

Information Memorandum

Msquared Contributory 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 1 November 2021, relates to the opportunity to invest in the Msquared Contributory Mortgage Income Fund (**Fund**). This investment opportunity is made available by Msquared Capital Pty Ltd (ACN 622 507 297, Australian Financial Services Licensee No. 520 293) (**Trustee**) as trustee of the Fund.

The Trustee has appointed Msquared Capital Funds Management Pty Limited (ACN 644 643 274) (**Fund Manager** or **Manager**) as the manager of the Fund. In this IM, “we”, “our” and “us” refer to the Trustee and “you” and “your” refer to potential or existing Investors.

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), or you invest at least \$500,000 into the Fund, or 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.

The Trustee may require you to demonstrate that you are a wholesale client by requiring you to provide a certificate from a qualified accountant issued within the preceding 2 years as per regulations 7.1.28 and 7.6.02AF 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 PDSs.

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 ‘Important notice’ in conjunction with all sections of the IM carefully in full before investing. Further, 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.

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

To the maximum extent permitted by law, the Trustee, the Fund Manager, the Administrator and the Custodian bear no responsibility or liability for any loss or damage (whether under common law, in equity and under statute), howsoever arising and whether foreseeable or not, which results from or is connected with: any person acting in reliance in whole or in part on any information in this IM, any supplementary IM or any Loan Memorandum); any fault, omission, act or negligence of the Trustee, the Fund Manager, the Administrator or Custodian; or any information provided or

made available in connection with any further enquiries.

Further, 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, any supplementary IM or any Loan Memorandum 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.

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
AFSL 520293
Suite 1702, Level 17, 101 Grafton Street Bondi Junction NSW 2022
Telephone: (02) 9157 8608
Email: j.thomas@msqcapital.com.au

Fund Manager

Msquared Capital Funds Management Pty Ltd
ACN 644 643 274
Suite 1702, Level 17, 101 Grafton Street Bondi Junction NSW 2022
Telephone: (02) 9157 8608
Email: z.miron@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

Registrar

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

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 Contributory 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 contributory mortgage fund, which will provide you with the opportunity to invest in a range of Loans sourced by the Fund Manager. All Loans will be secured by registered Mortgages and may also be secured by other forms of security (Security Interests). All Mortgages will be registered and will be either first or second ranking.</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>
Investment return objectives	<p>The investment return objectives of the Fund are as follows: 2.4</p> <ul style="list-style-type: none"> (a) regular income distributions (the frequency and quantum of which will depend on the class of Loan Unit held); (b) the opportunity to access mortgage-secured investments through a professionally managed structure; and (c) for Loan Units, to outperform the average return on ADI 12-month term deposits by a minimum of 450 basis points. <p>The return you receive will ultimately depend upon the Loan(s) you select. Further details of the target return of a specific Loan may be set out in the relevant Loan Memorandum.</p>
Who can invest?	<p>To qualify to invest in the Fund you must — 2.3</p> <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) 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 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.
Classes of Units	<p>There will be different types of classes of Units in the Fund: 2.1</p> <ul style="list-style-type: none"> (a) Cash Units: <p>The only assets referable to the Cash Units will be cash and deposit products. The Fund issues Cash Units in order to allow the Fund to accept</p>

new Investors at any time, after which the Investor can invest in Loan Units.

Cash Units are issued pursuant to this IM.

(b) **Loan Units:**

Loan Units will be issued as the Fund finds new opportunities to make Loans. Each class of Loan Units will provide the holder with returns referable to a single Loan. Information about an opportunity to invest in a Loan and the referable Loan Units will be provided in a relevant Loan Memorandum. You select the Loan Units to which you want to subscribe.

Unit price	Cash Units will be issued at a price of \$1.00 per Unit. Loan Units will be issued at the price set out in the relevant Loan Memorandum.	2.7
Minimum investment amounts and balance	Provided you qualify to invest in the Fund, you must make a minimum initial investment of \$100,000 in Cash Units to participate in the Fund (or such lower amount as we accept at our discretion). For existing Investors, subsequent investments in Cash Units must be in increments of \$50,000 (or such lower amount as we accept at our discretion). See section 2.3 for information about how Investors may qualify to invest in the Fund. Any minimum investment amounts in respect of Loan Units will be set out in the relevant Loan Memorandum. Unless otherwise agreed by us in our absolute discretion, Investors will be required to maintain a minimum balance of \$10,000 in the Fund (in either Cash Units and/or Loan Units).	2.6
Distributions	The rate, frequency and method of payment of distributions will depend upon the class of Units you hold. The Fund may operate a distribution reinvestment plan for Cash Units and may operate one for particular classes of Loan Units (as set out in the relevant Loan Memorandum). See section 2.9 for more information.	2.9
Withdrawals	Your ability to withdraw from the Fund will depend on the classes of Units you hold. See section 2.10 for more information.	2.10
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 costs	There are fees and costs (plus GST) payable in relation to the management of the Fund. See section 5 for information.	5
Tax	Please obtain your own independent tax advice before investing in the Fund.	6

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 Fund from the commencement of the Fund in June 2018 until 1 November 2020. From 1 November 2020, Msquared Capital Pty Ltd ceased acting as the Fund's investment manager and commenced acting in the capacity as Trustee of the 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 duties as Trustee of the Fund.

1.2 *About the Fund Manager*

As of the date of this IM, the Trustee has appointed Msquared Capital Funds Management Pty Ltd ACN 644 643 274, to act as the Fund 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 awarded 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 Fund Manager's key people are set out below:

Managing Director - Paul Miron

Paul Miron is respected and recognised for his economic views and ability to mitigate risks through well considered structuring. Paul is the principal theorist behind Msquared Capital's credit policy.

Paul has over 20+ years' experience in banking and commercial finance. After starting his career with Colonial State Bank, Paul grew through several senior positions across a number of Australia's Big-4 prior to starting his own financial services business in 2004. During his tenure at CBA and Westpac, Paul developed a particular expertise for development and construction lending.

Managing Director - Paul Myliotis

Paul Myliotis is well regarded and has a vast network of trusted industry contacts. Paul's highly commercial view comes from a wealth of on-the-ground experience in the private lending space, greatly complementing the decisions of the credit committee. His deep understanding of the market provides direction as to where Msquared Capital's funds are best utilised in filling lending gaps.

Paul has had an extensive 15+ years' experience in financial services, which included a tenure at PwC within the Taxation Division, before starting his own business within the property finance industry.

Chairman – John (JT) Thomas

JT has been involved in banking, finance and funds management activities for 45 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 the 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.

JT has an enviable record for not having lost one cent of investor funds even during GFC, in either his mortgage or property fund activities.

2. Fund overview

2.1 *The Fund and classes of Units*

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 Mortgages and may also be secured by other forms of security (**Security Interests**).

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 Australian Stock Exchange (**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.

The Fund is structured to allow you to acquire Units in the Fund that are linked or referable to specific Loans you select. Although you will not have a specific ownership in any actual part of the Fund, if you are the holder of a particular class of Loan Units, then you will have an interest in the income and capital calculated with reference to the relevant underlying Loan. In this way, you are able to effectively select the level of participation you have in each of the Fund's Loans.

The Fund will also issue Cash Units, available for subscription under this IM. The Cash Units are issued in order to allow the Fund to accept new Investors at any time, even when there is no particular Loan available for investment, or prior to the Investor selecting a Loan in which to invest.

The only assets referable to the Cash Units will be cash and basic deposit products and may include bank accounts and term deposits with Authorised Deposit-Taking Institutions (**ADIs**). The Fund may make these investments itself directly, or indirectly through investing in other funds which invest in these types of assets.

2.2 *Selecting Loans*

Once you hold Cash Units, you will be able to select the Loan Units you wish to invest in. Before making an investment, you must read the relevant Loan Memorandum and consider whether the particular Loan Units are right for you. You can then elect to invest in the available Loan Units through an Election Form on which you nominate the amount you wish to invest (subject to any minimum investment amount for the Loan Units set out in the applicable Loan Memorandum).

Loan Units will be allocated to Investors who submit the corresponding Election Form at the Fund Manager's discretion. Provided the minimum subscription is raised for the Loan and the Trustee accepts your application for Loan Units, the Trustee will redeem the Committed Amount of your Cash Units in exchange for Loan Units referable to that Loan. Your Loan Units will be allocated to you with an effective issue date of the date of settlement of the relevant Loan.

Loans will proceed if they are fully funded within the funding period, as set out in the Loan Memorandum for that Loan. The minimum amount required for a Loan to proceed will also be included in the Loan Memorandum for that Loan.

2.3 *Wholesale and sophisticated investors only*

An investment in the Fund 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 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 prescribed in the Corporations Acts; or
- (d) you otherwise satisfy us you are not a "retail client" for the purposes of Chapter 7 of the Corporations Act.

2.4 Investment return objectives

The investment return objectives of the Fund are as follows:

- (a) regular income distributions (the frequency and quantum of which will depend on the class of Loan Unit held);
- (b) the opportunity to access mortgage-secured investments through a professionally managed structure; and
- (c) for Loan Units, to outperform the average return on ADI 12-month term deposits by a minimum of 450 basis points.

The return you receive will ultimately depend upon the Loan(s) you select.

Further details of the target return of a specific Loan may be set out in the relevant Loan Memorandum.

While the Trustee believes that these investment return objectives are based upon reasonable assumptions and the track record of investments made by the Fund, Investors should be aware that investing has risks and these investment objectives are not guaranteed. Investors should read carefully the 'Risks' in section 4 which apply to an investment in the Fund.

2.5 Investment strategy

The Fund is a contributory mortgage fund, which will provide you with the opportunity to invest in a range of Loans sourced by the Fund Manager. All Loans will be secured by registered Mortgages and may also be secured by other forms of Security Interests, for example, guarantees or caveats. All Mortgages will be registered and will be either first or second ranking.

Loan proceeds may be used for, amongst others:

- (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) development and construction;
- (e) short-term business cash flow requirements; and
- (f) 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 made by the Fund will be in accordance with the Fund's Lending Guidelines. See section 3 below for further information.

2.6 Minimum investment amounts and balance

Provided you qualify to invest in the Fund, you must make a minimum initial investment of \$100,000 in Cash Units to participate in the Fund (or such lower amount as we accept at our discretion). For existing Investors, subsequent investments in Cash Units must be in increments of \$50,000 (or such lower amount as we accept at our discretion).

See section 2.3 for information about how Investors may qualify to invest in the Fund.

Any minimum investment amounts in respect of Loan Units will be set out in the relevant Loan Memorandum.

Unless otherwise agreed by us in our absolute discretion, Investors will be required to maintain a minimum balance of \$10,000 in the Fund (held in Cash Units and/or Loan Units).

2.7 Price of Units

Cash Units will be issued at \$1.00 per Unit.

Loan Units will be issued at the price set out in the relevant Loan Memorandum.

2.8 Issue of Units

Cash Units

The Trustee expects to issue Cash Units daily, within 3 days of receipt of a valid Application Form by the Trustee. The Trustee may, at its discretion, elect to process applications and issue Cash Units at other times.

Cash Units will only be issued after both the Application Form and Application Money have been received from each applicant and accepted by the Registrar 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 5 Business Days of the investment being processed.

Loan Units

Loan Units will be issued as set out in the relevant Loan Memorandum for each respective Loan.

2.9 Distributions

The rate, frequency and method of payment of distributions will depend upon the class of Units you hold.

There is no guarantee distributions will be paid.

The Fund may operate a distribution reinvestment plan for Cash Units and may operate one for particular classes of Loan Units (as set out in the relevant Loan Memorandum).

Cash Units

It is intended distributions on Cash Units will be calculated and paid bi-annually, within 7 Business Days of the end of each period.

If a distribution is paid, you will receive a proportion of the distributable income referable to Cash Units based on the number of Cash Units you hold in relation to the total number of Cash Units on issue and the number of days you have held the Cash Units for during the period. Distributions from Cash Units will be paid by electronic funds transfer to your nominated bank account.

Loan Units

It is intended that distributions will be paid regularly in respect of each Loan. However, the distribution entitlements for Loan Units will be set out in the relevant Loan Memorandum and may vary as between different Loans.

The Fund may operate a distribution reinvestment plan in respect of particular classes of Loan Units. If so, then details of how the distribution reinvestment plan will operate in respect of the class will be set out in the relevant Loan Memorandum. Otherwise, distributions from Loan Units will be paid by electronic funds transfer to your nominated bank account.

2.10 Withdrawals

Your ability to withdraw from the Fund will depend on the classes of Units you hold.

Cash Units

Provided they have not already been committed by an Investor to an investment in Loan Units (via

completing and lodging an Election Form, Cash Units may be withdrawn at any time by giving the Trustee 5 Business Days' notice.

Loan Units

You will not be able to withdraw your investment in Loan Units during the investment term for those Units. When the Loan matures and is repaid, then the Investors Loan Units referable to that particular Loan will be redeemed in exchange for Cash Units. Those Cash Units can then be withdrawn by the Investor upon giving the Trustee 5 Business Days' notice.

In exceptional circumstances involving Investor's financial hardship, the Trustee may permit an early withdrawal on terms and conditions at its discretion,

2.11 *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.

Despite the above provision, the Trustee reserves the right to sell down by way of an off-market transfer the Units in the Fund held by the Trustee, The Manager or a related party.

2.12 *Borrowings*

The Fund will not borrow.

3. Loans

3.1 Overview

This section sets out the Loan selection process for the Fund, including the assessment, approval and management of Loans. Specific information in relation to individual Loans will be set out in the relevant Loan Memorandum.

3.2 Guiding principles

The Fund Manager will assess the risk/reward profile of each Loan having regard to the following factors:

- (a) the character, financial and operating capacity of Borrowers; and
- (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.

Additionally, 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 Fund Manager. Depending on the Fund 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 Fund 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>As at the date of this IM, the Trustee and Fund Manager have determined the Fund is only permitted to issue related party Loans to the Msquared Property Fund. Any such Loans will accord with the policy and procedure set out in our conflicts of interest policy and procedure and will be conducted on an arm’s length basis.</p> <p>Where the Trustee and Fund Manager issues a related party Loan to the Msquared Property Fund and the Msquared Property Fund defaults on its Loan repayments, the Trustee and Fund Manager will pursue enforcement action against Msquared Property Fund in the same manner it would if a Borrower defaulted on its repayments in arrears (including appointing a third party to effect enforcement).</p>
Loan Types	<p>Loans may be made to approved Borrowers in the following instances:</p> <ul style="list-style-type: none"> (a) as a lender of senior (first mortgage) debt or (b) as a lender of junior (second mortgage) debt.

Purpose of Loans	<p>Loan proceeds may be used by Borrowers for amongst other things:</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; • development and construction; • short-term business cash flow requirements; or • bridging finance. <p>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). Each Borrower will be required to provide a business purpose declaration in the terms of the Loan contract.</p>
Property sectors	Acceptable property against which the Fund secures Loans may be commercial, retail, industrial, residential, development or vacant land.
Geographical location of real properties	Real properties secured in respect of which the Fund advances Loans, may be located anywhere in Australia. However, it is anticipated real properties will be primarily located in the eastern seaboard capital cities.
Maximum and minimum Loan amounts	The maximum and minimum Loan amounts will be assessed on a case-by-case basis, and details of a Loan amount will be included in the relevant Loan Memorandum.
Loan to value ratio (LVR)	It is anticipated the maximum LVR for a first ranking registered Mortgage will be 75% and for a second ranking registered Mortgage will be 80% of the value of a security property. However, this will be determined on a case-by-case basis and will depend on the type of Loan to be made, the security property used to secure the repayment of the Loan, and the nature of any Security Interest(s) being offered. The actual maximum LVR for each Loan will be disclosed in the relevant Loan Memorandum.
Term	<p>The maximum term of a Loan is anticipated to be 36 months, but may be longer than this. The term for a particular Loan will be disclosed in the relevant Loan Memorandum.</p> <p>The Loan is repayable by the Borrower prior to or on the maturity date subject to the Trustee's right to extend the maturity date for a short period without consulting the Investor(s) in the relevant Unit Class, in circumstances where the Trustee, acting reasonably, considers it is in the interests of the relevant Unit Class to do so.</p> <p>Should the Trustee seek to extend the maturity date for an additional term, Unitholder approval will be sought prior to maturity date by way of a Unitholder Resolution. If we do not hear from the Unitholder by the 7th day after the maturity date, the Trustee will, subject to the Unitholder resolution being passed, proceed to approve the loan term extension for a period equal to or less than the initial loan term.</p> <p>Once repaid, prepaid or cancelled, the Loan is not available for re-drawing.</p>

Interest rate & terms	The interest rate will be as negotiated between the Fund Manager and the Borrower, based on prevailing market interest rates. The interest rate for a particular Loan will be set out in the relevant Loan Memorandum.
Default terms	Standard events of default include, but are not limited to the failure to pay amounts when due, breach of financial covenants and the insolvency of the Borrower.

Mortgages	<p>The Fund will hold a Mortgage over real property to secure each Loan made by the Fund. Each Mortgage will be either first ranking or second ranking, depending on the type of Loan.</p> <p>All Mortgages will be registered with the relevant land titles office. The details of the Mortgage to be used to secure the Loan will be disclosed in the relevant Loan Memorandum.</p>
Security Interests	<p>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 and or caveats. In particular, the Fund Manager intends to obtain personal or directors' guarantees where possible.</p>
Fees charged to Borrower	<p>The Fund Manager may charge and receive fees directly from a Borrower, such as commitment fees and establishment fees. These will be paid by the relevant Borrower directly to, and will be retained by, the Fund Manager.</p> <p>Where the Fund Manager charges other fees to a Borrower such as loan management fees and line fees, these fees will generally be paid by the Borrower to the Fund and the Trustee will on pay such amount of the relevant fee (whether 100% or a lesser amount) to the Fund Manager out of the assets of the Fund, as is set out in a relevant Loan Memorandum.</p>
Other key requirements	<p>Typical representations, warranties, undertakings and events of default, including restrictions on the Borrower disposing of the security property or incurring additional financial indebtedness.</p>

3.4 *Loan selection and assessment process*

The Fund 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.

3.5 *Analysis and evaluation*

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

The Fund 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 4 broad categories as follows:

1. Security Risk—the Fund Manager must assess the character and geographic suitability of the proposed security property.
2. Borrower risk—the specific profile of the Borrower, its business and legal status. This includes the size of the Loan compared with the Borrower's net worth, business competency 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.
3. Servicing Risk—the ability of the Borrower to meet loan commitments which brings into focus the income and cashflow sources of the Borrower.
4. 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.

3.6 Credit Committee

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

- (a) liaising with Borrowers and prospective Borrowers;
- (b) the assessment and approval (under delegated authority from the Trustee to the Fund Manager) of Loan investments for the Fund;
- (c) monitoring Loan positions and performance;
- (d) monitoring Borrower compliance with Loan covenants and conditions;
- (e) developing, reviewing, and implementing credit policies and procedures; and
- (f) 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 presents its determination and approval of a relevant Loan opportunity 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 Thomas (**JT**) (Chair), Paul Miron and Paul Myliotis. Their biographies are set out above in section 1.2.

3.7 Ongoing management of Loans

After a Loan is made, the Fund Manager (through the resources and decision making of the Credit Committee), is responsible for the day-to-day and ongoing management of the Loan. It will provide monthly 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.

3.8 Valuation policy

The security property for any Mortgage is independently valued for suitability and market value. Valuers are required to comply with guidelines from the Fund Manager relating to valuation and independence, including the need for the valuation to be used for mortgage purposes.

At the time of each Loan advance, it is envisaged the valuation of the relevant security property will be not older than 90 days.

An updated valuation will be obtained at least every 3 years from the anniversary of the initial Loan advance. Additionally, the Fund 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.

3.9 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.

3.10 Arrears and default management

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 Manager will manage the recovery of repayment obligations in accordance with the relevant Loan and security documentation and as necessary, pursue enforcement action and arrears. The Fund Manager is responsible for managing this function in its discretion having regards to the best interests of Investors. Measures which may be taken include the following:

- (a) ensuring Borrowers make interest payments by direct debit or direct credit;
- (b) monitoring all due dates for payments;
- (c) following up overdue payments where appropriate (usually within 5 Business Days after the due date for payment of interest or repayment of capital), issuing breach notices to the Borrower and applying higher default interest, where applicable, on overdue payments;
- (d) issuing notices of default if payments remain in arrears for more than one month;
- (e) instituting legal proceedings for possession of a security property if the Borrower fails to comply with the issued notices; and
- (f) arranging for the sale of the security property through an enforcement process if a possession order has been obtained.

A default interest rate may be payable by the Borrower in the event of default as per the terms of the relevant Loan Memorandum. A default fee will not be payable if the Trustee (acting reasonably) exercises its discretion to waive it.

3.11 Enforcement expenses

The enforcement process can involve significant costs, including legal costs and receiver's fees. The Fund will not hold cash reserves to fund these costs and therefore the funds required to undertake enforcement action may need to be raised as required. These costs may be funded as follows (as may be agreed between the Trustee and the Fund Manager):

- (a) 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 the relevant Loan 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;
- (b) they may be paid from out of the assets of the Fund referable to the particular Loan. This may result in the non-payment or reduced payment of distributions to Investors in those Loan Units. 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 these Investors suffering a loss to their capital; and/or
- (c) they may be paid by a third party or the Fund 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.

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 Fund 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, nor 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, once it is applied by the Investor to acquire Loan Units, is primarily determined by the ability of Borrower to repay the Loan referable to the Investor's Loan Units. 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, the Fund may not be able to recover all amounts owing to it under the Loan and the holders of the Loan Units referable to the defaulting Loan would therefore suffer a loss and those Investors may lose some or all of their investment as a result.

In general, for Loan Units the Fund will seek to outperform the average return on ADI 12-month term deposits by a minimum of 450 basis points. The Fund may also seek to deliver specific target returns as set out in each Loan Memorandum to Investors. The target returns are not forecasts and the Fund may not be successful in meeting these objectives. Returns are not guaranteed.

4.2 *Loan loss risk*

The Fund will not maintain a reserve of funds to meet losses on Loans, should they occur. This means any Loan losses caused as a result of Borrower default or otherwise, will have to be met from the capital of the Loan Units that is referable to the Loan, which may result in a capital loss being incurred by Investors who hold those Loan Units.

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.
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 because where a default occurs, there is no income to assist in rectifying the default. The risks associated with such properties are mitigated by the loan to valuation ratios and other risk mitigation strategies as disclosed in the Loan Memorandum applicable to the relevant

Loan(s). 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 repay their Loan on time by the due date, or meet all of their financial obligations under a Loan or otherwise fail to meet other terms of a Loan (for example, payment of interest) 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; or.
- (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 holders of Loan Units referable to the Loan losing some or all of their investment as a result.

4.6 Junior lender risk

Each Loan will be secured by a Mortgage. However, if the Fund is a junior 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 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 we will not have day-to-day control over the Borrower's assets. This will generally mean we cannot exercise the Fund's security until the senior lender has been paid in full. In addition, any monies available to the Fund in these circumstances would be limited to what is recovered after the senior lender has been paid in full.

4.7 Enforcement risk

If a Borrower defaults under a Loan, then the Fund may have to enforce its Mortgage and other Security Interests 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.). This will most likely lead to a reduction in distributions paid to Investors that hold the Loan Units referable to the defaulting Loan 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 those 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. Therefore, there is 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 relevant Loan Units and may therefore dilute the proportional holdings in the Loan Units of those Investors that decide not to contribute further capital.

4.8 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.

The Fund aims to present Investors with the opportunity to participate in a diverse range of Loans. However, if an Investor chooses only to participate in a single Loan, they will not have access to diversification within their investment in the Fund. Investors may diversify their exposure within the Fund by acquiring Loan Units that are referable to other Loans.

4.9 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.

4.10 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 Fund Manager and in accordance with the Fund Manager's valuation policy.

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 Fund 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 Fund Manager may be replaced as manager of the Fund or its key personnel may change. You should note we may be obliged to retire as Trustee of the Fund following a request made by the Manager, pursuant to the Investment Management Agreement. There is also a risk our AFS licence may be suspended or revoked.

4.16 Fund Manager performance risk

The Trustee has delegated authority to the Fund Manager (and the Credit Committee) to source and approve Loans and to manage Loans on behalf of the Trustee. The directors and senior managers of the Trustee and the Fund Manager are the same persons and in delegating this authority, decisions by the Fund Manager on behalf of the Trustee with respect to the Loans and Borrowers are made having regards to the best interests of Investors.

The success of the Fund is therefore dependent on the Fund Manager identifying suitable Loans for the Fund to make and then managing those Loans to ensure that the Loans are repaid. If the Fund

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 Fund Manager conducting regular audits of the performance of the Loans and undertaking appropriate enforcement action against defaulting Borrowers. Failure by the Fund Manager to undertake these tasks effectively may result in an adverse impact on the Fund and on its performance.

If the Fund Manager becomes insolvent or encounters financial difficulties, this means that it will be unable to perform its role under the Investment Management Agreement, and will most likely result in the termination of 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 Fund Manager or the Fund 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 Fund Manager's ability to generate acceptable returns (e.g. loss of key staff).

4.18 Liquidity and withdrawal risk

Investors cannot withdraw Loan Units during the term of the Loan. This may represent a risk to Investors in the event that they require the return of their investment more urgently. There is also no guarantee a Loan will be repaid on maturity. Any delay by the Borrower in repaying the Loan will also delay the ability of the Investors holding the Loan Units referable to that Loan to recover their capital.

4.19 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, including but not limited to 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 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 that hold Loan Units referable to the defaulting Loan suffering a loss if the Borrower cannot repay the balance of the outstanding debt from other assets of the Borrower.

4.20 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 5.5 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. If such an event 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.

4.21 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.

4.22 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.

4.23 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 Fund Manager, but they may have a negative impact upon the operation and performance of the Fund.

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

As at the date of this IM, 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 4 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 Fund and distributions to Investors.

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, but are not limited to 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 Fund Manager's control; and
- (g) the illiquidity and cost of capital markets.

Prior to investing in the Fund, we strongly recommend you obtain independent financial advice to determine whether investing in the Fund is suitable to you and your personal circumstances.

5. Fees and costs

5.1 *Trustee fee*

The Trustee is entitled to a fee equal to 0.1% 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 referable to both Cash Units and Loan Units on a proportionate basis. The Trustee in its discretion may waive this fee, as noted in section 5.11 below.

5.2 *Management fee*

The Fund Manager is entitled to a management fee (sometimes also referred to as a 'base fee') in respect of each Loan as set out in the relevant Loan Memorandum. The management fee is paid to the Fund Manager out of the assets of the Fund.

5.3 *Trustee removal fee*

The Trustee is entitled to be paid a removal fee if—

- (a) it is removed as Trustee of the Fund within 4 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) retires as trustee of the Fund within 4 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 and custody 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 referable to both Cash Units and Loan Units on a proportionate basis.

5.4 *Custody fee*

The Trustee is obligated to pay the Custodian a fee for its services, which is entitled to a fee 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 the Fund 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 (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 referable to both Cash Units and Loan Units on a proportionate basis.

5.5 *Operating costs and expenses and Expense Cap*

The Trustee and the Fund 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 Registrar's fee, 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. Operating costs and expenses of the Fund will be capped at 0.35% per annum of the gross value of the assets of the Fund (**Expense Cap**).

Operating costs and expenses are separate from any fees payable to the Fund Manager, which are not included within the Expense Cap. Additionally, Abnormal Expenses are not included within the Expense Cap, as explained below.

Operating costs and expenses within the Expense Cap will be paid from the assets of the Fund

referable to both Cash Units and Loan Units on a proportionate basis. The Fund Manager has agreed to pay operating costs and expenses (excluding Abnormal Expenses) in excess of the Expense Cap (**Excess Expenses**).

5.6 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.

5.7 No fees payable in respect of Cash Units

The Fund Manager will not charge a fee to the Fund in respect of Cash Units. However, as stated above in paragraph 5.2, the Fund Manager is entitled to a management fee in respect of each class of Loan Units, payable from the assets of the Fund referable to those Loan Units. Details of these fees will be disclosed in the relevant Loan Memorandum.

5.8 Fees payable by Borrowers

The Fund Manager may charge and receive fees directly from Borrowers in relation to individual Loans, such as commitment fees and establishment fees.

Where the Fund Manager charges other fees to a Borrower including, but not limited to loan management fees, line fees, default loan management fees and default administration fees, these fees will be paid by the Borrower to the Fund and the Trustee will on pay such amount of these fees (which may be 100% or a lesser amount) to the Fund Manager out of the assets of the Fund, as set out in the relevant Loan Memorandum.

The Fund Manager may also be entitled to an additional fee representative of a portion of the default interest payable by the Borrower to the Fund, which will be paid by the Trustee to the Fund Manager out of the default interest received by the Fund out of assets of the Fund.

The details of any such fees and amounts applicable to a Loan will be disclosed in the relevant Loan Memorandum

5.9 Third party referral fees

The Fund 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 Fund Manager. Please ask your advisors for details of the payments (if any) that they will receive from the Fund 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

The Trustee and the Fund 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, the Trustee and the Fund Manager may waive, negotiate or rebate our fees for any reason, including 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, nor does the Fund Manager. We have not obtained taxation advice specific to an investment in the Fund, nor has the Fund 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 and depending on the class of Unit(s) you hold, as an Investor you have the following rights:

- (a) the right to share in any distributions referable to a class of Unit(s) you hold;
- (b) the right to attend and vote at Investor meetings. In some cases, we may elect to call a meeting of Investors who hold a particular class of Units. In those cases, only Investors who hold those Units are entitled to attend and vote at the meeting; and
- (c) the right to participate in the proceeds of winding up of the Fund or a class of Units.

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 (including where we may do so 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 Fund Manager for its services. Under the Investment Management Agreement, we grant the Fund Manager delegated authority to source, make 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 Fund 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 Fund Manager becomes insolvent.

The Fund 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 *Reporting*

Our reporting will comprise the following:

- (a) an investment confirmation upon issuing Units;
- (b) a 6 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; and
- (d) any other reports as detailed in the Loan Memorandum.

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

7.3 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.

As at the date of this IM, the Trustee and Fund Manager have determined the Fund is only permitted to issue related party Loans to the Msquared Property Fund. Any such Loans will accord with the policy and procedure set out in our conflicts of interest policy and procedure and will be conducted on an arm's length basis.

Where the Trustee and Fund Manager issues a related party Loan to the Msquared Property Fund and the Msquared Property Fund defaults on its Loan repayments, the Trustee and Fund Manager will pursue enforcement action against Msquared Property Fund in the same manner it would if a Borrower defaulted on its repayments in arrears (including that a third party would be appointed to effect enforcement).

7.4 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% of the total votes that may be cast by Investors entitled to vote (including Investors who are not present in person or by proxy).

7.5 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 Fund 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 Fund 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.

7.6 No-cooling off rights

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

7.7 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 opportunities 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 Fund 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.

7.8 *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.

7.9 *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.

7.10 *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).

7.11 Complaints and contacting us

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

Telephone: (02) 9157 8608

Email: info@msqcapital.com.au

Post:

Complaints Officer

Msquared Capital Pty Ltd

Suite 1702, Level 17, 101 Grafton Street, Bondi Junction NSW

Your complaint will be acknowledged promptly and will be dealt with within 45 days.

8. Glossary

Abnormal Expenses	Any expenses which are not usual expenses incurred in the day-to-day management and administration of the Fund.
Administrator	Unity Fund Services Pty Ltd, ACN 146 747 122.
AFS	Australian Financial Services
AFSL	Australian Financial Services Licence
Application Form	The application form to invest in the Fund.
Application Money	The money paid by an applicant for Cash 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.
Cash Units	Units in the Fund in the class known as "Cash Units".
Committed Amount	An amount of Cash Units committed by an Investor to subscribe for Loan Units.
Constitution	The constitution of the Fund, as amended from time to time.
Corporations Act	<i>Corporations Act 2001</i> (Cth) for the time being in force together with the regulations of the <i>Corporations Act 2001</i> (Cth).
CPI	Consumer Price Index.
Credit Committee	The credit committee for the Fund, as convened by the Fund Manager.
Custodian	Perpetual Corporate Trust Limited, ABN 99 000 341 533
Election Form	An election form accompanying a Loan Memorandum pursuant to which holders of Cash Units may elect to convert some or all of their Cash Units to Loan Units.
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 5.5 of this IM.
Fund	Msquared Contributory Mortgage Income Fund
Fund Manager	Msquared Capital Funds Management Pty Ltd ACN, 644 643 274
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 1 November 2021
Investment Management Agreement	The investment management agreement between us and the Fund Manager, as amended from time to time.
Investor	<p>A holder of Units. To qualify to invest in the Fund an Investor must—</p> <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 2 financial years) requirements; or <p>otherwise satisfy us they are not a “retail client” for the purposes of Chapter 7 of the Corporations Act.</p>
Lending Guidelines	The Fund Manager’s lending guidelines for the Fund.
Loan	A loan advanced by the Fund to a Borrower, which is secured primarily by a Mortgage over a security property.
Loan Memorandum	A disclosure document issued by the Trustee setting out details of a Loan that is available for investment.
Loan Unit	A class of Units referable to a specific Loan as described by the Loan Memorandum for that class of Units.
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.
Operating Costs	The costs and expenses incurred in connection with the performance of duties in the day to day operations of the Fund.
Registrar	One Registry Services Pty Limited, ACN 141 757 360
Security Interest	Security over assets other than real property to secure a Loan.
Trustee, we, our, us	Msquared Capital Pty Ltd ACN 622 507 297, AFSL 520293.
Unit	Either a Cash Unit or a Loan 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.

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 Cash Units is \$100,000 (or such lower amount as we accept in our discretion), and then in increments of \$50,000 (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.

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 (including the 'Important notice' section). 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

Type of investor	Correct form	Incorrect form
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