramatically reduced price.
- The importer can make a 200% mark up or more as a result of getting their hands on this stock if they can secure a loan to import the goods. Paying 1.5% per month for 2 months in order to get the money in 2-3 business days makes good business sense rather than miss out on the deal and the profits.

**Example 3—Australian Taxation Office (ATO) debts**

- A top-end car repair garage needs $120,000 to cover an ATO tax bill.
- Due to the severe weather, they had taken on a new contract from a major insurance company to repair all of the luxury cars for their clients. Business was booming but the insurance company paid 90 days in arrears.
- The ATO was demanding payment - so the car repair garage approached their Bank to help out with a short term overdraft.
- The bank was not keen on lending for tax debt repayment providing an opportunity for an alternative lender to pay the account in full. The loan was secured by way of first mortgage over one of the director's investment properties offering them a 120 day loan. They received payment from the insurer and paid back the loan in full.

Generally, the method by which the Loan is to be repaid is identified and verified during the credit assessment process and is usually related to the borrowing purpose. However, the Funds' will always take Mortgage over real estate as security for the Loan. This results in a uniquely balanced risk position for the Funds, which distinguishes the Funds from other mortgage investment funds.

## 3.5 Related party Loans and Loans to Borrowers

The Funds do not intend to make any related party Loans.

All Loans are subject to our satisfaction that the loan applications comply with the Lending Guidelines.

## 3.6 Loan portfolio

All Loans are made in accordance with the Lending Guidelines below. A summary of Loans held to date is available on our website ascf.com.au/pdf/ASCF_Loan_Summary.pdf and is updated monthly.

We actively manage each Fund's Loan portfolios to ensure there is an appropriate level of diversification across Borrowers, Loan size, Loan sector (e.g., residential, commercial, retail and industrial) and geographic location, with an appropriate exposure and weighting having regard to the Lending Guidelines and the objectives of the Funds.

## 3.7 The process of selecting a Loan

This section sets out the Loan selection process for the Funds including the assessment, approval and management of Loans.

### 3.7.1 Guiding principles

The Responsible Entity will ensure at all times that the risk / reward profile of each Loan is appropriate having regard to the following factors:

(a) The character and financial and operating capacity of Borrowers.

(b) The character and appeal of the real property over which security is held.

(c) The quality and value of the Loan, underlying Secured Property and the risk analysis process.

All Loan investment decisions will be based on risk-adjusted returns over the term of the Loan. All Loans, Borrowers and Mortgages are assessed under a loan and borrower assessment program, which is described below.

In addition, each Loan will be properly documented and appropriately secured following a comprehensive assessment of the purpose, servicing capability of the Borrower, valuation, insurance and management protocols proposed for each Loan.

### 3.7.2 Lending Guidelines

| Parameter | Explanation |
|---|---|
| Type of Loan and security | For the ASCF Premium Capital Fund, all Loans must be secured by a first ranking Mortgage over real property including vacant land, residential, commercial, retail or industrial property to a maximum LVR ratio of 70%.<br><br>For the ASCF Select Income Fund, all Loans must be secured by a first ranking Mortgage over real property including vacant land, residential, commercial, retail or industrial property to a maximum LVR of 80%.<br><br>For the ASCF High Yield Fund, all Loans must be secured by a first or second ranking Mortgage over real property including vacant land, residential, commercial, retail or industrial to a maximum LVR of 80%. |
| Loan to value ratio (**LVR**) | The LVR is a percentage which is calculated by dividing the total of all current debts secured by the Secured Property and all anticipated borrowings from the relevant Fund by the value of the Secured Property: |

| Parameter | Explanation |
|---|---|
| | LVR = $\frac{(A + B)}{C}$<br>Where:<br>A = Current debts secured by the Secured Property.<br>B = Anticipated Loan amount from the relevant Fund.<br>C = Value of the Secured Property.<br>Example:<br>A Borrower wishes to borrow from a Fund to purchase a property. The property is valued at $1,000,000 (C).<br>The Borrower has secured a loan for $500,000 from another lender (A) and wishes to borrow $100,000 from a Fund (B).<br>$\frac{(\$500{,}000\ (A) + \$100{,}000\ (B))}{\$1{,}000{,}000\ (C)}$<br>LVR = 60%<br><br>This percentage demonstrates to both the lender and to the borrower the level of risk associated with making the Loan. To limit risk, the Funds will only lend if the LVR on a Loan is less than 80% for the ASCF Select Income Fund and the ASCF High Yield Fund and 70% for the ASCF Premium Capital Fund of the Secured Property's value, on the basis of a valuation of the property conducted in accordance with our valuation policy.<br><br>See Section 3.7.6 for more information regarding how the Responsible Entity will value Secured Property. |
| Additional security | Where appropriate, some Loans will also be secured by a general security agreement provided by the Borrower, company guarantees and/or directors' guarantees, and any other personal property or other security the Responsible Entity considers necessary. In addition, an insurance policy covering replacement of the Secured Property will also be requested. |
| Loan term | In respect to the ASCF Premium Capital Fund, the Responsible Entity may offer Loans for a term of no greater than 24 months, however, subject to satisfactory conduct of the Loan and compliance with the valuation policy for the Fund, the Responsible Entity may extend such Loan for a further period of up to 24 months.<br><br>In respect of the ASCF Select Income Fund and the ASCF High Yield Fund the Responsible Entity may offer Loans for a term of no greater than 12 months, however, subject to the satisfactory conduct of the Loan and compliance with our valuation policy for these Funds, the Funds may roll over an existing Loan for a further period of up to 12 months. |
| Geography | The Responsible Entity will not make a Loan unless the Secured Property is freehold property and located in Australia. |

### 3.7.3 Security

The ASCF Premium Capital Fund and the ASCF Select Income Fund will not make any Loans without a first ranking Mortgage. This is because we recognise this provides the best form of security in the event of a Borrower's default.

The ASCF High Yield Fund will not make any Loans without a first or second ranking Mortgage. However, second ranking mortgages will rank behind a senior lender's mortgage in priority, making them a riskier investment. Therefore, in the event of a default by a Borrower, the ability to recover the amount owing under the Loan will be affected by the actions of the senior lender. In the event the Borrower defaults under the loan agreement with the senior lender, the senior lender will have the right to deal with the Secured Property and be entitled to repayment of any amounts due under the loan agreement. The Responsible Entity will not have day-to-day control over the Borrower's assets and cannot be repaid until the senior lender has been paid in full.

Should a Loan be secured by a second mortgage, there may be delays in obtaining production of the title documents or consent to registration from the first mortgagee, which could delay or, in limited cases under which such mortgagee consent is not forthcoming, prevent the registration of the second mortgage. In these circumstances, the Responsible Entity will register a caveat over the Secured Property immediately after settlement, in order to prevent dealings in the Secured Property pending registration of the second Mortgage.

A caveat is a statutory injunction which effectively prevents the registration of most dealings in the property (without consent) until the caveat is formally withdrawn, removed or lapses. A proportion of the Loans will be secured by unregistered second Mortgages, that are subject to these caveat arrangements, until the relevant Loan has been repaid.

If a Borrower defaults under a Loan secured by an unregistered second Mortgage, the mortgagee's enforcement powers are more limited than it would have if it were enforcing a fully registered second Mortgage.

To better protect the position of the Funds and Investors, some Loans may also be secured by a general security agreement provided by the Borrower over all of its assets (other than the Secured Property) and, where necessary, accompanied by company guarantees and/or directors' guarantees. In addition, an insurance policy covering replacement of the Secured Property will also be requested from the Borrower.

### 3.7.4 Credit activities

We are responsible for the day-to-day credit and management functions relating to each Fund's investment strategy, which is undertaken through a team of skilled credit and other professionals with experience in credit and mortgage management and recoveries.

We are also responsible for overseeing the overall investment governance of the Loans, and all proposals for Loans. We conduct a monthly review of all Loans in addition to a 6 monthly audit of the performance and status of the Loans.

We conduct all credit activities in accordance with the Lending Guidelines, and the board of directors of the Responsible Entity meets at least monthly, or on an as needs basis, to discuss the credit activities of the Funds.

We carry out the following functions in conducting the Funds' credit activities:

(a) Review all loan applications and determine whether making the loan would comply with the Lending Guidelines.

(b) Determine to accept or reject the loan application and make the Loan to the Borrower.

(c) Oversee the monitoring, management and enforcement of Loans that are in default.

(d) Monitor the Funds' liquidity policy.

(e) Set, review and assess interest rates charged on Loans.

(f) Review the Lending Guidelines and the relative weighting and exposure of the Loans across Borrowers, industry sectors, geographic locations and loan sizes to Borrowers on at least a quarterly basis to ensure that they are valid, current and appropriate at all times. The review includes—

  (i) consideration of the lending procedures

  (ii) the minimum and maximum loan amounts, and

  (iii) LVR

(g) Conduct a monthly review of all Loans in addition to a 6 monthly audit of the performance and status of the Loans.

Details about each director and senior officer of the Responsible Entity's experience can be found in Section 4.2.

### 3.7.5 Analysis and Evaluation

Assessment of a Loan commences when a loan application and accompanying financial data is received from a proposed borrower.

We will assess the merits of each loan application and associated risks. The analysis takes into account a set of criteria and may include—

(a) the character and appeal of the property over which the security will be held

(b) the location of the Secured Property

(c) the LVR

(d) evidence of capacity to service the loan (if interest is not capitalised)

(e) credit worthiness of the Borrower and guarantors, and

(f) the exit strategy for repayment of the loan.

The risks can be described in the following broad categories:

(a) Mortgage security risks, including the risk that investment values or incomes decrease.

(b) Credit risk, including the identity and financial capacity of the Borrower and proposed purpose of the loan.

(c) General investment risks, including economic and market conditions.

See Section 5 for further information in relation to the risks associated with investing in the Funds.

### 3.7.6 Valuations

***Initial valuations***

We will carry out a valuation assessment of proposed Secured Property prior to approving a Loan.

All loans provided by the ASCF Premium Capital Fund will require a full valuation by an independent registered valuer regardless of the LVR or term of the Loan.

Where the Loan has a term of 12 months or less, the Responsible Entity's valuation policy for the ASCF Select Income Fund and the ASCF High Yield Fund requires us to undertake an initial valuation of the proposed Secured Property as follows:

(a) Where the LVR is estimated to be no more than 50%, the Responsible Entity may rely on a market appraisal by a registered real estate agent of the Secured Property and/or comparative sales evidence.

(b) Where the LVR is estimated to be between 50% and 65%, the Responsible Entity may rely on a combination of any two of the following methods:

  (i) A market appraisal by a registered real estate agent of the Secured property.

(ii) Comparative sales evidence as determined by the Responsible Entity.

(iii) A desk top valuation provided by a property data information provider of property value estimates.

(c) Where the LVR is estimated to be greater than 65%, the Responsible Entity will obtain an independent valuation or in certain circumstances rely on an existing valuation of the proposed Secured Property provided the valuation has been carried out within 6 months of the loan application being made. The valuation must be by an independent registered valuer.

Where an existing Loan held by the ASCF Select Income Fund or the ASCF High Yield Fund is extended beyond 12 months, the Responsible Entity's valuation policy requires it to undertake an updated valuation assessment of the Secured Property in accordance with the requirements of the initial valuation at the date of the Loan (or rely on an existing valuation carried out within the previous six months by an independent registered valuer) within 3 months of the expiry of the Loan prior to any further extension being granted.

Where an existing Loan held by the ASCF Premium Capital Fund is extended beyond 24 months, the Responsibility Entity's valuation policy requires it to undertake a full valuation by an independent registered valuer within 3 months of the expiry of the Loan prior to any further extension being granted.

The Funds will NOT approve Loans for property development purposes based on the anticipated end value of any improvements to be constructed on the proposed Secured Property or on an "as if complete" valuation. That is, the Funds will only approve Loans on the current assessed value of the Secured Property at the time of making the Loan.

***Ongoing valuations***

The Responsible Entity will also carry out ongoing valuations of the Secured Property in the following circumstances:

(a) Where the Loan has an LVR of more than 65% and the Responsible Entity forms a view there is a likelihood that a decrease in the value of Secured Property for the Loan may have caused a material breach of a Loan covenant, the Responsible Entity must arrange for an independent valuation to be obtained within two months of forming that view.

(b) In relation to Secured Property for a Loan with a term of 12 months or less that is extended for a further period of up to 12 months such that the length of the loan is longer than 12 months, the Responsible Entity must—

(i) undertake a valuation assessment of the Secured Property on the 12-month anniversary of the Loan, or such other period determined by the Responsible Entity having regard to the nature of the Loan and the term of the Loan

(ii) in any event, be satisfied the value is reasonably current, and

(iii) undertake a valuation assessment within two months of the directors forming a view that there is a likelihood that a decrease in the value of Secured Property of the Loan may have caused a material breach of a Loan covenant.

The Responsible Entity has a conflicts of interest policy which extends to engaging independent registered real estate agents and/or valuers for carrying out valuations and/or market appraisals.

In relation to all of the Funds' assets other than Mortgage assets and their Secured Property, the Responsible Entity must do the following:

(a) Determine appropriate intervals for valuing the Funds' assets (other than Mortgage assets and their Secured Property) based on the type of assets and any relevant industry standards.

(b) Seek an independent valuer who possesses the appropriate demonstrated skills and ability to value the assets in question.

(c) Instruct the valuer to ensure the methodology used for calculating the value of the Funds' assets is consistent with the range of ordinary commercial practice for valuing the type of assets that comprise the Funds' assets.

(d) Ensure any one valuer does not perform more than two consecutive valuations in relation to any of the Funds' assets.

### 3.7.7 Approval process and ongoing management

We will consider whether the loan application complies with the Lending Guidelines and will further assess the loan application and decide to either accept or reject the application.

All decisions to approve a loan application must be made by a majority of the Responsible Entity's board of directors. We have complete discretion in making this decision.

If we approve a loan application, then the Loan documentation will be prepared by the relevant Fund's legal advisers. Loans will only be made once the Fund's legal advisers have provided an appropriate sign-off to the Responsible Entity confirming the Loan documentation accords with the terms of the credit submission and that the Loan documentation is otherwise in order to be signed by the Responsible Entity.

Once a Loan has been made, we will be responsible for the day-to-day and ongoing management of that Loan and will prepare reports in relation to both individual and portfolio Loan performance, including payment and collection of interest, compliance with Loan covenants and conditions and the progress of any legal action commenced against a defaulting Borrower.

We will also conduct a monthly audit of the Loans, and prepare a report on their status and performance.

We will dedicate resources towards ensuring that all Secured Properties are appropriately insured for public liability and against loss or damage to improvements before a Loan is made.

### 3.7.8 Loan default management and enforcement

Investors may be affected by any default by a Borrower under a Loan.

We have appointed professional and experienced staff to administer the Loans and disclose all defaults in reports that are circulated to the board of directors of the Responsible Entity.

We will determine whether to take enforcement action against any defaulting Borrowers.

Where a Borrower fails to make an interest payment on or before the due date, we will—

(a) contact the Borrower seeking payment within seven days to avoid further action being taken, and

(b) at its discretion, and dependent upon the terms of the Loan documentation, apply a higher default rate of interest from the date of the last interest payment until the date the default is remedied.

Depending on the Borrower's response to the payment request, the Responsible Entity may issue a default notice, and commence proceedings against the defaulting Borrower.

If recovery action is issued against a Borrower—

(a) the Responsible Entity may become a mortgagee in possession

(b) the Responsible Entity may procure a new valuation in respect of the underlying Secured Property

(c) the underlying Secured Property may be placed on the market for sale or, depending on the nature of the Secured Property, may be managed prior by the Responsible Entity prior to commencing a sale process, and

(d) it is possible that the Secured Property may be sold at a price that is less than the amount required to satisfy the outstanding balance of the Loan, interest and costs (including recovery fees). Should this occur, recovery action against the Borrower and any guarantors will continue.

### 3.7.9 Loan losses

The Responsible Entity operates a provisioning policy in relation to losses on individual Loans and should a loss on a Secured Property occur it may impact the unit price of your investment.

> Example—
>
> If you had invested $100,000 in one of our Funds for 6 months and the unit price at the time of your investment was $1 then you would receive 100,000 units and the value of your investment would be $100,000.
>
> If the relevant Fund were to incur a loss on a Loan and an impairment charge was made of say $500,000 there would be a reduction in the unit price calculated as follows: -
>
> $$\frac{\text{Value of loss (\$500,000)}}{\text{Total funds under management as at the date of the impairment (\$50,000,000)}}$$
>
> The loss represents 1% of the funds under management.
>
> The Unit price would therefore decrease by approximately 1% to 99 cents.
>
> Your investment would also decrease by 1% or $1,000 to $99,000 which represents the value of the loss on your investment.
>
> You would still continue to receive Distribution Payments but this would be calculated on your reduced investment amount.

### 3.7.10 Investor Reserve

The Responsible Entity has established a discretionary Investor Reserve Account to be used for the sole benefit of Investors in the Funds. The Investor Reserve Account is held by the Responsible Entity and does not form part of the Funds' assets.

The decision to use money held in the Investor Reserve Account is in the sole discretion of the Responsible Entity and funds held in the Investor Reserve Account may be used to cover impairments and capital losses incurred on individual Loans caused due to Borrower defaults for either the ASCF Select Income Fund, the ASCF High Yield Fund or the ASCF Premium Capital Fund.

Should the Responsible Entity exercise such discretion, an impairment would be funded from the Investor Reserve Account maintained by the Responsible Entity to offset credit risk presuming there are adequate funds available in the account to cover the impairment.

The Responsible Entity contributes to the Investor Reserve Account out of the management income it receives on a cash received basis each month. The amount contributed to the Investor Reserve Account shall be in the sole discretion of the Responsible Entity.

The Responsible Entity may from time to time make additional contributions to the Investor Reserve Account from its retained earnings or other funds available to it to reduce any potential volatility of distributions to Investors, cover capital losses incurred on individual Loans in either Fund, fund expenses that would ordinarily be payable by the Funds' and fund legal and/or other recovery fees in respect to Loans either fund has made.

The Investor Reserve Account cannot be overdrawn and in the event a Loan loss occurs and there are insufficient funds in the Investor Reserve Account to cover the loss or the Responsible Entity does not exercise its discretion to use the funds in the Investor Reserve Account to cover the loss, the Unit price will be adjusted accordingly to reflect the capital loss.

### 3.7.11 Spread Protection

In addition to the ability to use the Investor Reserve Account, ASCF Premium Capital Fund also offers its Investors the benefit of spread protection should an impairment or capital loss on a mortgage investment occur. This is an added measure of capital protection offered to Investors in the ASCF Premium Capital Fund only.

The interest spread is the difference between the monthly income received by the ASCF Premium Capital Fund in interest payments on mortgage investments less the amount paid to Investors in the ASCF Premium Capital Fund in Distribution Payments. The spread is used to cover ASCF Premium Capital Fund’s expenses and the Responsible Entity’s performance fees.

In the event a capital loss is declared on a mortgage investment by the Responsible Entity in respect of the ASCF Premium Capital Fund and the value of the Investor Reserve Account is insufficient to make good the loss at the time the loss is declared, then the Responsible Entity shall use any accrued performance fees owing to it from the ASCF Premium Capital Fund on an ongoing basis until such time as the value of the Units in the ASCF Premium Capital Fund which may have decreased as a result of such loss are returned to their same value prior to the loss being declared. The Responsible Entity shall not be entitled to any performance fees from the ASCF Premium Capital Fund during this time and only Fund expenses such as audit, legal, accounting and other costs associated with the running of the Fund may be reimbursed or paid.

## 4.1 Responsible Entity: Australian Secure Capital Fund Ltd

The Responsible Entity is operated by personnel with considerable experience in operating managed investment schemes, mortgages and credit activities.

The Responsible Entity's compliance committee meets at least quarterly and comprises the required external compliance committee members.

## 4.2 Executives and Key personnel

### Richard John Taylor

**Chief Executive Officer and Director – Finance**

Mr Taylor has extensive experience in finance and credit industries having worked in those industries over the past 38 years.

Mr Taylor has a Bachelor of Economics from Bournemouth University, a Diploma in Commercial Management from Bournemouth University, a Diploma of Financial Services (Financial Planning) from Tribeca, a Certificate IV in Financial Services (Finance/Mortgage Broking) from Intellitrain, a Diploma of Financial Services (Finance/Mortgage Broking Management) from Intellitrain and a Certificate IV in Property Services (Real Estate) from the Australian School of Business & Law.

Mr Taylor is also an accredited Financial Broker (No. 16714) of the Mortgage and Finance Association of Australia and is a licensed Real Estate Agent, Qld (No. 3981311).

Mr Taylor is responsible for overseeing the general management of the Responsible Entity's business and of the Loans being issued, including reviewing and determining whether to recommend approval of an application for a Loan by the relevant Fund.

Mr Taylor also provides regular ongoing reports to the board of the Responsible Entity in relation to the performance of the Loans in accordance with the protocols established under the Lending Guidelines.

Mr Taylor is responsible for preparing and reviewing the Lending Guidelines.

### Filippo Sciacca

**Director – Investor Relations, Asset Management and Compliance**

Mr Sciacca has worked across the property development industry for over 20 years and has extensive property market expertise.

Mr Sciacca commenced his career as a property lawyer at Sciaccas Lawyers and Consultants in 1987 before pursuing a career in property development. Mr Sciacca was a director of Kozmic Developments, a property development group between 1997 and 2016, during which time the group developed over 400 apartments in and around Brisbane.

Mr Sciacca has a Bachelor of Laws from the Queensland University of Technology.

As investor relations director, Mr Sciacca will provide regular ongoing reports to the board of the Responsible Entity and Investors in relation to group performance of all Loans. As asset manager and compliance director, Mr Sciacca is primarily responsible for reviewing, assessing and approving all real property offered as security for the Loans to ensure they meet the relevant security criteria and also all aspects of compliance.

Mr Sciacca also oversees the day-to-day management of the Loans, including reviewing and determining whether to recommend approval of an application for a loan.

## Kosta Giovanos

### Director – Business Development

Mr Giovanos has extensive experience in relation to the banking and credit industries, as he has worked in those industries over the past 14 years.

Mr Giovanos commenced his career as a sales manager for home and investment lending for National Fidelity Mortgage, a residential mortgage lender operating in the United States of America before becoming a branch manager and private client manager of Bankwest.

Mr Giovanos has a Certificate IV in Finance and Mortgage Broking, Finance and Related Services Training Academy and is a member of the Mortgage and Finance Association of Australia and the Credit and Investments Ombudsman.

Mr Giovanos is responsible for procuring and developing new business through the Responsible Entity's broker network of referrers.

Mr Giovanos oversees the day-to-day management of the Loans, including reviewing and determining whether to recommend approval of an application for a loan to the Responsible Entity.

Mr Giovanos is also responsible for preparing and reviewing the Lending Guidelines for consideration by the Responsible Entity.

## Peter Aubort

### Compliance Committee Chairman

Mr Aubort has worked across the financial services industry for over 22 years and has extensive experience including the establishment and operation of mortgage trusts, direct property trusts and specialised debt instruments and securities. Prior to moving into funds management, Peter was a taxation manager with KPMG Chartered Accountants.

Mr Aubort is a Chartered Accountant and has a Bachelor of Business (Accountancy) from the Queensland University of Technology, a graduate diploma in Information Technology, a Diploma in Financial Planning 1 and RG 146 certificates in securities and managed investment schemes from the Securities Institute of Australia.

Mr Aubort works in a non-executive capacity overseeing the Responsible Entity's compliance obligations pursuant to the Corporations Act, compliance plan and ASIC policy.

As with any investment, investing in the Funds involves risk. Many risks are outside the control of the Responsible Entity. If these risks eventuate, distributions to Investors may not be as expected and may be reduced or suspended and the capital value of a Fund may be reduced. Distribution Payments are not guaranteed and neither is the return of your capital.

At the date of this PDS, the Responsible Entity considers the following are key risks of an investment in the Funds:

(a) Mortgage investment risks, including the risk that investment values or incomes decrease.

(b) Fund investment risks, including in relation to holding Units.

(c) General investment risks, including economic and market conditions.

These risks are outlined in more detail below.

Please read this PDS in full and consider your attitude towards risk before deciding to invest in a Fund. You should also assess, in consultation with your professional advisers, how an investment in a Fund fits in to your overall investment portfolio.

The risks in this section are not an exhaustive list.

## Mortgage investment risks—all mortgage investments

### 5.1 Valuation risk

The valuation of a Secured Property may be inaccurate at the time of the Loan and the amount realised on a forced sale may be less than would have been expected had the valuation been correct. There is also the risk that a valuer who provides an inaccurate valuation does not have or no longer has adequate professional indemnity insurance to cover the valuation on which the Responsible Entity relied or that an alternate means of valuation of the Secured Property was carried out in accordance with our Valuation Policy which does not have access to a professional indemnity insurance.

### 5.2 Interest rate risk

Fluctuations in market interest rates may impact your investment in a Fund. For example, lower market interest rates may impact the ability of the Responsible Entity to originate sufficient loans at such rates to ensure sufficient interest income in the Funds is generated to pay the Investor distributions and the relevant Fund's costs and expenses. Similarly, falling interest rates may lead a Borrower of a fixed rate Loan to repay the Loan in order to refinance at a cheaper rate. Rising interest rates may also impact a Borrower's ability to refinance a Loan.

### 5.3 Default and credit risk

A Borrower or Borrower's guarantor may not be able to meet their financial obligations. This may be for a wide range of reasons, including—

(a) a change in the financial or other circumstances of the Borrower, or

(b) a change in the economic climate generally that adversely affects all borrowers.

The Responsible Entity will seek to manage and minimise these risks by only making Loans to Borrowers that meet the Funds' lending criteria.

Investments in the Funds are not capital guaranteed. During the life of a mortgage investment, factors outside the control of the Responsible Entity such as economic cycles, property market conditions, government policy, inflation and general business confidence can affect property values and a Borrower's ability to continue to service a Loan.

If a Secured Property is required to be sold to recover a debt, capital of Investors in the Fund that made the Loan may be diminished or lost if the sale fails to realise sufficient funds to satisfy the

Loan balance and any capitalised interest and costs. Enforcement costs may not be recoverable in part or in full, in these circumstances.

Where a Loan is not renewed, the return of investment capital may be delayed until the Loan is either refinanced or repaid. Interest is charged to the time of repayment of the Loan.

The Responsible Entity manages capital risk by applying the Fund's lending policy and employing efficient collection and management systems. All Loans and valuations are subject to periodic review.

### 5.4 Security risk

The Secured Property may be damaged or destroyed and the insurance cover may prove to be insufficient to cover the full amount of the Loan. This risk will be managed by ensuring certificates of currency for all insurances are provided by the Borrower and that the insured sum is commensurate to asset valuation. Given that the underlying security is real property, which is illiquid, there is also a risk that delays could occur between a Loan going into default and the sale of the Secured Property. These delays may affect the payment of distributions to Investors and the ability of Investors to receive their funds at the end of the Investment Term due to insufficient cash being available.

### 5.5 Term risk

A Loan may not be repaid or refinanced in a timely fashion, which may cause a delay or potential loss of capital. Given the short-term nature of the Loans, the Funds generally experience a higher rate of arrears as a result of Loans not being repaid promptly on their due date. This is often caused by delays in processing refinance applications by other lenders. The Responsible Entity seeks to manage this risk through the initial loan approval process as well as managing maturing loans in a timely fashion.

### 5.6 Enforcement risk

If a Borrower defaults, the Fund may have to enforce its security to recover the Loan and any unpaid interest. Consequently, any enforcement delay may result in a Fund temporarily having insufficient money to pay all or any distributions. Enforcement costs will be financed by the relevant Fund and shall form part of the amounts recoverable by these parties from the amounts recovered from the enforcement action. The source of funding for any enforcement costs will come from the following sources:

(a) any accrued but unpaid performance fee owing to the Responsible Entity

(b) the reserves maintained by the relevant Fund in the Investor Reserve Account, and

(c) from borrowings by the Fund, as outlined in section 2.12.

The funding of enforcement costs will proceed in the above order.

Enforcement costs may not be recoverable in part or in full if the value of any recovered amounts from the Borrower are insufficient to fully pay these costs.

## Mortgage investment risks—second ranking mortgage investments

### 5.7 Junior lender risk

Loans will be secured by a Mortgage. However, if the ASCF High Yield Fund is a second mortgage lender then its Mortgage will rank in priority behind a senior lender's mortgage. Therefore, in the event of a default by the Borrower the ability to recover the amount owing under the Loan agreement will be affected by the actions of the senior lender.

Generally, the senior lender will have the right to take possession of, and deal with, the security property and assets of the Borrower if various covenants of the senior lender's loan facility are not met. Because the ASCF High Yield Fund's security will rank behind the senior lender, if the Borrower defaults under any of the loan facilities and the senior lender exercises its security, then the Responsible Entity will not have day-to-day control over the Borrower's assets. This will generally mean that the Responsible Entity cannot exercise the ASCF High Yield Fund's security until the senior lender has been paid in full. In addition, any monies available to the ASCF High Yield Fund in these circumstances would be limited to what is recovered after the senior lender has been paid in full.

## Fund investment risks

The following risks relate to an investment in a Fund and may impact the performance of a Fund:

### 5.8 Capital and Distribution Payments risk

Distribution Payments and the return of your capital are not guaranteed. If the Funds suffer a loss, then you may lose some or all of your capital.

Distribution Payments depend on the return the relevant Fund receives from its investment in the Loans. We seek to minimise these fluctuations by—

(a) only making Loans to Borrowers that meet the Funds' lending criteria, and

(b) offering short-term lending of up to 12 months for the ASCF Select Income Fund and ASCF High Yield Fund and up to 24 months for the ASCF Premium Capital Fund. The short-term nature of the Loans means the Funds should be repaid in full in a shorter time period, reducing the likelihood the financial position of the Borrower and the value of the Secured Property will be affected.

### 5.9 Management risk

The Responsible Entity is responsible for managing each Fund's investments on a day to day basis. If the Responsible Entity fails to do so effectively, then this could negatively affect a Fund's performance. In particular, there is a risk that the Responsible Entity may fail to anticipate movements in the property market, fail to manage the investment risks appropriately or fail to properly execute the Funds' investment strategies. These factors could have an adverse impact on the financial position and performance of the Funds.

### 5.10 Liquidity risk

Investments may become illiquid due to market developments or other factors (that is, they cannot be readily converted to cash, either at all or quickly enough to meet liabilities). The Responsible Entity will manage, analyse and monitor the liquidity position of the Funds and will take such action as may be required to enable the Funds to discharge their liabilities and meet its cash flow requirements in the best interests of Investors of each Fund as a whole.

In the event there are insufficient liquid assets held in the Funds, the Responsible Entity may suspend withdrawals or postpone/delay the payment of withdrawals.

There is no established external secondary market for the sale of Units. Investors may arrange for their own private sale. There is no right for Investors to require their Units to be purchased by the Responsible Entity or by any other person.

### 5.11 New fund risk

The ASCF Premium Capital Fund is a newly established managed investment scheme (December 2019) and has limited track or past performance. However, the Responsible Entity's management team possess mortgage asset experience gained over a number of years.

### 5.12 Investment term

There is no guarantee that Investors' capital will remain invested for the expected Investment Term. There are circumstances which may result in the Investment Term being shorter or longer, including—

(a) the Responsible Entity not being able to source mortgage investments for the Funds, and

(b) a Borrower failing to repay a Loan when due.

## 5.13 Due diligence risk

In all investments there exists a risk that material items that could affect the performance of individual investments are not identified during the investment analysis process and that these risks are not mitigated by the Responsible Entity.

## 5.14 Market risk

Market risk is a generic term to describe the risk factors affecting the securities markets generally that could adversely affect the value of investments in the Fund. These factors include inflation rate increases, real or perceived unfavourable market conditions, investor behaviour, economic cycles and climate, movements in interest rates and foreign exchange rates, changes in domestic and international economic conditions which generally affect business earnings, political and natural events and changes in governments monetary policies, taxation and other laws and regulations.

## 5.15 Taxation risk

Distributions to Investors may be affected by changes to taxation legislation. Changes to taxation legislation may necessitate a change to a Fund's structure to ensure Investor interests are protected.

## 5.16 Sourcing investments risks

Sourcing favourable investments may be difficult and the Funds may not be able to fully invest their funds at acceptable prices. This may affect the Responsible Entity's ability to implement the investment strategy of a Fund (or Funds).

## 5.17 Operational risk

There is a risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Adverse impacts may arise internally through human error, technology, or infrastructure changes, or through external events such as third party failures or crisis events. The Responsible Entity has procedures in place to manage these risks and, as much as possible, monitor the controls within these procedures to ensure operational risks are adequately managed.

## 5.18 Fund risk

A Fund could terminate, or the fees and expenses paid from the assets of the Fund could change. There is also the risk that investing in a Fund may give different results than investing in the underlying assets of that Fund directly because of the income or capital gains accrued in that Fund and the consequences of investment and withdrawal by other Investors.

## 5.19 Documentation risk

There is a risk that a problem in Mortgage and other relevant documentation could, in certain circumstances, adversely affect the return on an investment. The Responsible Entity will manage this risk by using qualified solicitors with professional indemnity cover to prepare documentation.

## 5.20 Regulation risk

There is a risk that the Funds may be adversely affected by changes in government policy, regulations and laws or changes in generally accepted accounting policies or valuation.

## 5.21 Consumer protection laws and codes

### Unfair Terms

Under the Australian Consumer Law and the Australian Securities and Investments Act 2001 (Cth) (ASIC Act) any term of a standard-form consumer contract will be unfair, and therefore void, if it causes a significant imbalance in the parties' rights and obligations under the contract, is not reasonably necessary to protect the supplier's legitimate interests and it would cause detriment to a party if applied or relied on.

The provisions in the Australian Consumer Law and ASIC Act regarding unfair contract terms will apply to a term of the Loans to the extent that those contracts were entered into, are renewed, or the term is varied, after the commencement of those provisions.

If any term of a Loan is found to be void, it may affect the timing or amount of interest, fees or charges, or principal repayments under the relevant Loan.

**National Consumer Credit Protection Act 2009 (NCCP Act)**

As the holder of an ACL, the NCCP Act applies to the Responsible Entity. ACL holders are subject to ongoing obligations, including management of internal systems, people and resources, as well as complying with the conditions on their ACL and relevant laws generally. ACL holders also have more specific obligations, such as meeting responsible lending requirements (verifying a consumer's financial situation and assessing whether a credit contract is not unsuitable) and other disclosure and conduct obligations in the National Credit Code.

Failure to comply with the NCCP Act may mean that court action is brought by the Borrower, guarantor, mortgagor or by ASIC to—

(a) grant an injunction preventing a coded Loan from being enforced

(b) order compensation to be paid for loss or damage suffered (or likely to be suffered) as a result of a breach

(c) vary the terms of the Loan on the grounds of hardship or that it is an unjust contract

(d) reduce or annul any interest rate payable on the Loan which is unconscionable

(e) have certain provisions of the Loan or a related mortgage or guarantee which are in breach of the legislation declared void or unenforceable

(f) obtain restitution or compensation from the credit provider in relation to any breaches of the NCCP Act in relation to the Loan, or

(g) seek various remedies for other breaches of the NCCP, such as punitive remedies and

(h) revocation of the ACL.

Applications may also be made by Borrowers to relevant external dispute resolution schemes such as AFCA which generally have the power to resolve disputes where the amount in dispute is $5,000,000 or less. There is no ability to appeal from an adverse determination by an external dispute resolution scheme, including on the basis of bias, manifest error or want of jurisdiction.

Any such order (by a court or external dispute resolution scheme) may affect the timing or amount of interest, fees or charges, or principal payments under the relevant Loan.

## 5.22 Social and health risks (e.g. COVID-19)

As at the date of this PDS, the outbreak of what is now known as the COVID-19 pandemic has continued to spread, resulting in significant volatility within the Australian and global economies as well as Government imposed social distancing practices and business shutdowns.

The risks described in this Section 5 may be exacerbated by COVID-19, and any number of unknown risks may arise as a result of COVID-19, which may adversely impact the Funds and distributions to Investors.

The Responsible Entity is continuing to closely monitor the performance of the Funds' Loans.

## 5.23 General risk factors

In addition to the specific risks identified above, general risks can affect the value of an investment in the Fund. These include the following:

(a) The state of the Australian and world economies.

(b) Inflation movements.

(c) Negative consumer sentiment, which may keep the value of assets depressed.

(d) Natural disasters and man-made disasters that are beyond the control of the Responsible Entity.

(e) The illiquidity and cost of capital markets.

**The performance of the Funds, the repayment of capital or of any particular rate of return, is not guaranteed by the Responsible Entity, its directors or associates. Mortgage investment, by its nature, carries a level of risk and no guarantee is or can be given that an investment in a Fund will not decrease in value and that Investors will not suffer losses.**

Government regulations require us to include the following standard consumer advisory warning. The information in the consumer advisory warning is standardised across all product disclosure statements and is not specific to information on fees and costs in relation to this Funds.

## 6.1 Consumer advisory warning

**DID YOU KNOW?**

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example reduce it from $100,000 to $80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

**TO FIND OUT MORE**

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC)** website (moneysmart.gov.au) has a managed funds fee calculator to help you check out different fee options.

## 6.2 Fees and other costs

Table 1 shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the applicable Fund's assets as a whole and may be used to compare costs between different simple managed investment schemes.

The fees set out in the table below are inclusive of GST and less any reduced input tax credits expected to be available.

**Table 1**

Unless otherwise specified, all dollar amounts are Australian dollars.

| Type of fee or cost | Amount | How and when paid |
|---|---|---|
| **Fees when money moves in or out of the Funds** | | |
| *Establishment fee:* The fee to open your investment | Nil | Not applicable |
| *Contribution fee:* The fee on each amount contributed to your investment | Nil | Not applicable |
| *Withdrawal fee:* The fee on each amount you take out of your investment | Nil | Not applicable |
| *Exit fee:* The fee to close your investment | Nil | Not applicable |

| Type of fee or cost | Amount | How and when paid |
|---|---|---|
| *Early withdrawal fee:* The fee on the amount you take out of your investment when withdrawing from a Fund prior to the end of your Investment Term.<br><br>The fee is only payable if the Responsible Entity approves the Early Withdrawal Request. | The fee is 1% of withdrawal amount. | The fee is payable by the withdrawing Investor. The Responsible Entity will deduct the fee from the proceeds of withdrawal before paying the balance to the Investor.<br><br>The fee is payable to the relevant Fund from which the Investor withdrew. The fee becomes part of the income of that Fund. |
| **Management costs**—*The fees and costs for managing your investment –* | | |
| Performance fee | **ASCF Premium Capital Fund**<br><br>Estimated at 3-5% of the assets of the Fund **(after payment of Distribution Payments and Expenses).**<br><br>**ASCF Select Income Fund**<br><br>Estimated at 4-6% of the assets of the Fund **(after payment of Distribution Payments and Expenses).**<br><br>**ASCF High Yield Fund**<br><br>Estimated at 7-9% of the assets of the Fund **(after payment of Distribution Payments and Expenses).** | Accrued and paid to the Responsible Entity from the applicable Fund's assets monthly in arrears. |
| Expenses | **ASCF Premium Capital Fund**<br><br>Estimated at 0.1% of the assets of the Fund.<br><br>**ASCF Select Income Fund**<br><br>Estimated at 0.1% of the assets of the Fund.<br><br>**ASCF High Yield Fund**<br><br>Estimated at 0.1% of the assets of the Fund. | Expenses payable from the applicable Fund's assets as incurred.<br><br>Refer to the 'Additional explanation of fees and costs' section below. |
| Indirect costs | Nil | Not applicable |
| **Service fees** | | |
| *Switching fee:* The fee for changing investment options | Nil | Not applicable |

## 6.3 Example of annual fees and costs

The following table gives an example of how the fees and costs applicable to units in each Fund can affect your investment over a one year period. You should use each table to compare each product with other managed investment products.

**ASCF Premium Capital Fund**

| Example | Balance of $50,000 with a $5,000 a year contribution | |
|---|---|---|
| Contribution Fee | Nil | For every additional $5,000 you put in, you will be charged $0. |
| **Plus** Management costs | 5.1% | And, for every $50,000 you have invested in the Fund, you will be charged $2,550 per year. These management costs are already accounted for prior to the payment of the Distribution Payments to Investors. |
| **Equals** Cost of the Fund | | If you had an investment of $50,000 at the beginning of the year and you put in an additional $5,000 during that year, you will be charged between $2,550 and $2,805 (depending on the time during the year when you make the additional contribution). These management costs are already accounted for prior to the payment of the Distribution Payments to Investors. |

*Please note:*

- *This is just an example.*
- *The Responsible Entity reasonably estimates it will receive a performance fee of between 3% and 5.1% of funds under management per annum. A performance fee of 5.1% of funds under management per annum has been used for the purposes of this example.*
- *Management Costs consist of the performance fee and Expenses (representing the actual expenses charged to the Fund). The actual expenses recovered may increase or decrease over time.*
  *This example does not take into account any Distribution Payments you may receive on your investment in the Fund.*

**ASCF Select Income Fund**

| Example | Balance of $50,000 with a $5,000 a year contribution | |
|---|---|---|
| Contribution Fee | Nil | For every additional $5,000 you put in, you will be charged $0. |
| **Plus** Management costs | 6.1% | And, for every $50,000 you have invested in the Fund, you will be charged $3,050 per year. These management costs are already accounted for prior to the payment of the Distribution Payments to Investors. |
| **Equals** Cost of the Fund | | If you had an investment of $50,000 at the beginning of the year and you put in an additional $5,000 during that year, you will be charged between $3,050 and $3,355 (depending on the time during the year when you make the additional contribution). These management costs are already accounted for prior to the payment of the Distribution Payments to Investors. |

*Please note:*

- *This is just an example.*
- *The Responsible Entity reasonably estimates it will receive a performance fee of between 4% and 6.1% of funds under management per annum. A performance fee of 6.1% of funds under management per annum has been used for the purposes of this example.*

- *Management Costs consist of the performance fee and Expenses (representing the actual expenses charged to the Fund). The actual expenses recovered may increase or decrease over time.*
  *This example does not take into account any Distribution Payments you may receive on your investment in the Fund.*

**ASCF High Yield Fund**

| **Example** | **Balance of $50,000 with a $5,000 a year contribution** | |
|---|---|---|
| Contribution Fee | Nil | For every additional $5,000 you put in, you will be charged $0. |
| **Plus** Management costs | 9.1% | And, for every $50,000 you have invested in the Fund you will be charged $4,550 per year. These management costs are already accounted for prior to the payment of the Distribution Payments to Investors. |
| **Equals** Cost of the Fund | | If you had an investment of $50,000 at the beginning of the year and you put in an additional $5,000 during that year, you will be charged between $4,550 and $5,005 (depending on the time during the year when you make the additional contribution). These management costs are already accounted for prior to the payment of the Distribution Payments to Investors. |

*Please note:*

- *This is just an example.*
- *The Responsible Entity reasonably estimates it will receive a performance fee of between 7% and 9.1% of funds under management per annum. A performance fee of 9.1% of funds under management per annum has been used for the purposes of this example.*
- *Management Costs consist of the performance fee and Expenses (representing the actual expenses charged to the Fund). The actual expenses recovered may increase or decrease over time.*
- *This example does not take into account any Distribution Payments you may receive on your investment in the Fund.*

## 6.4 Additional explanation of fees and costs

### (a) Performance fee

We are entitled to receive a performance fee. The performance fee is calculated and payable each month in arrears. It is calculated in respect of each Investment Term (each Investment Term is represented by a separate class of Units). Under the Constitution, the performance fee is 100% of all distributions over a benchmark rate of 4.5%. However, in accordance with our right to do so under the Constitution, the Responsible Entity will waive a proportion of its performance fee with the effect the fee is calculated as 100% of the distributions for an Investment Term after payment of Expenses and all Distribution Payments to Investors who have invested in that Investment Term.

An example of how the performance fee is calculated is set out below.

**Example 1—A performance fee is payable**

*Assumptions:*

- Investment Term—12 months.
- Performance period (12 months)—1 July 2018 to 30 June 2019.
- Fund performance over the performance period—12%.
- Benchmark rate (as per the Constitution)—4.5%.

- Expenses incurred by the Fund during the performance period—0.25%.
- Distribution Payments in respect of a 12 month Investment Term—6.75% for ASCF Select Income Fund.

In this scenario, we would be entitled to receive a performance fee of 5% of actual distributions for the performance period calculated as follows:

Performance fee = Fund performance – Distribution Payments – Expenses

= 12% – 6.75% - 0.25% = 5%.

**Example 2—A performance fee is not payable**

*Assumptions:*

- Investment Term—12 months.
- Performance period (12 months)—1 July 2018 to 30 June 2019.
- Fund performance over the performance period—7.5%.
- Benchmark rate (as per the Constitution)—4.5%.
- Expenses incurred by the Fund during the performance period—0.75%.
- Distribution Payments in respect of a 12 month Investment Term—6.75% for ASCF Select Income Fund.

In this scenario, we would not receive a performance fee:

Performance fee = Fund performance – Distribution Payments – Expenses

= 7.5% – 6.75% - 0.75% = 0%.

It is not possible to estimate the amount of performance fees which would be payable in a year. This example is hypothetical only and is not a forecast or simulation of any Fund distributions, nor is it a reference to past performance. The actual Fund distributions may be materially different from what is shown in the example. The example may help Investors decide if either Fund is a suitable investment. No content in this section or elsewhere in this PDS is investment advice. Investors should speak to their financial adviser before investing in the Funds.

**(b) Operating costs and Expenses**

We are entitled to be paid or reimbursed for Expenses associated with the operation of each Fund, such as the costs associated with the administration or distribution of income, administration fees, custody fees, fees for the audit of the Funds, and other expenses properly incurred in connection with performing our duties and obligations in the day-to-day operation of each Fund.

These operating costs and Expenses are either paid when incurred or reimbursed to the Responsible Entity.

**(c) Abnormal expenses**

Abnormal expenses are expenses not generally incurred during the day-to-day operation of the Funds and are not necessarily incurred in any given year. These expenses are due to abnormal events and include (but are not limited to) the cost of convening and hosting a meeting of Investors, preparing a new offer document for the Funds, legal costs incurred by changes to the Constitutions or commencing or defending legal proceedings.

Abnormal expenses will be paid from the assets of the applicable Fund as and when they are incurred by the Responsible Entity.

(d) **Early withdrawal fee**

This fee will only be payable by Investors who withdraw their investment from a Fund prior to the end of the Investment Term.

If the Responsible Entity approves the early withdrawal request, then the Investor will be required to pay an early withdrawal fee of 1% of the withdrawal amount. The early withdrawal fee will not be paid to the Responsible Entity. Rather, it will be paid to the relevant Fund as income of the Fund.

The Responsible Entity will deduct the fee from the proceeds of withdrawal before paying the balance to the Investor however it may in certain circumstances agree to waive the fee in its sole discretion.

**(e) Indirect costs**

Management costs include all indirect costs.

## 6.5 Transaction costs

Most transactional costs associated with issuing the Loans will be borne by the Borrower. However, the Funds may incur some transaction costs such as bank charges. The transaction costs will differ depending on the nature of the Loan and will be paid indirectly out of the relevant Fund's assets. As of the date of this PDS, there is no buy/sell or bid/ask spread for the Funds. We will provide notification of any change to the current buy/sell or bid/ask spread on our website at ascf.com.au.

## 6.6 GST

Unless otherwise stated, all fees set out in this Section are inclusive of the net effect of GST.

This includes GST, net of input tax credits or reduced input tax credits as applicable. The Funds may not be entitled to claim a full input tax credit in all instances. Further information on the tax implications associated with an investment in the Funds can be found in Section 7.

## 6.7 Maximum fees

The maximum performance fee that can be charged in respect of each Investment Term under each Fund's Constitution is 100% of the Fund's income after payment of all Distribution Payments where the Distribution Rate is 4.5%, and Expenses.

The size of the Responsible Entity's performance fee will depend on the performance of the relevant Fund. The higher the income received from interest from the Loans, the higher the Responsible Entity's performance fee.

As the Responsible Entity's performance fee is calculated after the payment of Distribution Payments to Investors, the size of the Responsible Entity's performance fee will not affect Investor distributions.

## 6.8 Fees will not be varied

We will not vary or increase our fees from the amounts disclosed in this PDS without Investors first approving that increase by passing a Special Resolution at an Investor meeting.

## 6.9 Waiver or deferral of fees

We may, in our discretion, accept lower fees and Expenses than we are 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.

## 6.10 Wholesale Investors

We may negotiate with Wholesale and/or other potential Investors, on an individual basis, in relation to rebates on our fees in circumstances permitted by the Corporations Act or applicable relief granted by ASIC. In the event rebates are offered they will be paid by us and will not therefore affect the fees paid by, or any distributions to, other Investors.

### 6.11 Adviser remuneration

Investors may elect to pay their own adviser an upfront fee paid out of their Application Money. This will be deducted from the Application Money and then paid to their adviser following the issue of Units. This is not a fee payable to us.

The net amount of the Application Money paid, after deducting the upfront adviser fee and GST, will then be invested into the Funds.

### 6.12 Introduction fees paid to third parties

The Responsible Entity, or a related party of the Responsible Entity and/or related entities, may pay introduction fees to third parties where the third party has introduced investors to its Funds, and those investors have become Investors in the Fund.

If the introduction fee is paid by the Responsible Entity it shall do so in its personal capacity, and not in its capacity as responsible entity of the Funds. The introduction fee will not be paid by the Funds and as such, the payment of the introduction fee will not impact the distributions made to Investors. No fees will be paid that breach the Future of Financial Advice reforms and introducer fees are not paid by the Funds.

## 7.1 Taxation information

This section is a general discussion of taxation issues relevant to investments in the Fund. You should be aware that the taxation implications of investing will vary between Investors. The Responsible Entity is not a professional tax adviser and strongly recommends that you seek professional taxation advice on investing to take into account your particular circumstances.

The discussion of tax in this PDS is not intended to be a complete summary and refers to the Australian tax law in force at the time of writing, which may change.

## 7.2 Income tax

Generally, the Funds do not pay income tax because it is intended that investors will be presently entitled to all of the taxable income of each Fund for each financial year. This means that all taxable income that Investors become entitled to for a financial year including reinvested amounts, will form part of their assessable income, even though actual payment may not occur until some later time (e.g. 14 July).

## 7.3 Disposal of interests

Given the nature of the assets of the Funds, capital gains are not expected. However under the capital gains tax provisions, any taxable capital gains arising on redeeming, switching or transferring of your interests may form part of your assessable income. Some Investors may be eligible for the discount capital gain concession upon disposal of their interests if the interests are held for 12 months or more and the relevant Fund satisfies certain requirements. You should obtain professional tax advice on the availability of this concession.

Certain Investors (for example those who carry on a business of trading in securities) may be assessed in relation to dealing in interests as ordinary income rather than under the capital gains provisions. You should seek professional tax advice about the capital gains tax status of your interests.

## 7.4 Tax file number

You may quote your Tax File Number (TFN) or claim an exemption from doing so by completing the relevant section of the application form. There is no legal requirement to quote a TFN. However, if you choose not to quote a TFN tax will be withheld from distributions at the highest marginal rate of tax plus Medicare levy.

## 7.5 Non-resident investors

If you are not an Australian resident for taxation purposes, tax will normally be deducted from distributions before they are paid to you. The rate will depend on the nature of the country in which you reside. Generally non-residents who invest in the Funds will have 10% non-residential withholding tax deducted from all interest distributions of the Funds and paid to the Australian Taxation Office.

## 8.1 Related party transactions

As responsible entity of the Funds we may from time to time face conflicts between our duties to the Funds as responsible entity, our duties to other Funds that we manage and our own interests. We will manage any conflicts in accordance with our conflicts of interest policy, the Constitutions, ASIC policy and the law.

Mortgage Capital Australia Pty Ltd ACN 606 382 192 is a related party of the Responsible Entity and provides mortgage origination and administration services to the Responsible Entity and the Funds. Mortgage Capital Australia Pty Ltd receives application and other fees from the Responsible Entity and/or the Funds for Loans approved by the Funds. All transactions between these related parties are conducted on standard commercial terms and conditions.

We have a policy on proposed or potential related party transactions, to ensure that any actual or potential conflicts of interest are identified and appropriately dealt with. This policy is available by emailing us at investor@ascf.com.au or contacting us on 07 3506 3690.

## 8.2 Reporting

We intend to report to you. Our reporting will comprise the following:

(a) A confirmation on receipt of an Application Form.

(b) An investment confirmation upon issuing Units.

(c) Annual distribution report detailing your investment and distributions paid to you.

(d) Periodic performance update reports via monthly newsletters.

(e) An annual tax statement detailing information required for inclusion in your annual income tax return.

Annual and half-year financial reports are available at ascf.com.au. They will not be sent to you unless requested.

Information on the Funds is also available on ascf.com.au.

## 8.3 Changing your details

If you wish to change any of the details of your Investor account please provide written instructions to us as follows either via email investor@ascf.com.au or via post to:

Australian Secure Capital Fund Ltd
Suite 6C, 33 Park Road
Milton QLD 4064

When providing written instructions please adhere to the following procedure:

(a) State the full name in which your Units are held.

(b) State your unique Investor number.

(c) Clearly state the changes you are requesting.

(d) Provide a contact name and day-time telephone number.

(e) Ensure the appropriate signatories sign the request.

You may also be required to provide additional documentation to amend some records, such as changes of name and bank account details. Please call 07 3506 3690 for more information.

## 8.4 Auditor of the Funds

Grant Thornton Audit Pty Ltd has been appointed by the Responsible Entity to audit and report on the accounts of the Funds.

## 8.5 Change of Responsible Entity

A change of responsible entity requires Investors to approve an extraordinary resolution to give effect to the replacement. This is a resolution passed by at least 50% of the total votes that may be cast by Investors entitled to vote, including those not present in person or by proxy.

## 8.6 Constitutions

The Constitutions are the primary documents that govern the way each Fund operates and sets out many of the rights, liabilities and responsibilities of both us and Investors in the Funds. Each Investment Term is referrable to a different class of Units as follows:

(a) 3 months—A6 Units.

(b) 6 months—A5 Units.

(c) 12 months—A4 Units.

This means that when you invest in a particular Investment Term, you will be issued with a class of Units in the Fund that correspond to the relevant Investment Term noted above.

Each Unit gives you an equal and undivided interest in the assets of the relevant Fund. However, a Unit does not give you an interest in any particular asset of the relevant Fund. Subject to the Constitution, as an Investor of a particular Fund, you have the following rights in relation to that Fund:

(a) The right to share in any distributions.

(b) The right to attend and vote at meetings of Investors.

(c) The right to participate in the proceeds of winding up of the Fund.

The Constitutions contains provisions about convening and conducting meetings of Investors.

We can amend the Constitutions without Investors' approval provided we reasonably consider the change will not adversely affect Investors' rights.

The Constitutions can also be amended by a Special Resolution passed by Investors.

A copy of the Constitution is available free of charge by contacting us on 07 3506 3690.

## 8.7 Continuous disclosure

The ASCF Select Income Fund and the ASCF High Yield Fund each have more than 100 Investors and are therefore both classified as a 'disclosing entity' under the Corporations Act, and are subject to regular reporting and disclosure obligations, including obligations to disclose when an important event occurs.

A 'disclosing entity' is required to lodge half-yearly financial reports with ASIC. Copies of any half-yearly reports and disclosures of important information can be obtained from ASIC or by asking us, we will also provide copies of these on our website. It is therefore important that you check our website regularly for important information about the Funds.

ASCF Premium Capital Fund will also be administered by the Responsible Entity on the basis it is a "disclosing entity" although it may not be required to do so.

## 8.8 Privacy

The Privacy Act as amended from time to time regulates, among other things, collection, disclosure of and access to personal information. Other laws also require some personal information to be collected in connection with your application.

By applying to invest in the Funds, the applicant consents to personal information being used and disclosed by the Responsible Entity for the purposes permitted under the Privacy Act, unless you have instructed the Responsible Entity in writing to do otherwise.

If you do not provide the information requested or provide us with incomplete or inaccurate information, your application may not be able to be processed efficiently, or at all.

You are entitled to access, correct and update all personal information which the Responsible Entity holds about you. This information held may be obtained by contacting the Responsible Entity. You should contact the Responsible Entity using its contact details in the Corporate Directory if you have concerns about the completeness or accuracy of the information we have about you or would like to access or amend your personal information held by the Responsible Entity (or its relevant service provider).

A copy of our current privacy policy is available on our website at ascf.com.au and a paper copy will be sent to you free of charge on request. Changes will be made to our privacy policy from time to time to reflect changes in the law, including the Privacy Act.

If you have any questions relating to the Responsible Entity's privacy policy or anything else found in this PDS, please contact the Responsible Entity by email, facsimile or telephone during normal business hours. The contact details are set out in the Corporate Directory.

Sargon CT Pty Ltd may collect your personal information for the primary purpose of providing custodial services to the Funds and for ancillary purposes detailed in the Privacy Policy.

Sargon CT Pty Ltd may disclose your personal information, such as, your name and contact details, along with your account information to its related bodies corporate, the trustee, manager, professional advisers, the land titles office and/or as otherwise instructed by the manager. They are also permitted to collect and disclose your personal information when required or authorised to do so by law. Sargon CT Pty Ltd is not likely to disclose your personal information to overseas recipients.

Your personal information will be used in accordance with Sargon CT Pty Ltd's Privacy Policy. The Privacy Policy contains information about how you may access or correct your personal information held by Sargon CT Pty Ltd and how you may complain about a breach of the Australian Privacy Principles. You may obtain a copy of Sargon 's Privacy Policy at sargon.com/privacy/.

## 8.9 Anti-money laundering (AML)/Counter-Terrorism Financing (CTF)

The Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) (AML/CTF Law) regulates financial services and transactions in a way that is designed to detect and prevent money laundering and terrorism financing. This means that the Responsible Entity will require you to provide personal information and documentation in relation to your identity, source of funding and purpose when you invest in the Funds. As a result:

(a) Transactions may be delayed or refused where we require further information regarding your identity or we have reasonable grounds to believe that the transaction breaches the law or sanctions of Australia or any other country.

(b) Where transactions are delayed or refused, we are not liable for any loss you suffer (including consequential loss) as a result of our compliance with the AML/CTF Law.

(c) Where required by law, we may disclose your information to regulatory or law enforcement agencies, including the Australian Transaction Reports and Analysis Centre (AUSTRAC), which is responsible for regulating the AML/CTF Law.

(d) Customer identification requirements for individual investors are collected in the application form included with this PDS.

(e) Pursuant to the Responsible Entity's AML/CTF program, any applications made without providing the requisite information or identification documents cannot be processed until all the necessary information has been provided. The AML/CTF program also includes ongoing customer due diligence which may require the Responsible Entity to collect further information.

## 8.10 Ethical considerations, labour standards and environmental impact

Whilst we intend to operate the Funds in an ethical and sound manner, our investment criteria do not include giving additional weight to labour standards, environmental, social or ethical considerations.

## 8.11 Cooling-off period

If the Fund which is the subject of your Application Form is liquid, then a 14 day "cooling-off period" applies during which time you may change your mind about your Application and request the return of your money.

Generally, the cooling-off period runs for 14 days from the earlier of the time your Application is confirmed or the end of the fifth Business Day after your Units are issued. The amount refunded to you may be less than your investment amount due to market movements, adjusted for Expenses, applicable taxes and transaction costs incurred between the date of the application and the date of withdrawal.

Cooling-off rights do not apply to Wholesale Investors.

## 8.12 Complaints handling

We have procedures in place to properly consider and deal with any complaints. We will acknowledge a complaint, investigate it and decide what action needs to be taken and will notify a complainant of its decision together with any remedies that are available under the Constitution or other avenues of redress or appeal.

If you have a complaint in relation to any of the Funds, please contact our Complaints Officer at Suite 6C, 33 Park Road Milton QLD 4064 (Phone: 07 3506 3690) (email: investor@ascf.com.au). We will ensure the complaint receives proper consideration and will communicate with you as soon as possible (and in any event, within 45 days after receipt of the complaint).

If an issue has not been resolved to your satisfaction within 45 days, you can lodge a complaint with the Australian Financial Complaints Authority, or AFCA. AFCA provides fair and independent financial services complaint resolution that is free to consumers.

Website: afca.org.au
Email: info@afca.org.au
Telephone: 1800 931 678 (free call)
In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne VIC 3001

ASIC also has an information hotline (1300 300 630) to obtain further information about your rights.

## 8.13 Unit pricing policy

We have a Unit pricing policy for the Funds, which explains how we may exercise any discretion we have under the Constitution when calculating the price of Units.

A copy of the Unit pricing policy is available from the Responsible Entity.

## 8.14 Foreign Account Tax Compliance Act (FATCA)

FATCA is United States (**US**) tax legislation that enables the US Internal Revenue Service 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 Funds are or are 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 entered into by Australia and the US for the purposes of implementing FATCA. Under these obligations, the Funds will have to obtain and disclose information about certain Investors to the Australian Taxation Office. In order for the Funds 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 Funds is required to do so.

The Common Reporting Standard (CRS) is the single global standard for the collection, reporting and exchange of financial account information on non-residents, which applies to calendar years ending after 1 July 2017. Under CRS, the Funds may need to collect and report financial account information on non-residents to the Australian Taxation Office. The Australian Taxation Office may exchange this information with the participating foreign tax authorities of those non-residents. If requested by the Responsible Entity, each Investor agrees, and it is a condition of the issue of the Units, to provide certain information required by it or the Custodian in order to comply with any applicable law, including FATCA.

## 8.15 **Consents**

(a) Grant Thornton Audit Pty Ltd

Grant Thornton Audit Pty Ltd has given its written consent to be named in this PDS in the form and context in which it is named and has not withdrawn its consent prior to the date of the PDS.

(b) Sargon CT Pty Ltd (Sargon Corporate Trust)

Sargon Corporate Trust has not withdrawn its consent to be named in this PDS as custodian of the Fund in the form and context in which it is named. Sargon does not make, or purport to make, any statement that is included in this PDS and there is no statement in this PDS which is based on any statement by Sargon.

To the maximum extent permitted by law, Sargon expressly disclaims and takes no responsibility for any part of this PDS other than the references to its name. Sargon does not guarantee the repayment of capital or any particular rate of capital or income return.

(c) McMahon Clarke

McMahon Clarke has given its written consent to be named in this PDS in the form and context in which it is named and has not withdrawn its consent prior to the date of the PDS.

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| **AC Licence or ACL** | Australian credit licence. |
| **AFS Licence or AFSL** | Australian Financial Services Licence. |
| **AML/CTF** | Anti-money laundering and counter-terrorism financing. |
| **Applicant** | Someone who applies for Units in the ASCF Select Income Fund, the ASCF High Yield Fund or the ASCF Premium Capital Fund under this PDS. |
| **Application Form** | Either of the forms accompanied by this PDS for the ASCF Select Income Fund and/or the ASCF High Yield Fund and/or the ASCF Premium Capital Fund. |
| **Application Money** | The money paid by an Applicant for Units applied for by completing the Application Form. |
| **APRA** | Australian Prudential Regulation Authority. |
| **ASIC** | Australian Securities and Investments Commission. |
| **Borrower** | An entity that borrows from any of the Funds under a Loan. |
| **Business Day** | A day on which banks are open for business in Brisbane, except a Saturday, Sunday or public holiday. |
| **Constitutions** | The constitutions of the ASCF Select Income Fund and ASCF High Yield Fund dated 8 December 2016, and the constitution of the ASCF Premium Capital Fund dated 10 December 2019, as amended from time to time. |
| **Corporations Act** | The *Corporations Act 2001* (Cth) for the time being in force together with the regulations. |
| **Distribution Payments** | The payments made to Investors calculated at the applicable Distribution Rates. |
| **Distribution Rates** | The income distribution rate payable to Investors depending on the class of Units held by that Investor, as listed on ascf.com.au, and which is fixed for the duration of an Investor's investment in a Fund. |
| **Early Withdrawal Request** | A request to withdraw from the Funds prior to the end of the Investment Term, the form of which can be found at ascf.com.au. |
| **Expenses** | Expenses include all costs associated with the operation of each Fund, such as the costs associated with the administration or distribution of income, administration fees, custody fees, fees for the audit of the Funds, and other expenses properly incurred in connection with performing our duties and obligations in the day-to-day operation of each Fund. |
| **Funds** | The ASCF Select Income Fund ARSN 616 367 410, the ASCF High Yield Fund ARSN 616 367 330 and the ASCF Premium Capital Fund ARSN 637 973 409. |

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|---|---|
| **GST** | Goods and Services Tax as defined in *A New Tax System (Goods and Services Tax) Act 1999*, as amended. |
| **Investment Term** | The term which applies to each Unit issued to an Investor. The first Investment Term begins on the day the Unit is issued. Unless a Withdrawal Request is received, each subsequent Investment Term for that Unit commences from the date of expiry of the preceding Investment Term, and will run for the same period of time as the initial term. |
| **Investor** | A holder of Units. |
| **Lending Guidelines** | The guidelines with which a loan application must comply, as detailed in Section 3 of this PDS. |
| **Loan** | A loan advanced by a Fund to a Borrower which is secured primarily by way of a Mortgage over the Secured Property. |
| **LVR** | Loan to valuation ratio. |
| **Mortgage** | (a) For ASCF Premium Capital Fund and ASCF Select Income Fund, a first ranking registered mortgage over the real property of a Borrower.<br>(b) For ASCF High Yield Fund, a first or second ranking registered mortgage over the real property of a Borrower.[1] |
| **PDS** | This product disclosure statement, including any supplementary product disclosure statement which may be issued from time to time. |
| **Privacy Act** | Privacy Act 1988 (Cth). |
| **Responsible Entity, we, us, our** | Australian Secure Capital Fund Ltd ACN 613 497 635. |
| **Retail Investor** | An investor who is not a Wholesale Investor. |
| **Secured Property** | The property of a Borrower subject to a Mortgage. |
| **Special Resolution** | A resolution which requires at least 75% of the votes cast by Investors entitled to vote on the resolution in order to be passed. |
| **Unit** | A unit in one of the Funds. |
| **Wholesale Investor** | An investor who is a wholesale client for the purposes of sections 761G or 761GA of the Corporations Act. |
| **Withdrawal Request** | A request to withdraw from the Funds, the form of which can be found at ascf.com.au. |

[1] Please refer to section 3.7 (under Security) for details of when a caveat may be registered pending registration of, or in lieu of, a second mortgage.

# Section 10 Corporate Directory

## Responsible Entity

### Australian Secure Capital Fund Ltd

Suite 6C, 33 Park Road
Milton QLD 4064

Telephone: 07 3506 3690

Website: ascf.com.au

Email: investor@ascf.com.au

## Legal Adviser

### McMahon Clarke

Level 7, 100 Creek Street
Brisbane QLD 4000

Website: mcmahonclarke.com

## Auditor

### Grant Thornton

Level 18, 145 Ann Street
Brisbane QLD 4000

Website: grantthornton.com.au

## Custodian

### Sargon CT Pty Ltd

Level 19, 60 Castlereagh Street
Sydney NSW 2000

Website: sargon.com

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