



INFORMATION MEMORANDUM

Msquared High Yield Mortgage Income Fund

TRUSTEE

Msquared Capital Pty Ltd ACN 622 507 297

AFSL 520293

FUND MANAGER

Msquared Capital Funds Management Pty Ltd ACN 644 643 274

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IMPORTANT NOTICE

This Information Memorandum (IM) dated 20 October 2022 relates to the opportunity to invest in the Msquared High Yield Mortgage Income Fund (Fund). This investment opportunity is made by Msquared Capital Pty Ltd ACN 622 507 297, Australian Financial Services Licensee No. 520 293 (Trustee) as trustee of the Fund. In this IM, “we”, “our” and “us” refer to the Trustee and “you” and “your” refer to potential or existing Investors.

The Trustee has appointed Msquared Capital Funds Management Pty Ltd ACN 644 643 274 (Fund Manager or Manager) as the investment manager of the Fund.

WHOLESALE AND SOPHISTICATED INVESTORS ONLY

An investment in the Fund is available to “wholesale” and “sophisticated” investors only (as these terms are defined in the Corporations Act 2001 (Cth) (**Corporations Act**)). We will not issue Units to you unless we are satisfied you are either a “professional investor” (as this term is defined in the Corporations Act), you invest at least \$500,000 into the Fund, you provide an accountant’s certificate stating that you meet the minimum asset (\$2.5 million of net assets) test or income (\$250,000 of gross income for the last 2 financial years) requirement, or you otherwise satisfy us you are not a “retail client” for the purposes of Chapter 7 of the Corporations Act.

FOREIGN JURISDICTIONS

An investment in the Fund is available to select investors who receive the IM in Australia. An investment in the Fund may also be made available to select persons in other jurisdictions at the discretion of the Trustee and the Fund Manager provided that any such investment is in accordance with applicable securities laws in those jurisdictions.

The investment opportunity contained in this IM is not applicable in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. Neither the Trustee nor the Fund Manager makes any representation that this IM may be lawfully provided in compliance with any applicable legislation or other

requirements in any jurisdiction outside Australia nor assumes any responsibility for facilitating any such distribution, invitation or offering.

It is your responsibility to satisfy yourself as to full compliance with the relevant laws and regulations of any jurisdiction in connection with any application to participate in the Fund, including obtaining any requisite governmental or other consent.

NO PERSONAL RECOMMENDATION OR INVESTMENT ADVICE. SEEK YOUR OWN FINANCIAL ADVICE

This IM contains general advice only and under no circumstances can it be considered to be personal financial product advice. We have prepared this IM without taking account of your investment objectives, financial situation or needs. This IM does not contain investment, legal, tax or immigration advice, nor is it a recommendation or opinion on the merits of investing in the Fund. Before making an investment decision, you should seek independent professional advice and conduct your own investigation and analysis regarding the information contained in this IM. Investment in the Fund has risks and may not be appropriate for you. You should consider the appropriateness of investing in the Fund having regard to your objectives, financial situation and needs.

NOT A PRODUCT DISCLOSURE STATEMENT (PDS) OR PROSPECTUS

The Fund is an unregistered managed investment scheme and the regulated fundraising requirements of the Corporations Act do not apply to the Offer. This IM is not a PDS within the meaning of the Corporations Act. Accordingly, this IM does not contain the same level of disclosure required for registered managed investment schemes that issue a PDS. We have prepared this IM on the express basis it does not purport to contain all of the information you may require to make an informed decision about whether or not to invest in the Fund.

This IM has **not** been lodged with the Australian Securities & Investments Commission (**ASIC**) and is not required under the Corporations Act to be lodged with ASIC. ASIC takes no responsibility for the content of this IM.

FUND CONSTITUTION

You should read this IM carefully in full before investing. This IM must be read in conjunction with the Fund's Constitution for further information about your rights and obligations as an investor in the Fund and our rights and obligations as the trustee of the Fund. If there are inconsistencies between this IM and the Constitution, the Constitution will prevail.

Statements made in this IM are made at the date of this IM. Under no circumstance does the delivery of this IM at any time or the issue of any Units in the Fund create an implication the information contained in this IM is correct at any other time subsequent to such date.

INVESTING HAS RISKS

This IM contains statements, estimates and projections which are based on anticipated future performance, or market or sector trends. Any forward-looking statements in this IM (including statements of intention, opinion and projections) are made only at the date of this IM and are based on assumptions, source material and other information available at the time this IM was prepared. The forward-looking statements in this IM may not be realised or be accurate and should not be relied upon. Actual results could vary considerably from estimates and projections stated, and no representation, assurance or guarantee is given that any estimate or projection will be achieved.

The Trustee, the Fund Manager, the Administrator, the Custodian and each of their respective directors, officers and associates, do not guarantee the performance or success of the Fund, the payment of distributions to Investors, the repayment of any Investor application monies, any particular rate of return or the taxation consequences of investing in the Fund. Please see the 'Risks' set out in section 4 of this IM for information regarding certain risks in relation to investing in the Fund. Investors should carefully read the 'Risks' section in light of their personal circumstances.

DISCLAIMER

We do not guarantee the performance of the Fund, the repayment of capital or any income or

capital return; and nor does the Manager or any of our respective directors, associates or advisors.

To the maximum extent permitted by law, neither the Trustee, the Fund Manager, the Administrator or the Custodian represent or warrant (expressly or impliedly) the information in this IM is complete, true and correct and not misleading or likely to be misleading or are responsible or in any circumstance liable for any statement made in this IM, any supplementary IM or any Loan Memorandum. You should make your own enquiries to ascertain the accuracy of any information upon which you intend to rely in making an investment in the Fund.

There are usually differences between forecast and actual results because events and actual circumstances frequently do not occur as forecast and these differences may be material. The actual outcomes are dependent on future events which may be radically different from those predicted for reasons outside our or the Manager's control. It is particularly important you carefully consider the risk factors that could affect the performance of the Fund in light of your personal circumstances before making an investment decision.

CONFIDENTIALITY

This IM is provided on a strictly confidential basis solely for your information and exclusive use to assess an investment in the Fund and may not be used for any other purpose. This IM may not be copied, reproduced, republished, posted, transmitted, distributed, disseminated or disclosed, in whole or in part, to any other person in any way without our prior written consent, which we may withhold in our absolute discretion. By accepting this IM, you agree you will comply with these confidentiality restrictions and acknowledge your compliance is a material inducement to us providing this IM to you.

NO LEGAL RELATIONSHIP

No legal relationship will be created between the Trustee or the Fund Manager and you by virtue of the provision and receipt of this IM, other than you are legally bound (and undertake to be legally bound) by the terms of this 'Important notice' section of this IM.

GLOSSARY AND FINANCIAL DETAILS

Capitalised terms are defined in the Glossary and all references to dollar amounts are to Australian Dollars (AUD), unless otherwise stated.

DIRECTORY

TRUSTEE

Msquared Capital Pty Ltd

ACN 622 507 297

Level 12, 88 Pitt Street, Sydney NSW 2000

Telephone: (02) 9157 8608

Website: <https://msqcapital.com.au/>

Email: j.thomas@msqcapital.com.au; trustee@msqcapital.com.au

FUND MANAGER

Msquared Capital Funds Management Pty Ltd

ACN 644 643 274

Level 12, 88 Pitt Street, Sydney NSW 2000

Telephone: (02) 9157 8608

Email: info@msqcapital.com.au

ADMINISTRATOR

Unity Fund Services Pty Ltd

ACN 146 747 122

Level 16, Governor Macquarie Tower, 1 Farrer Place Sydney NSW 2000

Telephone: (02) 8277 0070

REGISTRY SERVICE PROVIDER

One Registry Services Pty Limited

ACN 141 757 360

Level 16, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000

Telephone: (02) 8188 1510

Website: www.oneregistryservices.com.au

Email: info@oneregistryservices.com.au

CUSTODIAN

Perpetual Corporate Trust Limited

ABN 99 000 341 533

Level 18, Angel Place, 123 Pitt Street, Sydney NSW 2000

Telephone: (02) 9229 3770

Email: ccscustody@perpetual.com

KEY FEATURES

The following is a summary of the key features of an investment in the Fund and is not intended to be exhaustive. You should refer to the relevant sections of the IM for further detailed information. This IM should be read in its entirety.

OVERVIEW		REFER TO SECTION
FUND	Msquared High Yield Mortgage Income Fund.	2.1
TRUSTEE	Msquared Capital Pty Ltd ACN 622 507 297, AFSL No. 520293	1.1
FUND MANAGER	Msquared Capital Funds Management Pty Ltd ACN 644 643 274.	1.2
INVESTMENT STRATEGY	<p>The Fund is a pooled mortgage fund, which will provide you with the opportunity to invest in a range of Loans sourced by the Manager. The investment may be made by:</p> <ul style="list-style-type: none"> (a) directly making Loans to Borrowers (Direct Loans); and/or (b) investing in financial products issued by a member of the Msquared Group, the proceeds of which are used to make Loans that meet the Lending Guidelines of the Fund (Loan Products). <p>Each Loan will be secured by a registered first or second Mortgage and may additionally be secured by other forms of security (Security Interests).</p> <p>Because the Fund is pooled, you will not have the opportunity to select specific Loan investments.</p> <p>All Loans made by the Fund will be in accordance with the Fund's Lending Guidelines. See section 3 below for further information.</p> <p>The Fund may also invest in cash held by Australian deposit taking institutions (including negotiable certificates of deposit, bank bills and other cash-like instruments). The Fund may do so directly, or indirectly by investing in other managed investment schemes which make these types of investments.</p>	2.4
INVESTMENT RETURN OBJECTIVES	<p>The investment return objectives of the Fund are as follows:</p> <ul style="list-style-type: none"> (a) Regular income distributions (b) The opportunity to access registered mortgage-secured investments through a professionally managed structure, and (c) To achieve a targeted total return of 9.00 per cent per annum pre taxation and net of fees, costs and expenses (Target Return). <p>The Target Return is not a forecast. Other than during the period until 31</p>	2.3

OVERVIEW

REFER TO
SECTION

	December 2022, distributions are not guaranteed. Investors may also lose some or all of their capital.	
WHO CAN INVEST?	To qualify to invest in the Fund you must— <ul style="list-style-type: none"> (a) be a professional investor (as this term is defined in the Corporations Act) (b) invest at least \$500,000 into the Fund (c) provide an accountant’s certificate certifying that you meet the minimum asset (\$2.5 million of net assets) test or income (\$250,000 of gross income for the last two financial years) requirement as prescribed in the Corporations Act, or (d) otherwise satisfy us you are not a “retail client” for the purposes of Chapter 7 of the Corporations Act. 	2.2
APPLICATION FOR UNITS	Units will generally be issued daily, within two business days of receipt of a valid Application Form.	2.9
UNIT PRICE	The Trustee expects that the Unit price will be \$1.00 per Unit. However, the price will be calculated in accordance with the net asset value of the Fund. Therefore, if there is a loss in the value of the Fund’s assets (e.g., in the event of defaults under the Loans) then the Unit price may be significantly reduced. The current Unit price is available by contacting the Registry Service Provider. However, this may not be the Unit price at which Units are issued to you as Units are issued at the price determined on the day on which your Application Form and Application Money are received.	2.8
MINIMUM INVESTMENT AMOUNTS AND BALANCE	Provided you qualify to invest in the Fund, you must make a minimum initial investment of \$50,000 to participate in the Fund (or such lower amount as we accept at our discretion). For existing Investors, subsequent investments must be in increments of \$25,000 (or such lower amount as we accept at our discretion). See section 2.2 for information about how Investors may qualify to invest in the Fund. Unless otherwise agreed by us in our absolute discretion, Investors will be required to maintain a minimum balance of \$10,000 in the Fund.	2.6
DISTRIBUTIONS	The Manager intends that income distributions will be paid on a monthly basis. The Fund will offer a distribution reinvestment plan. See section 2.10 and 2.11 for more information.	2.10 & 2.11

OVERVIEW

REFER TO
SECTION

WITHDRAWALS The first 12 month period of an investment in the Fund is referred to as the Investment Term. You cannot withdraw any Units during the Unit's Investment Term. [2.12](#)

When you invest in the Fund, the Investment Term for each Unit you subscribe for begins on the first day of the calendar month following the calendar month in which that Unit is issued and continues for 12 calendar months. If you invest on multiple different occasions then each investment will have its own Investment Term.

Once an Investment Term has expired, you may withdraw some or all of those Units at the end of a calendar quarter (i.e., the quarters ending in March, June, September, and December each year).

You must provide at least two months' notice to withdraw those Units from the Fund, and withdrawals are dependent upon whether there is sufficient liquidity available. Please note neither we nor the Fund Manager guarantee there will be sufficient liquidity available to meet all withdrawal requests, and you may be unable to withdraw some or all of your investment. Where there is insufficient liquidity to meet all withdrawal requests at the end of a calendar quarter, the requests will be met on a pro rata basis. If your withdrawal request is unsatisfied or partially unsatisfied, then you will need to submit a new withdrawal request.

See section 2.12 for more information about how withdrawals from the Fund will operate.

MANAGER SUPPORT In addition to the funding of certain expenses throughout the term of the Fund (see section 5.6) the Manager has agreed to provide financial support for the Fund during the initial phase (until 31 December 2022). This support will be payment of a monthly amount to provide the Fund with sufficient cash to pay the fees (and expenses) as provided for in Section 5 and a distribution to each Investor at or above the Target Rate (as determined by the Manager). [2.5](#)

The contributions made by the Manager are in the form of a loan to the Fund. The loan amount will be repaid from income of the Fund, provided that the Fund has sufficient income to make distributions to investors at the Target Rate (after all fees, costs, and expenses of the Fund have been paid). It is expected that the Fund will be generating sufficient income to have the loan from the Manager repaid as soon as practicable.

RISKS Like any investment of this type, there are risks associated with investing in the Fund. Distributions are not guaranteed, nor are any capital returns. For further information about the specific risks associated with the Fund, see section 4. 4

FEES AND There are fees and costs (plus GST) payable in relation to the management of 5

OVERVIEW

**REFER TO
SECTION**

COSTS	the Fund. See section 5 for information.
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TAX	Please obtain your own independent tax advice before investing in the Fund.	6
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1. MANAGEMENT OF THE FUND

1.1 ABOUT THE TRUSTEE

Msquared Capital Pty Ltd ACN 622 507 297, AFSL No. 520293 has been the investment manager of the Msquared Contributory Mortgage Income Fund from its commencement in June 2018 until 1 November 2020. From 1 November 2020, Msquared Capital Pty Ltd ceased acting as investment manager and was appointed as trustee of the Msquared Contributory Mortgage Income Fund following Msquared Capital Pty Ltd attaining its own Australian Financial Services Licence (**AFSL**) from ASIC on 18 September 2020.

Msquared Capital Pty Ltd possesses the necessary skill and expertise to effectively carry out and perform its Trustee duties.

1.2 ABOUT THE MANAGER

We have appointed Msquared Capital Funds Management Pty Ltd ACN 644 643 274 as the investment manager of the Fund.

Msquared Capital Funds Management Pty Ltd combines the expertise and proven experience of a dedicated team of highly regarded professionals in the commercial mortgage arena - one of whom previously managed a multibillion-dollar multi award-winning commercial mortgage Trust.

The Fund aims to provide an alternative lending solution to commercial SME borrowers by focusing on market niches and lending against quality assets in good geographic locations.

The Manager's key people are set out below:

MANAGING DIRECTOR - PAUL MIRON

Paul Miron has over 20 years' experience in banking and financial services, with a specialised focus in both commercial structuring and lending. Paul has worked for a number of major banks in senior positions. Throughout his tenure Paul gathered considerable expertise in relationship management, funding structures, and complex loan products.

Paul is the co-managing director of Msquared Capital, a mortgage investment fund and non-bank lender which offers sophisticated investors exposure to registered mortgages across the eastern seaboard of Australia. Paul has been instrumental in the growth of the mortgage fund by applying a philosophy of robust credit analysis.

Paul regularly speaks on topics such as lending, property, superannuation and complex structuring. He also authors a monthly economic newsletter with a growing readership. Paul's strategy involves seeking out dislocation within the lending environment and applying his macroeconomic insight so that investors can benefit from opportunities that possess superior risk-adjusted returns.

MANAGING DIRECTOR - PAUL MYLIOTIS

Paul Myliotis has over 18 years' experience in banking and finance, with particular proficiency in the fields of commercial and residential finance. After obtaining a bachelor of Accounting and Finance from the University of New South Wales, Paul commenced his career at Price Waterhouse Coopers (PWC) within the taxation division. Following a 5-year tenure, Paul founded an award-winning financial services business based in Sydney and Melbourne.

Paul is the co-managing director of Msquared Capital and has been crucial to the success of a wide range of transactions of varying size and complexity. Under Paul's guidance, the fund has experienced year-on-year growth with no capital losses to date.

MANAGING DIRECTOR – ZHANNA MIRON

Zhanna has over 17 years of experience in the finance industry. In 2004, Zhanna co-founded Strategic Advisory, an award-winning financial services business and in 2018 Co-founded Msquared Capital, a rapidly expanding funds management business. Zhanna is an effective manager and has been instrumental in developing a strong corporate culture that has allowed both businesses to thrive.

As a co-founder and Managing Director of Msquared Capital, Zhanna is highly involved in the decision-making arm of the fund; serving on both the Credit and Compliance committees. Zhanna is a solutions-driven business leader and takes pride in providing a professional, yet personal business approach.

Zhanna holds a Bachelor of Commerce, majoring in Accounting from the Australia Catholic University.

CHAIRMAN – JOHN (JT) THOMAS OAM. KSS.

JT has been involved in banking, finance and funds management activities for 46 years. After initially training with a major bank, a building society and then a credit union, JT joined the Howard Group in 1987, where he began managing the Howard Mortgage Trust. After managing the Howard Mortgage Trust for 16 years, its assets of the trust had risen to a little under \$3 billion to be the largest and consistently best-performing fund of its kind in Australia. The fund was awarded the Australian fund manager of the year award in the fixed interest category on seven occasions.

2. FUND OVERVIEW

2.1 THE FUND

The Fund is an unregistered managed investment scheme structured as a unit trust that offers you the opportunity to invest in a range of Loans secured by registered first Mortgages or registered second Mortgages and may additionally be secured by other forms of security (Security Interests). The Fund will do this through Direct Loans or Loan Products.

We do not intend to register the Fund with ASIC as a registered managed investment scheme or to list the Fund on a secondary market such as the ASX.

Investment in the Fund is governed by the Fund's constitution and the general law of Australia. Please refer to section 7.1 of this IM for a summary of Investors' rights and obligations under the Constitution.

2.2 WHOLESALE AND SOPHISTICATED INVESTORS ONLY

This Offer is restricted to wholesale clients and sophisticated investors (within the meaning of the Corporations Act). You may qualify to invest in the Fund in the following ways:

- (a) You are a professional investor (as this term is defined in the Corporations Act).
- (b) You invest at least \$500,000 into the Fund.
- (c) You provide an accountant's certificate certifying that you meet the minimum asset (\$2.5 million of net assets) or income (\$250,000 of gross income for the last two financial years) requirements set out in the Corporations Act.
- (d) You otherwise satisfy us you are not a "retail client" for the purposes of Chapter 7 of the Corporations Act.

2.3 INVESTMENT RETURN OBJECTIVES

The investment return objectives of the Fund are as follows:

- (a) Regular income distributions.
- (b) The opportunity to access mortgage-secured investments through a professionally managed structure.
- (c) To achieve a targeted total return of 9.00 per cent per annum pre taxation and net of fees, costs and expenses.

These investment return objectives are not forecasts, and the Fund may not be successful in meeting its objectives. Returns are not guaranteed, nor is the return of capital.

2.4 INVESTMENT STRATEGY

The Fund is a pooled mortgage fund, which will provide you with the opportunity to invest in a range of Loans sourced by the Manager. The investment may be made by:

- (a) directly making the Loans to the Borrowers from the Fund; and/or
- (b) investing in financial products (including interests in managed investment schemes or bonds) issued by a member of the Msquared Group, the proceeds of which are used to make loans.

All Loans will be secured by registered first or second Mortgages and may additionally be secured by other forms of security (Security Interests). Because the Fund is pooled, you will not have the opportunity to select specific Loan investments.

Loan proceeds may be used for, amongst other things:

- (a) Acquisition of assets (including property and equipment).
- (b) Refinance existing lending facilities.
- (c) Access equity in property asset for any worthwhile purpose including payment of tax debt.
- (d) Short-term business cash flow requirements.
- (e) Bridging finance.

Loans must be used for commercial and business purposes only and may not be used for consumer purposes (for example, purchase of an individual residential property).

All Loans to which the Fund has exposure will be in accordance with the Fund's Lending Guidelines. See section 3 below for further information

The Fund may also invest in cash held by Australian deposit taking institutions (including negotiable certificates of deposit, bank bills and other cash-like instruments). The Fund may do so directly, or indirectly by investing in other managed investment schemes which make these types of investments.

2.5 MANAGER SUPPORT

In addition to the funding of certain expenses throughout the term of the Fund (see section 5.6) the Manager has agreed to provide financial support for the Fund during the initial phase (until 31 December 2022). This support will be payment of a monthly amount to provide the Fund with sufficient cash to pay the fees (and expenses) as provided for in Section 5 and a distribution to each Investor at or above the Target Rate (as determined by the Manager).

The contributions made by the Manager are in the form of a loan to the Fund. The loan amount will be repaid from income of the Fund, provided that the Fund has sufficient income to make distributions to investors at the Target Rate (after all fees, costs, and expenses of the Fund have been paid). It is expected that the Fund will be generating sufficient income to have the loan from the Manager as soon as practicable.

2.6 MINIMUM INVESTMENT AMOUNTS AND BALANCE

Provided you qualify to invest in the Fund, you must make a minimum initial investment of \$50,000 to participate in the Fund (or such lower amount as we accept at our discretion). For existing Investors, subsequent investments must be in increments of \$25,000 (or such lower amount as we accept at our discretion).

See section 2.2 for information about how Investors may qualify to invest in the Fund.

Unless otherwise agreed by us in our absolute discretion, Investors will be required to maintain a minimum balance of \$10,000 in the Fund.

2.7 CLASSES OF UNITS

As of the date of this IM there will be one class of units in the Fund, known as ordinary units. These are referred to as Units in this IM.

We may issue new classes of Units in the Fund at any time and these different classes may have different terms and rights attached to them, such as different fees, investment amounts, returns and withdrawal rights.

2.8 PRICE OF UNITS

The Unit price will commence at \$1.00 per Unit. The Trustee expects that the price per Unit will remain at \$1.00; however, the price will be calculated in accordance with the Constitution and based on the net asset value of the Fund.

Therefore, if there is a loss in the value of the Fund's assets (e.g., in the event of defaults under the Loans) then the Unit price may be reduced.

The current Unit price is available by contacting the Registry Service Provider. However, this may not be the Unit price at which Units are issued to you as Units are issued at the price determined on the day on which your Application Form and Application Money are received.

2.9 ISSUE OF UNITS

The Trustee expects to issue Units daily, within two business days of receipt of a valid Application Form and Application Money by the Trustee.

Units will only be issued after both the Application Form and Application Money have been received from each applicant and accepted by the Registry Service Provider on behalf of the Trustee.

If we do not receive the Application Money in cleared funds and/or are not satisfied that we have received all relevant information required to process the Application Form, then we may refuse to accept a prospective Investor's application.

Confirmation of an investment will generally be issued within five Business Days of the investment being processed.

2.10 DISTRIBUTIONS

As an Investor and holder of Units you are entitled to participate in income generated by the Fund's assets.

It is intended distributions will be calculated and paid monthly, within seven Business Days of the end of each calendar month.

If a distribution is paid, you will receive a proportion of the Fund's income based on the number of Units you hold in relation to the total number of Units on issue and the number of days you have held the Units for during the month.

There is no guarantee distributions will be paid.

2.11 DISTRIBUTION REINVESTMENT PLAN

Distributions may be reinvested in the Fund. You have the option of choosing whether or not to participate in the Fund's distribution reinvestment plan.

Distributions will be automatically reinvested at the time distributions would otherwise be payable, unless you elect not to participate in the distribution reinvestment plan in the space provided in the Application Form. You can change your participation in the distribution reinvestment plan by contacting the Registry Service Provider. Any change must be notified to the Registry Service Provider at least 10 business days prior to the last day of the calendar month.

2.12 WITHDRAWALS

The first 12-month period from the issue of a Unit is referred to as the Investment Term. You cannot withdraw a Unit during the Unit's Investment Term.

When you invest in the Fund, the Investment Term for each Unit you subscribe for begins on the first day of the month following the month in which that Unit is issued and runs for 12 months. If you invest on multiple different occasions then each investment will have its own Investment Term.

Once an Investment Term has expired, you may withdraw some or all of those Units at the end of a calendar quarter (i.e., the quarters ending in March, June, September, and December each year). You

can submit a withdrawal request during the Investment Term provided that the relevant withdrawal date fall after the expiry of the Investment Term.

You must provide at least two months' but no more than 3 months' notice to withdraw from the Fund. All withdrawals are dependent upon the available liquidity of the Fund and subject to a withdrawal cap equal to 7.5 percent of the net asset value of the Fund.

Please note neither we nor the Manager guarantee there will be sufficient liquidity available to meet all withdrawal requests, and you may be unable to withdraw some or all of your investment.

The following table illustrates the withdrawal cycle of the Fund and the relevant cut-off dates each year:

QUARTER ENDING:	WITHDRAWAL REQUEST CUT-OFF DATES:
31 March	5.00pm on the last Business Day of the previous January
30 June	5.00pm on the last Business Day of the previous April
30 September	5.00pm on the last Business Day of the previous July
31 December	5.00pm on the last Business Day of the previous October

To make a withdrawal request, complete a withdrawal request form available upon request from the Manager and send it to the Registry Service Provider.

The Fund aims to pay withdrawals within 30 Business Days after the relevant quarter end.

Unless you have elected to have your withdrawal proceeds paid in cash, withdrawal proceeds will be applied to acquire additional Units under the distribution reinvestment plan. Where you have elected to receive withdrawal proceeds in cash, they will be electronically transferred to your nominated bank account. Please note that bank charges may apply.

If you have made a withdrawal request and we are unable to accept all withdrawal requests from Investors for a given quarter, then the following will apply:

- (a) Withdrawal requests for that quarter will be satisfied on a pro-rata basis, which means you and other Investors who have made a withdrawal request for this quarter will continue to hold some Units in the Fund.
- (b) Investors with unsatisfied or partially unsatisfied withdrawal requests may, at their election, participate in future quarterly withdrawals by lodging a further withdrawal request form in the manner described above. These withdrawal requests will not be satisfied in priority to withdrawal requests made by other Investors in that subsequent quarter.
- (c) If we have had to pro-rata withdrawal requests for three consecutive quarters then we will consult with the Manager on the Fund's investment strategy, the status and performance of the Fund's Loans and other assets and the Fund's current and prospective liquidity.
- (d) If we have had to pro-rata withdrawal requests for six consecutive quarters then we may determine to wind up the Fund.

2.13 TRANSFER OF UNITS

There will not be any established secondary market for the sale of Units. If you want to sell your Units, we may endeavour to assist you; however, we are not required to do so. We may, at our discretion, refuse to register any transfer of Units.

2.14 BORROWINGS

Other than the Manager support contributions payable until 31 December 2022, the Fund may also borrow on the following conditions:

- (a) The gross asset value of the Fund is greater than \$50 million.
- (b) The level of borrowings does not exceed 20% of the gross asset value of the Fund.
- (c) The purpose of the borrowings is to fund withdrawals processed in accordance with section 2.11.
- (d) The Fund will not borrow where the Trustee has determined that a national or international crisis exists.

3. LOANS

3.1 OVERVIEW

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

3.2 GUIDING PRINCIPLES

The Fund Manager 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 quality and value of the Loan, underlying security 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 the Lending Guidelines, which are described below.

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

3.3 LENDING GUIDELINES—KEY TERMS

The following table provides a summary of the Lending Guidelines, which are maintained by the Manager. Depending on the Manager's views as to market conditions, property market cycles and various other factors, these parameters may vary from time to time. They may be altered without providing notification to you.

BORROWERS	<p>Corporates and individuals that satisfy the lending criteria of the Manager.</p> <p>The assessment process will consider a Borrower's credit worthiness, character and competency to properly manage their business affairs and the security (i.e., Mortgage and if applicable Security Interest(s) they can offer in respect of the Loan.</p>
NO RELATED PARTY LOANS	<p>The Fund may make Loans to related parties of the Manager or the Trustee. All Loans made to related parties will be managed in accordance with the Trustee's related party policy, including that they will be on arms length terms.</p>
LOAN TYPES	<p>The Fund will make the following types of Loans:</p> <ul style="list-style-type: none"> • Property Loans secured by registered first Mortgages; • Property Loans secured by registered second Mortgages provided the LVR of the Loan plus any senior loan is less than 80.00%
PURPOSE OF LOANS	<p>Loan proceeds may be used for, amongst others:</p> <ul style="list-style-type: none"> • Acquisition of assets (including property and equipment). • Refinance existing lending facilities

- Access equity in property asset for any worthwhile purpose including payment of tax debt
- Short-term business cash flow requirements.
- Bridging finance.

Loans must be used for commercial and business purposes only and may not be used for consumer purposes.

PROPERTY SECTORS Acceptable property against which the Fund secures Loans may be commercial, retail, industrial, residential, development or vacant land.

GEOGRAPHICAL LOCATION OF PROJECTS Real properties for which the Fund advances Loans may be located anywhere in Australia. However, it is anticipated projects will be primarily located in the eastern seaboard capital cities.

MAXIMUM AND MINIMUM LOAN AMOUNTS The minimum amount of a Loan will be \$250,000, however at the Managers discretion, the Loan might be for a lesser amount.

The maximum loan amount will be 10% of FUM for the Fund, but only once FUM exceeds \$100 million

Therefore, whilst the FUM is less than \$100 million, there is no restriction on the spread of loans for the Fund. This means that the entire amount of the FUM could be invested in a single Loan.

LOAN TO VALUE RATIO (LVR) The maximum LVR will be 80% of the value of a security property.

TERM The maximum term of a Loan is anticipated to be 36 months, but may be longer than this.

Once repaid, prepaid or cancelled, the Loan is not available for re-drawing.

INTEREST RATE & TERMS The interest rate will be as negotiated between the Manager and the Borrower, based on prevailing market interest rates.

DEFAULT TERMS Standard events of default including failure to pay amounts when due, breach of financial covenants and the insolvency of the Borrower.

MORTGAGES The Fund will hold a first or second ranking registered Mortgage over real property to secure each Loan made by the Fund.

SECURITY INTEREST	In addition to the Mortgages, we may take other forms of security to secure the repayment of the Loan, referred to as Security Interests. These may include general security agreements, specific security agreements, personal guarantees or directors' guarantees. In particular, the Manager intends to obtain personal or directors' guarantees where possible.
FEES CHARGED TO BORROWER	The Manager may charge fees to a Borrower, such as commitment fees, establishment fees, loan management fees, loan variation fees and line fees. These will be paid by the relevant Borrower and not by the Fund.
OTHER KEY REQUIREMENTS	Typical representations, warranties, undertakings and events of default, including restrictions on the Borrower disposing of the security property or incurring additional financial indebtedness.

3.4 INVESTMENT IN OTHER MORTGAGE FUNDS

In addition to making direct Loans, the Fund may also invest in Loans through the acquisition of units, bonds or other investment products in an Msquared Group managed investment schemes or investment vehicles (Investment Products). The Loans invested in through the acquisition of Investment Products, must meet the Fund's Lending Guidelines.

The trustee and manager of the other funds or vehicles are related parties of the Trustee and Fund Manager. The Investment Products issued to the Fund will be on the same terms as Investment Products issued to non-related investors. The Trustee will rely on the analysis and evaluation of the Loan undertaken by the Msquared Group managed investment scheme.

Neither the Trustee nor the Manager will monitor the Loan or have direct enforcement powers for Loans that are invested in through the acquisition of units.

The Manager will waive its right to collect this fee in respect of Loan Products where it has received a management fee at the underlying investment vehicle level in respect of those Loan Products. This is to ensure that there are no double management fees payable in respect of the assets of the Fund.

3.5 LOAN SELECTION AND ASSESSMENT PROCESS

The Manager will be responsible for undertaking the assessment of any Loans proposed to be made by the Fund, having regard to the Lending Guidelines outlined above.

3.6 ANALYSIS AND EVALUATION

Assessment of a Loan commences when an enquiry and application form and accompanying financial data are received from a proposed Borrower.

The Manager will assess the merits of each prospective Borrower and the associated risks. The analysis will take into account a set of criteria including available security, the precise nature of the security property, LVR, evidence of capacity to service the Loan, and the prospective Borrower's creditworthiness and character.

The risks can be described in four broad categories as follows:

- (a) Security Risk—the Manager must assess the character and geographic suitability of the proposed security property.

- (b) Borrower risk—the focus here is on the specific profile of the Borrower and its business and legal status. This includes the size of the Loan compared with the Borrower’s net worth, historical project and financial performance, its revenue and cashflow streams and, depending on the nature and timeline for the investment, the Borrower’s ability to refinance and the Borrower’s character.
- (c) Servicing Risk—the ability of the Borrower to meet loan commitments which brings into focus the income and cashflow sources of the Borrower.
- (d) Saleability risk—the exit strategy at the Loan conclusion including the ability of the Borrower to sell the security property, the end value of the asset and the ability of the Borrower to refinance.

3.7 CREDIT COMMITTEE

The Credit Committee is responsible for the overall credit risk and investment strategy of the Fund, and has been convened by the Manager. The Credit Committee’s responsibilities include the following:

- (a) The assessment and recommendation of Loan investments for the Fund.
- (b) Monitoring Loan positions and performance.
- (c) Monitoring Borrower compliance with Loan covenants and conditions.
- (d) Developing, reviewing, and implementing credit policies and procedures,
- (e) Arrears and default management, and undertaking any enforcement action required on behalf of the Fund.

The Credit Committee decides whether or not to progress each Loan opportunity presented to them, and the terms on which funds should be advanced for any approved opportunity. The Credit Committee determines whether or not a Loan opportunity should be pursued, and makes an appropriate recommendation to the Trustee.

The Credit Committee will meet regularly and work to achieve the best outcomes for Investors in accordance with the investment strategies relating to each particular Loan and the Lending Guidelines.

As of the date of this IM, the members of the Credit Committee include John (JT) Thomas OAM. KSS. (chair), Paul Miron, Paul Myliotis and Zhanna Miron. Their biographies are set out above in section 1.2.

3.8 ONGOING MANAGEMENT OF LOANS

After a direct Loan is made, the Manager (via the Credit Committee) is responsible for the day-to-day and ongoing management of the Loan. It will provide regular reports to the Trustee in relation to individual Loan performance, including in respect of payment and collection of interest, compliance with Loan covenants and conditions, and the progress of any legal action commenced against a defaulting Borrower.

3.9 VALUATION POLICY

The security property for any Mortgage will generally be independently valued for suitability and market value. Valuers are required to comply with instructions from the Manager relating to valuation and independence, including the need for the valuation to be used for mortgage purposes. It is not always possible to obtain a valuation on this basis where it is for second Mortgage purposes or for the valuation obtained by the senior mortgagee to be assigned to the Fund; however, the Manager will make reasonable endeavours to do so.

At the time of each Loan advance, the valuation of the relevant security property will be not older than three months.

An updated valuation will be obtained at least every three years from the anniversary of the initial Loan advance. Additionally, the Manager will have a security property revalued whenever it considers that a significant change may have occurred in the property's value, and at any other time it considers it to be in the best interests of Investors.

3.10 DOCUMENTATION AND SETTLEMENT OF LOANS AND MORTGAGES

Loan and Mortgage documents will be prepared and reviewed by a legal firm experienced in mortgage finance, verification and validation requirements, who will also attend to settlement of the legal documentation.

3.11 LOAN LOSS PROVISIONING ACCOUNT

Despite the Manager's processes and procedures for selecting and assessing Loans, the Manager recognises the possibility Borrowers may be late in paying interest or in meeting their repayment obligations, or may be unable to do so. If so then the Fund will pursue enforcement action and arrears. However, the amounts recovered from Borrowers (if any) may not be sufficient to meet losses on individual Loan assets, once enforcement costs and expenses are paid.

Potentially, Loan losses will have to be addressed from the Fund's capital, which will in turn negatively impact upon the Fund's Unit price and affect returns of income and capital to Investors.

To seek to mitigate and manage this risk, the Manager will implement a provisioning policy in relation to losses on individual Loans. The Manager will aim (but will not be obliged) to allocate 0.50% per annum of the net return from Loans (after fees, costs and expenses of the Fund) to a Loan Loss Provisioning Account. The Trustee and the Manager may determine to increase or decrease the amount allocated to the Loan Loss Provisioning Account at any time. This money will be used as provision for losses on individual Loans, including the payment of costs and expenses associated with enforcement against defaulting Borrowers.

The Loan Loss Provisioning Account will not constitute a separate bank account, and instead will constitute an accounting allocation within the Fund's operating bank account.

The Manager intends to review the Fund's holdings in the Loan Loss Provisioning Account at least once every six months. The Manager reserves the right to cap or reduce the amount held in the Loan Loss Provisioning Account for any length of time, if it determines there are sufficient funds held to cover anticipated Loan losses. Where the Trustee, in consultation with the Manager, considers that there are sufficient provisions held in the Loan Loss Provisions Account, then the Trustee may make a distribution from the account to Investors.

3.12 ARREARS AND DEFAULT MANAGEMENT

The Manager is responsible for managing arrears and other defaults for direct Loans. Measures which may be taken include the following:

- (a) Monitoring all due dates for payments, including interest payments.
- (b) Following up overdue payments where appropriate (usually within five Business Days after the due date for payment of interest or repayment of capital) and issuing breach notices to the Borrower. Higher interest may be charged on overdue payments.

The Manager is entitled to 20% of the additional default interest recovered from the Borrower.

- (c) Issuing notices of default if payments remain in arrears for more than one month.

- (d) Instituting legal proceedings for possession of a security property if the Borrower fails to comply with the issued notices.
- (e) Arranging for the sale of the security property through an enforcement process if a possession order has been obtained.

3.13 ENFORCEMENT EXPENSES

The enforcement process can involve significant costs, including legal costs and receiver's fees. The Fund will hold cash reserves in the Loan Loss Provisioning Account, and will apply them towards these costs and expenses.

However, in the event the Fund does not have sufficient funds available to fund these enforcement costs, then these costs may be funded as follows (as may be agreed between the Trustee and the Manager, and listed in order of likelihood):

- (a) They may be paid out of the assets of the Fund. This may result in the non-payment or reduced payment of distributions to Investors. Additionally, depending on whether the enforcement costs can ultimately be repaid out of the proceeds from the sale of the relevant security property, this may result in a reduction of the Unit price and ultimately a capital loss to Investors.
- (b) They may be paid by a third party or the Manager from its own funds, in return for the payer being able to recover any amount paid from the proceeds received from the Borrower. In this case the payer would have a right to recover any amount paid (plus any agreed interest and or fees on those amounts) in priority to any payments to be made to the Fund.
- (c) By undertaking a rights offer to raise the capital required. It is likely that any future capital raising undertaken to pay for enforcement costs would be undertaken at an issue price less than the original issue price of Units and may therefore be dilutive to you as an Investor, to the extent you do not participate in the same proportions as your unitholding.

4. RISKS

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

The following is a non-exhaustive list of the main risks associated with investment in the Fund. You should consider and weigh them up carefully and make your own assessment as to whether you are comfortable with them.

Distributions are not guaranteed and neither is the return of your capital.

4.1 CAPITAL AND RETURN RISKS

Returns on investments in the Fund are not guaranteed. The risk to capital is primarily determined by the ability of Borrowers to repay Loans to the Fund. If a Borrower is unable to repay a Loan, then the Fund may need to enforce its security and sell the security property. If that were to occur, then the Fund may not be able to recover all amounts owing to it under the Loan and would therefore suffer a loss. If the Loan Loss Provisioning Account's funds are insufficient to cover these losses, then Investors may lose some or all of their investment as a result.

The Fund will seek to achieve a targeted total return of 9.00 per cent per annum pre taxation and net of fees, costs and expenses. This target return is not a forecast. The Fund may not be successful in meeting this objective. Returns are not guaranteed.

4.2 LOAN LOSS RISK

The Fund will maintain a specific reserve of funds to meet losses on Loans, should they occur (Loan Loss Provisioning Account). This will take time to reach a meaningful level in order to cover the majority of losses on Loans that may be experienced by the Fund. Additionally, the Manager's provisioning policy may not adequately provide for sufficient funds to be held in the Loan Loss Provisioning Account, for example due to an unexpectedly high level of Loan defaults.

Accordingly, this means some Loan losses caused as a result of Borrower default or otherwise may have to be met from the Fund's capital, if the Loan Loss Reserve Fund cannot cover a full loss position. This may impact upon the Fund's Unit price and may result in reduced distributions and a capital loss being incurred by Investors.

4.3 DEVELOPMENT LOAN RISK

The Fund may invest in Loans which are used by Borrowers for development purposes and the risks associated with such loans are generally higher than those made for established properties. These risks include the following:

- (a) construction or development costs can exceed budgeted costs and the Borrower may be unable to complete the project unless the Borrower can obtain further funds;
- (b) if a Borrower is unable to complete a project, then it may not be possible to sell the incomplete project and recover the Loan principal;
- (c) a change in market conditions could result in the project's value on completion being worth less than anticipated, or in lower sale rates and prices than expected; and
- (d) if the Loan is made to assist in the completion of a residential apartment project, then a change in market conditions during the course of construction could result in purchasers failing to complete the purchase of their apartment and the apartments affected having to be re-sold.

- (e) If the affected apartments cannot be sold at the same or higher price, then it may impact on the Borrower's ability to repay the Loan.

4.4 VACANT LAND AND NON-INCOME EARNING PROPERTIES

There are particular risks associated with Loans in respect of vacant land and other non-income earning properties. Where a default occurs under these Loans, there is no income to assist in rectifying the default.

There are other types of Loans that may attract a greater degree of risk in a default situation where the market for such properties may fluctuate or where the demand for such properties is lower than other types of property such as highly specialised properties.

4.5 DEFAULT AND CREDIT RISK

There is a risk that a Borrower may fail to meet their financial obligations under a Loan or otherwise fail to meet the terms of a Loan made by the Fund. This may be for a wide range of reasons, including:

- (a) A change in the individual financial or other circumstances of the Borrower.
- (b) A change in the economic climate generally that adversely affects all Borrowers.

The Fund Manager has discretion as to how it will manage recovery of Loan obligations, including payment of interest and default interest), having regards to the best interests of Investors. This may involve charging default interest on overdue payments and seeking recoverability through negotiated means and/or enforcement action. If a Borrower fails to meet its interest payment or principal repayment obligations, this could adversely affect the income attributable to the Loan and the recoverability of the principal. If a Borrower ultimately defaults on the Loan, then this may result in the Fund losing money if the security property is sold for less than the outstanding Loan amount together with arrears of interest, default interest, enforcement and realisation costs. This may lead to Investors losing some or all of their investment as a result.

4.6 ENFORCEMENT RISK

If a Borrower defaults under a Loan, then the Fund may have to enforce its Mortgage to recover the Loan, any unpaid interest and costs. This will involve incurring enforcement costs (such as the costs of appointing a receiver, legal fees in enforcing against the Borrower, agent's commissions for sale of the security property etc.).

If funds in the Loan Loss Provisioning Account are insufficient to meet these costs and expenses then this will most likely lead to a reduction in distributions paid to Investors and, depending on whether the enforcement costs can ultimately be repaid out of the proceeds from the sale of the security property, may result in Investors suffering a loss.

It is possible the Trustee will undertake a further capital raising to raise the capital required to pay for the expenses associated with enforcing the Loan. There is therefore a risk that Investors may be requested to contribute further capital to the Loan. It is highly likely that any such future capital raising will be undertaken at a price less than the original issue price for the Units and may therefore dilute the proportional holdings of those Investors that decide not to contribute further capital.

4.7 CONCENTRATION RISK

There is an increased risk associated with loans that are highly concentrated in terms of particular types of loans, location, activities or Borrowers. It is likely that the Fund will initially lend to a single Borrower or limited number of Borrowers.

4.8 DOCUMENTATION RISK

A deficiency in documentation could, in certain circumstances, adversely affect the return on a Loan. This may make it difficult for the Fund to enforce its Mortgage in respect of the Loan and may also affect the ability to recover any penalties imposed against the Borrower.

4.9 BORROWING RISK

The Fund may borrow money to fund withdrawals. Borrowing comes with risk. In the event that the Fund is unable to service its borrowings, then distributions may be reduced or suspended and the lender may enforce its security over the assets of the Fund.

The interest rate expenses for the borrowings will need to be paid from the assets of the Fund prior to distributions of income. There is a risk that unfavourable movements in interest rates may lead to increased interest expenses. This may result in a reduction to the distributions available to Investors, or failure by the Fund to meet interest obligations on its borrowings. Where any fixed rate borrowings reach their maturity, interest rates may have increased and the Manager may not be able to extend or refinance those borrowings at the same fixed rates. This would lead to increased interest expenses for the Fund and therefore it may have a negative impact on Investors' returns. Furthermore, if a derivative is entered into to hedge interest rate risk, then break fees may apply if the derivative needs to be terminated early.

4.10 VALUATION RISK

The valuation of the security property for a Loan may be inaccurate or not accurately reflect its true value at the time the valuation is undertaken. If the valuation of the security property for a Loan is incorrect, then the amount realised on the sale of a security property may not cover the amount lent to the Borrower. Security property is valued by a valuer under instructions from the Manager and in accordance with the Manager's valuation policy.

It may also not be possible to obtain a valuation that would allow the Fund to have recourse to the valuer's professional indemnity insurance.

4.11 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 Manager.

4.12 BUILDING RISK

Property assets naturally deteriorate over time and are subject to disasters, which can damage the structure of the building. There is a risk that the value of a security property could diminish if the building on the security property deteriorates or is damaged.

4.13 ENVIRONMENTAL RISK

The valuation of an investment by the Fund could be adversely affected by discovery of environmental contamination or the incorrect assessment of costs associated with an environmental contamination, as well as restrictions associated with flora and fauna conservation.

4.14 DISASTER RISK

Disasters such as natural phenomena, acts of God and terrorist attacks may damage or destroy the property in relation to which the Fund holds a Mortgage. It is not possible to insure a security property against some of these events. Occurrence of these events could also lead to insurance becoming unavailable for such events in the future, or premiums increasing above levels expected.

4.15 TRUSTEE AND FUND MANAGER RISK

There is a risk we may be replaced as trustee of the Fund or our key personnel may change, or that the Manager may be replaced as investment manager of the Fund or its key personnel may change. It is likely distributions will only be paid from the contributions from the Manager until 31 December 2022. If the Manager does not make these contributions, then the return from the Fund will be less than the Target Return. Following 31 December 2022, distributions to Investors will be paid solely from the income of the Fund and may be less than the Target Return. The Target Return is not a forecast and is not guaranteed.

4.16 FUND MANAGER PERFORMANCE RISK

The success of the Fund is dependent on the Manager identifying suitable Loans for the Fund to make and then managing those Loans to ensure that the Loans are repaid. If the Manager is unable to identify suitable Loans for the Fund to make, then this will impact upon the Fund's return to you.

The Fund's performance also depends upon the Manager recommending suitable Loans to the Trustee, conducting regular audits of the performance of the Loans and undertaking enforcement action against defaulting Borrowers. Failure by the Manager to undertake these tasks properly may result in an adverse impact on the Fund and on its performance

If the Manager either becomes insolvent or encounters financial difficulties, which means that it is unable to perform its role under the Investment Management Agreement, then we will most likely need to terminate the Investment Management Agreement. If that were to occur, then we would either need to find a replacement investment manager or wind up the Fund. This could result in Investors suffering a loss or a diminished return on their investment in the Fund.

4.17 FUND MANAGER STRATEGY RISK

The risk that the Manager or the Manager's investment strategy will not achieve its performance objectives or produce returns that compare favourably against its peers. Many factors can negatively impact the Manager's ability to generate acceptable returns e.g. loss of key staff.

4.18 LIMITED TRACK RECORD RISK

The Fund is a newly established managed investment scheme and has no track record or past performance. However, as of the date of this IM, the directors of the Fund Manager have over 30 years' experience between them in the lending industry.

4.19 LIQUIDITY AND WITHDRAWAL RISK

You cannot withdraw Units from the Fund during the Investment Term, which may represent a risk to you in the event that you require the return of your investment more urgently. Further, after the expiry of an Investment Term withdrawals will be dependent upon there being sufficient liquidity in the Fund. A lack of sufficient liquidity may result in you being unable to withdraw any or all of your investment for a period of time.

4.20 MARKET RISK

This is the risk that negative market movements will affect the price of assets within a particular market. By their nature, markets experience periods of volatility involving price fluctuations of varying magnitudes. Property market risk is the risk that the property market as a whole declines in value in line with various trends in the Australian or overseas markets. This may be due to a number of factors, such as over-supply of real estate, economic conditions, interest rate movements or general market sentiment.

The Fund will make Loans secured by Mortgages, and may also be secured by Security Interests. Therefore, factors which affect the property market may impact upon the value of Fund assets. Property market risk is inherent in the real estate securing the Fund's assets.

A fall in property values may affect the ability to fully recover the amount owing under a Mortgage where a Borrower defaults. If the Borrower defaults and the security property is sold for less than the outstanding Loan amount (including the costs of the sale and interest), then this may result in the Investors suffering a loss if the Borrower cannot repay the balance of the outstanding debt from other assets of the Borrower.

4.21 NON-PAYMENT OF EXCESS EXPENSES RISK

The Fund Manager has agreed to meet certain expenses (**Excess Expenses**) of the Fund from its own resources as explained in section 5.6 of this IM. Should the Fund Manager fail to do so for any reason, those expenses must be met from the assets of the Fund. In addition, if this occurs, then in accordance with its duty to Investors the Trustee will assess the ongoing viability of the Fund, which could result in the Fund being wound up.

4.22 TAXATION RISK

Changes to tax law and policy (including any changes in relation to how income of the Fund is taxed or to the deductibility of expenses or stamp duty law) might adversely impact the Fund and your returns. You should obtain independent tax advice in respect of an investment in the Fund.

4.23 CURRENCY RISK

The Fund is denominated in Australian dollars. All income and capital distributions to you will be made in Australian dollars. You should consider the effects of fluctuations in exchange rates between Australian dollars and other foreign currencies.

4.24 REGULATORY AND ECONOMIC RISK

There is the risk that the value of an investment may be affected by changes in domestic or international policies, regulations or laws (including taxation laws). There is also a risk that a downturn in domestic or international economic conditions may adversely affect investments.

These factors are outside the control of the Trustee and the Manager, but they may have a negative impact upon the operation and performance of the Fund.

4.25 GENERAL INVESTMENT RISKS

In addition to the specific risks identified above, there are also other more general risks that can affect the value of an investment in the Fund. These include the following:

- (a) The state of the Australian and world economies.
- (b) Interest rate fluctuations.
- (c) Legislative changes (which may or may not have a retrospective effect) including taxation and accounting issues.
- (d) Inflation.
- (e) Negative consumer sentiment which may keep the value of assets depressed.
- (f) Natural disasters and man-made disasters beyond our or the Manager's control.
- (g) The illiquidity and cost of capital markets.

We strongly recommend you obtain independent financial advice before investing in the Fund.

5. FEES AND COSTS

5.1 TRUSTEE FEE

We are entitled to a fee equal to 0.50% per annum of the gross value of the assets of the Fund, subject to a minimum fee of \$5,500 per month (indexed to the higher of 3% or CPI on 1 July each year).

This fee is paid monthly in arrears from the assets of the Fund. The Trustee in its discretion may waive this fee.

5.2 CUSTODY FEE

The Trustee is obligated to pay the Custodian a fee for its services, which is calculated based on the gross value of the assets of all funds operated by Msquared.

The fee is an amount equal to 0.025% per annum of the gross value of the assets up to \$150 million, plus 0.02% of the gross value of the assets of all Msquared funds from \$150 million up to \$300 million, plus 0.015% of the gross value of the assets over \$300 million, subject to a minimum fee of \$20,000 per annum.

Each fund will pay its pro rata share of the Custodian's fee based on the gross value of its assets. For example, if the total gross assets value of all Msquared Funds is \$100 million and the Fund's gross asset value is \$30 million, then the Fund will pay 30% of the fee payable to the Custodian. The Fund's proportion of the fee is paid quarterly in arrears from the assets of the Fund.

5.3 MANAGEMENT FEE

The Manager is entitled to a fee equal to 1.75% per annum of the gross value of the assets of the Fund. This fee is paid monthly in arrears from the assets of the Fund.

The Manager will waive its right to collect this fee in respect of Loan Products where it has received a management fee at the underlying investment vehicle level in respect of those Loan Products. This is to ensure that there is no double management fees payable in respect of the assets of the Fund.

5.4 TRUSTEE REMOVAL FEE

We are entitled to be paid a removal fee if—

- (a) we are removed as trustee of the Fund within four years of the issue of the first Unit under this IM, other than for gross negligence or for a breach of a fiduciary duty to Investors which causes them substantial loss, or
- (b) we retire as trustee of the Fund within four years of the issue of the first Unit under this IM at the request of the Manager in accordance with the Investment Management Agreement.

The amount of the fee is the amount of Trustee fees we would have received if we had remained the trustee of the Fund for four years from the issue of the first Unit in the Fund under this IM (taking into account any fees which we have received prior to termination). It is determined based on the gross value of the assets of the Fund at the time we are removed or retire.

If the Trustee removal fee becomes payable then it will be an expense of the Fund and must be paid for out of the assets of the Fund.

5.5 ADMINISTRATOR AND REGISTRY SERVICE PROVIDER REMOVAL FEE

The appointment of both the Administrator and Registry Service Provider is for a minimum of one year. If the appointment of the Administrator is terminated within one year of commencement, then

the Administrator is entitled to be paid a removal fee equal to 2 times the fee paid to the Administrator in the month prior to the termination.

If the Registry Service Provider's appointment is terminated within 12 months of commencement, then the Registry Service Provider is entitled to be paid a removal fee equal to the fees that would have otherwise been payable to the Registry Service Provider if its appointment had continued for the full 12 months.

If the Administrator and/or Registry Service Provider removal fee becomes payable then it will be an expense of the Fund and must be paid for out of the assets of the Fund.

5.6 OPERATING COSTS AND EXPENSES AND EXPENSE CAP

We and the Manager are entitled to be paid or reimbursed for costs and expenses associated with the operation of the Fund, such as the costs associated with the administration or distribution of income, the Administrator's fee, the Registry Service Provider's fee, Custodian's fees, fees to other service providers and other expenses properly incurred in connection with performing their duties and obligations in the day-to-day operation of the Fund.

These operating costs and expenses of the Fund will be capped at—

1. \$12,500 (excluding GST) per month whilst the gross value of the assets of the Fund is less than \$30 million, and
2. 0.50% per annum of the gross value of the assets of the Fund, whilst the gross value of the assets of the Fund is \$30 million or more (**Expense Cap**).

Any fees payable to the Manager and the Trustee and Abnormal Expenses are not included within the Expense Cap.

Operating costs and expenses within the Expense Cap will be paid from the assets of the Fund. The Manager has agreed to pay operating costs and expenses (excluding Abnormal Expenses) in excess of the Expense Cap (Excess Expenses).

5.7 ABNORMAL EXPENSES

Abnormal Expenses are expenses not generally incurred during the day-to-day operation of the Fund and are not necessarily incurred in any given year. They are due to abnormal events such as the cost of convening and hosting a meeting of Investors, preparing a new information memorandum for the Fund, legal costs incurred by changes in the Constitution or commencing or defending legal proceedings.

These costs and expenses will be reimbursed from the Fund's assets should they arise and are not included in the calculation of the Expense Cap referred to above.

5.8 FEES PAYABLE BY BORROWERS

The Manager may receive fees directly from Borrowers in relation to individual Loans, such as commitment fees, establishment fees, loan management fees, loan variation fees and line fees. These fees will be paid for by the relevant Borrower and not from the Fund's assets.

5.9 THIRD PARTY REFERRAL FEES

The Manager may pay an introductory fee or commission rebate to a party that has referred you to the Fund and/or arranging for you to invest in the Fund. Such fees and rebates are negotiated between that third party and the Manager. Please ask your advisors for details of the payments (if any) that they will receive from the Manager.

5.10 FEE CHANGES

The Constitution allows for higher fees to be charged than those detailed and specifies circumstances where additional fees may be charged. We will provide Investors with at least 30 days' written notice of any such fee imposition or increase.

5.11 WAIVER, DEFERRAL OR REBATE OF FEES

We and the Manager may, in our absolute 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. In addition, we and the Manager may waive, negotiate or rebate our fees, for example, in the case of a large investment amount.

5.12 GOODS AND SERVICES TAX

All fees quoted in this IM are quoted exclusive of GST.

The Fund may not be entitled to claim a full input tax credit in all instances.

6. TAXATION INFORMATION

We do not provide financial or tax advice, and nor does the Manager. We have not obtained taxation advice specific to the Offer, and nor has the Manager. As such, this IM does not address taxation issues which may be relevant to you. You must take full and sole responsibility for your investment in the Fund, the associated taxation implications arising from your investment and any changes in those taxation implications during the course of your investment.

Before investing in the Fund, you should obtain your own independent tax advice, which takes into account your own circumstances. In particular, you should seek advice on income tax and interest withholding tax liabilities arising out of the investment.

7. ADDITIONAL INFORMATION

7.1 SUMMARY OF MATERIAL DOCUMENTS

The following is a summary of material documents relevant to the Fund. You should consider whether it is necessary to obtain independent advice on any of the documents.

CONSTITUTION

The Constitution is the primary document governing the relationship between the Investors and the Trustee. It contains extensive provisions about the legal obligations of the parties and the rights and powers of each.

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

- (a) The right to share in any distributions.
- (b) The right to attend and vote at meetings of Investors – see section 7.2 below.
- (c) The right to participate in the proceeds of winding up of the Fund.

The Constitution contains provisions about convening and conducting meetings of Unitholders.

The Constitution also includes provisions as to the manner in which we can amend the Constitution without Investors' approval.

A copy of the Constitution is available free of charge by calling us on (02) 9157 8608.

INVESTMENT MANAGEMENT AGREEMENT

We have appointed the Fund Manager to provide investment management services to the Fund pursuant to an Investment Management Agreement.

The Investment Management Agreement contains provisions dealing with matters such as the Manager's obligations to report to us, and the fees payable to the Manager for its services. Under the Investment Management Agreement, we have appointed the Fund Manager to source, and manage Loans on behalf of the Fund. The directors and senior managers of the Trustee and the Fund Manager are the same persons and those persons exercise those functions for the Fund Manager having regards to the best interests of Investors.

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

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

A copy of the Investment Management Agreement is available free of charge by calling us on (02) 9157 8608.

7.2 CALLING OF MEETINGS AND PASSING OF RESOLUTIONS

As noted above, the calling of meetings and voting on resolutions is governed by the Constitution. The following provisions apply under the Constitution:

- (a) The Trustee must call and arrange a meeting of Investors on request of at least 35 percent of Investors (by number).
- (b) The quorum for a meeting of Investors is 30 percent of Investors (by number).

- (c) An ordinary resolution requires more than 50 percent of the votes cast (by value) and more than 66 2/3 percent of votes cast (by number of Investors) in order to be passed.

7.3 REPORTING

Our reporting will comprise the following:

- (a) An investment confirmation upon issuing Units.
- (b) A six monthly periodic performance update report at the discretion of the Trustee.
- (c) An annual income distribution statement detailing any distributions paid to you, including an annual tax statement detailing information required for inclusion in your annual income tax return which will be provided within 90 days of the end of each financial year.

Annual financial reports of the Fund will be made available if requested.

7.4 RELATED PARTY TRANSACTIONS

We may from time-to-time face conflicts between our duties to the Fund as trustee, our duties to other funds we manage and our own interests. We will manage any conflicts in accordance with our conflicts of interest policy, the Constitution, ASIC policy and the law.

The Fund Manager is a related party of the Trustee. The relationship between them is governed by the terms of the Investment Management Agreement which has been negotiated on arm's length terms in accordance with our conflicts of interest policy. Further information about the Investment Management Agreement is provided in section 7.1 above.

Loans may be made to related parties of the Trustee and Manager. These will be negotiated on arm's length terms in accordance with our conflicts of interest policy.

7.5 CHANGE OF TRUSTEE

A change of trustee for the Fund requires Investors to pass an extraordinary resolution to give effect to the replacement. An extraordinary resolution must be passed by at least 50% (by value) of the total votes that may be cast by Investors entitled to vote (including Investors who are not present in person or by proxy) and at least 75 percent of all Investors (by number) entitled to vote on the resolution.

7.6 CONFLICTING INVESTOR INTERESTS

Investors may have conflicting investment, tax, and other interests with respect to their investments in the Fund, including conflicts relating to the structuring of acquisitions and disposals of the Fund's assets. Conflicts may arise in connection with decisions made by us or the Manager regarding an investment that may be more beneficial to one Investor than another, especially with respect to tax matters. In structuring, acquiring and disposing of investments we and the Manager may consider the investment and tax objectives of the Fund and its Investors as a whole, not the investment, tax, or other objectives of any Investor individually.

7.7 NO-COOLING OFF RIGHTS

There are no cooling-off rights or cooling-off period that apply in respect of your investment in the Fund.

7.8 PRIVACY

We collect personal information about you from your Application Form. We use this information primarily so we can verify your identity and establish your investment in the Fund. We will also collect and may use and disclose your personal information to process your application and manage your investment, comply with our obligations under applicable laws and regulations and improve our

products and services. We may also use your information to provide you with details of future investment offers made by us or the Fund Manager.

If you do not provide us with all the personal information we request, then we may be unable to establish and manage your investment in the Fund. The types of organisations to which we may disclose your personal information include the Manager and its related parties, external parties which provide services in relation to the Fund (e.g. custodial and registry service providers and providers of printing and postal services), government authorities when, and to the extent, required by law, and our professional advisors (including legal and accounting firms, auditors, consultants and other advisors).

Under the Privacy Act 1988 (Cth), you are entitled to access the personal information we hold about you, except in limited circumstances. You also have the right to ask us to correct information about you which is inaccurate, incomplete or out of date.

Please contact us if you have any questions about how we handle your personal information, or if you wish to access the personal information we hold about you.

7.9 ANTI-MONEY LAUNDERING LAW

The Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) requires us to verify the identity of an Investor and any underlying beneficial owner of Units in the Fund and the source of any payment. You will be required to provide the identification information set out in the Application Form. We will not issue you with Units unless satisfactory identification documents are provided.

We reserve the right to reject any application where such documents are not provided to us prior to, or accompanying, your application or if we believe on reasonable grounds that processing the application may breach any law in Australia or any other country. We will incur no liability to you if we do so.

7.10 FOREIGN ACCOUNT TAX COMPLIANCE ACT (FATCA)

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

7.11 COMMON REPORTING STANDARD (CRS)

CRS is the single global standard set by the Organisation for Economic Co-operation and Development (OECD) for the automatic exchange of information with revenue authorities for tax non-residents that invest in certain financial accounts. The standard covers both the identification of tax non-residents and reporting on the applicable financial accounts. We will be a 'Reporting Financial Institution' under CRS and intend to comply with our CRS obligations under any relevant Australian laws and regulations, including obtaining and disclosing information about certain investors to the ATO or other foreign tax authorities as required. To facilitate these disclosures, Investors will be required to provide certain information such as that relating to their country of tax residence and their relevant taxpayer identification number (if applicable)

7.12 COMPLAINTS AND CONTACTING US

We have a system for dealing with any complaints you may have as an Investor. If you have a complaint, then please contact us at:

Telephone: (02) 9157 8608

Email: info@msqcapital.com.au

Complaints Officer

Msquared Capital Pty Ltd

Level 12, 88 Pitt Street, Sydney NSW 2000

Your complaint will be acknowledged promptly and will be dealt with within 30 calendar days.

8. GLOSSARY

ABNORMAL EXPENSES	Any expenses which are not usual expenses incurred in the day-to-day management and administration of the Fund.
CORPORATIONS ACT	Corporations Act 2001 (Cth) for the time being in force together with the regulations of the Corporations Act 2001 (Cth).
ADMINISTRATOR	Unity Fund Services Pty Ltd ACN 146 747 122.
AFS	Australian Financial Services
APPLICATION FORM	The application form to invest in the Fund.
APPLICATION MONEY	The money paid by an applicant for Units.
ASIC	Australian Securities and Investments Commission.
BORROWER	The borrower under a Loan.
BUSINESS DAY	A day on which banks are open for business in Sydney, except a Saturday, Sunday or public holiday.
CONSTITUTION	The constitution of the Fund, as amended from time to time.
CPI	Consumer Price Index.
CREDIT COMMITTEE	The credit committee for the Fund, as convened by the Manager.
CUSTODIAN	Perpetual Corporate Trust Limited ABN 99 000 341 533.
DIRECT LOANS	A Loan made directly by the Fund to a Borrower.
EXCESS EXPENSES	Operating costs and expenses of the Fund in excess of the Expense Cap (excluding Abnormal Expenses).
EXPENSE CAP	Has the meaning in section 5.6 of this IM.
FUND	Msquared High Yield Mortgage Income Fund.
FUND MANAGER	Msquared Capital Funds Management Pty Ltd ACN 644 643 274.
FUM	Funds under management.
GST	Goods and Services Tax as defined in A New Tax System (Goods and Services Tax) Act 1999, as amended from time to time.
IM	This information memorandum, dated 20 October 2022.

INVESTMENT MANAGEMENT AGREEMENT	The investment management agreement between us and the Manager, as amended from time to time.
INVESTMENT TERM	A period of 12 months which applies to each Unit issued to an Investor, beginning on the first day of the month following the month in which the Unit was issued.
INVESTOR	A holder of Units. To qualify to invest in the Fund an Investor must— <ul style="list-style-type: none"> • be a professional investor (as that term is defined in the Corporations Act) • invest at least \$500,000 into the Fund • meet the minimum asset (\$2.5 million of net assets) or income (\$250,000 of gross income for the last two financial years) requirements set out in the Corporations Act, or • otherwise satisfy us they are not a “retail client” for the purposes of Chapter 7 of the Corporations Act.
LENDING GUIDELINES	The Manager’s lending guidelines for the Fund.
LOAN	A loan that meets the Fund’s Lending Guidelines.
LOAN LOSS PROVISIONING ACCOUNT	Money set aside by the Fund to meet losses arising from shortfalls in Loan principal and interest payments and enforcement costs and expenses which the Fund cannot recover from a Borrower or the realisation of security property.
LOAN PRODUCTS	Financial products issued by a member of the Msquared Group, the proceeds of which are used to make Loans.
LVR	Where loans are secured by property, LVR is the ‘loan to valuation ratio’ which is a measure of the amount of the loan advanced to the value of any security granted in respect of the loan.
MORTGAGE	A mortgage over the real property of a Borrower or a consenting third party.
OFFER	The offer under this IM to acquire Units.
REGISTRY SERVICE PROVIDER	One Registry Services Pty Limited ACN 141 757 360.
SECURITY INTEREST	Security over assets other than real property to secure a Loan.
Target Return	The target rate of return from the Fund, being a targeted total return of 9.00 per cent per annum pre taxation and net of fees, costs and expenses (Target Return). The Target Return is not a forecast. Other than during the

	period until 31 December 2022, distributions are not guaranteed. Investors may also lose some or all of their capital.
TRUSTEE, WE, OUR, US	Msquared Capital Pty Ltd ACN 622 507 297, AFS authorised representative number 471702.
UNIT	An ordinary unit in the Fund.

9. HOW TO INVEST

9.1 BEFORE COMPLETING THE APPLICATION FORM YOU SHOULD READ THIS IM CAREFULLY.

Please pay particular attention to all of the risk factors in section 4 of this IM. The risks should be considered in light of your own investment situation.

Where appropriate, you should also consult a financial, taxation or other professional advisor before deciding whether to invest in the Fund.

The Application Form is provided separately. Please contact the Manager on (02) 9157 8608 or info@msqcapital.com.au.

9.2 HOW TO INVEST

For an application to be considered, you must complete and return your Application Form and pay your Application Money.

The minimum initial investment in Ordinary Units in the Fund is \$50,000 (or such lower amount as we accept in our discretion), and then in increments of \$25,000 (or such lower amount as we accept in our discretion) from a wholesale client or sophisticated investor (within the meaning of the Corporations Act)

Cheques should be either bank cheques or drawn on an account in the name of the applicant and made payable to "Perpetual Corporate Trust Limited as custodian for Msquared Capital Pty Ltd as trustee for the Msquared Mortgage Fund Applications Account".

You are requested to provide your Tax File Number (TFN), Australian Business Number (ABN) or exemption code, and failure to quote an ABN or TFN will result in tax being withheld by us on distributions paid to you at the highest marginal tax rate plus Medicare levy. It is not compulsory for you to quote your TFN or ABN.

We have the sole discretion whether to accept or reject an application. If your application is rejected, wholly or in part, then we will notify you in writing and arrange for return of your Application Money to you. Interest will not be paid to you on your Application Money. If your application to invest in the Fund is accepted, then interest earned on your Application Money will be retained by us. If your application to invest in the Fund is not accepted, then your Application Money will be returned to you (without interest).

By sending a completed Application Form, you are making an irrevocable offer to become an Investor in the Fund and you are agreeing to be legally bound by the Constitution and the terms of the IM. No cooling-off rights apply to an investment in the Fund.

9.3 APPLICATION FORM INSTRUCTIONS

Only legal entities are allowed to invest in the Fund. Applications must be in the name(s) of natural person(s), companies or other legal entities acceptable to us. At least one full given name and the surname are required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the example of correct forms of registrable title shown below.

The Application Form should be signed by the applicant. If a joint holding, all applicants should sign. If signed by the applicant's attorney, a certified copy of the power of attorney must be attached to the Application Form. If executed by a company, then the form must be executed in accordance with the applicant's constitution and the Corporations Act.

TYPE OF INVESTOR	CORRECT FORM	INCORRECT FORM
INDIVIDUAL	Mr John David Smith	J D Smith
COMPANY	Jds Pty Ltd	Jds P/L Or Jds Co
TRUSTS	My John David Smith <J D Smith Family A/C>	John Smith Family Trust
DECEASED ESTATES	Mr Michael Peter Smith <Est Late John Smith A/C>	John Smith (Deceased)
PARTNERSHIPS	Mr John David Smith & Mr Ian Lee Smith	John Smith & Son
CLUBS/UNINCORPORATED BODIES	Mr John David Smith <Smith Investment A/C>	Smith Investment Club
SUPERANNUATION FUNDS	John Smith Pty Limited <J Smith Super Trust A/C>	John Smith Superannuation Trust