RG45 Disclosures for the ICMF Credit Fund

ARSN 619 134 422

25 March 2019

DISCLAIMER

The responsible entity of the ICFM Credit Fund (**Fund**) is Vasco Investment Managers Limited (**Vasco**) (ABN 71 138 715 009, AFSL 344486).

This information has been prepared by Vasco for general information purposes only, without taking into account any potential investors' personal objectives, financial situation or needs. Before investing, you should obtain and consider the ICFM Credit Fund PDS before making a decision about whether to invest in the Fund and consider the appropriateness of the Fund for your own objectives, financial situation and needs. You should also consider obtaining financial, legal and/or taxation advice.

Vasco does not receive fees in respect of the general financial product advice it may provide, however it will receive fees for operating the Fund which, in accordance with the Fund's Constitution, are calculated by reference to the assets of the Fund.

Entities related to Vasco may also receive fees for managing the assets of, and providing resources to the Fund. To contact us, call +61 3 8352 7120 (local call cost).

Past performance is not a reliable indicator of future performance. Due care and attention has been exercised in the preparation of forecast information, however, forecasts, by their very nature, are subject to uncertainty and contingencies, many of which are outside the control of Vasco. Actual results may vary from any forecasts and any variation may be materially positive or negative.

ASIC Regulatory Guide 45 Disclosures

The Australian Securities & Investments Commission (**ASIC**) requires responsible entities of unlisted mortgage schemes in which retail investors invest to provide a statement addressing ASIC's eight benchmarks and eight disclosure principles as set out in Regulatory Guide 45: Mortgage Schemes: Improving disclosure for retail investors (**RG45**).

The disclosure aims to help retail investors compare risks, assess the rewards being offered and decide whether the investments are suitable to them. Vasco , as responsible entity (**RE**) of the ICFM Credit Fund **(Fund)**, presents the eight benchmarks and eight disclosure principles in this document in relation to an investment in the Fund.

This document should be read in conjunction with the following documents which will be made available on Vasco's website (www.vascofm.com):

- the Fund's Product Disclosure Statement (**PDS**) dated 25 March 2019;
- the financial statements in respect of the Fund which will be available following the end of each financial year

In accordance with the requirements of RG45, this statement will be updated for any material changes that the RE becomes aware of, and in any event, at least every six months. The updated statement will be included on the RE's website www.vascofm.com.

Disclosure Principles and Benchmarks

The information below is provided to comply with the requirements of ASIC's Regulatory Guide 45: 'Mortgage Schemes: Improving disclosure for retail investors' released in May 2012.

A full copy of the Regulatory Guide 45 can be obtained from ASIC at www.asic.gov.au.

The Responsible Entity will notify Unitholders in the Fund of any material adverse information in relation to the Fund.

This will include information as it relates to the benchmarks.

Information relating to the Fund that is not materially adverse is subject to change from time to time and will be updated by the Responsible Entity on its website at www.vascofm.com.

You may request a paper copy of any updated information by contacting the Responsible Entity's office directly and this information will be provided free of charge. The information will also be available from the Fund's Investment Manager, Infinity Capital Funds Management Pty Limited ACN 614 174 462 AFSL Corporate Authorised Representative Number 001254134 (**Investment Manager**) at www.infinitycapitalfm.com.au.

ASIC states in Regulatory Guide 45 that failure to meet one or more of the benchmarks does not mean that a particular mortgage scheme is necessarily a poor investment. However, additional disclosure to Unitholders is needed so that Unitholders can assess its impact on their investment decision.

The eight benchmarks and eight disclosure principles are set out below with a summary of how the Fund, as an unlisted pooled mortgage scheme in which retail investors will invest, meets or does not meet the benchmarks.

Potential investors should discuss the ASIC benchmarks with their financial advisor.

Benchmark and Disclosure Principle 1 – Liquidity

Description

This benchmark and disclosure principle addresses: a pooled mortgage scheme's ability to satisfy its expenses, liabilities and other cash flow needs and estimates for the next twelve (12) months; are updated at least every three months, reflect any material changes and are approved by the directors of the responsible entity at least every three months.

Response

The Fund complies with this benchmark as the Responsible Entity will monitor and update its cashflow estimates and will redeem the Units of all Fund Unitholders who have served their Minimum Investment Term or a Subsequent Investment Term (as set out in the PDS) and requested to withdraw from the Fund each calendar quarter, subject to available liquidity in the Fund. However, where there are insufficient funds available in the Fund to satisfy all redemption requests, redemption requests will be satisfied on a pro-rata basis. This disclosure principle asks the Fund to disclose in the PDS, the policy of the Fund on balancing the maturity of its assets and the maturity of its liabilities. The Fund complies with this disclosure principle, by disclosing this in Sections 6.2, 8.1.3 and 8.1.5 of the PDS.

Benchmark and Disclosure Principle 2 – Fund borrowings

Description

This benchmark and disclosure principle addresses a fund's policy on borrowing; including a fund's actual and intended borrowings on behalf of a fund. Some funds may borrow against the assets of their fund to pay for distributions, redemption requests or scheme operations.

Response

The Fund complies with this benchmark as it does not have current borrowings and does not intend to borrow on behalf of the Fund. Under the Fund's Constitution the Responsible Entity may borrow against the Fund's assets on terms and conditions acceptable to the Responsible Entity. However, at this time there are no credit facilities in place utilising the assets of the Fund, nor is there any intention to borrow on behalf of the Fund. The Responsible Entity reserves the right to establish a credit facility/ies in order to take advantage of commercial lending opportunities or to assist in managing liquidity. If this were to occur, borrowings would not be used to fund distributions or satisfy redemption requests.

Benchmark and Disclosure Principle 3 – Loan portfolio and diversification

Description

This benchmark and disclosure principle addresses a fund's lending practices and portfolio risk, including concentration risk. For a pooled mortgage fund this is defined as: if the fund holds a portfolio of assets diversified by size, borrower, class of borrower activity and geographic region; the fund has no single asset in its fund portfolio that exceeds 5.0% of the total fund's assets; the fund has no single borrower who exceeds 5.0% of the fund's assets; and all loans made by the fund are secured by first mortgages over real property (including registered leasehold title).

Response

The Fund's portfolio of assets is diversified by size (within a range of $400,000 to $2.5m), by borrower (within a class of borrowers which are entities related to the Investment Manager) and by borrower activity (development of commercial, retail, residential and specialised property). However the Fund does not comply with this benchmark because the Fund's portfolio of assets is not diversified by class of borrower or geographic region as all of the loans to date have been made to related parties of the Fund's Investment Manager in relation to development projects in the state of Victoria.

The Fund also does not comply with this benchmark as the Fund may lend to a single borrower who exceeds 5.0% of the Fund's assets. However, once the Fund is substantially established and invested, the Fund does not intend to lend more than 25.0% of the Fund's assets to a single borrower. Furthermore, loans made by the Fund may not always be secured by a first mortgage over real property.

Since 1 August 2017, the Fund has lent money to borrowers that are related parties of the Fund's Investment Manager for developments projects summarized as follows (as at **[date]**):

Loan Portfolio*					
Development Type	Loan Facility Amount	Ongoing or Repaid	Arrears	Class of Activity	Maturity Profile

Early Learning Centre and Medium Density Residential Townhouses	$991,000	Repaid in Full	Nil	Construction Project	N/A
Service station, Medical Clinic and Large Format Retail	$1,320,000	Ongoing	Nil	Commercial Construction Project	0-12 months remaining
Child Care Centre	$600,000	Ongoing	Nil	Commercial Construction Project	0-12 months remaining
Child Care Centre	$600,000	Ongoing	Nil	Commercial Construction Project	0-12 months remaining
Land Subdivision, Childcare and Medical Clinic	1,695,000	Repaid in Full	Nil	Residential Development Project	12-24 months remaining
Residential Townhouses	$1,232,000	Ongoing	Nil	Residential Construction Project	12-24 months remaining
Residential Townhouses	$400,000	Ongoing	Nil	Residential Construction Project	12-24 months remaining
Service station, Medical Clinic, Childcare Centre	$2,147,000	Ongoing	Nil	Commercial Construction Project	12-24 months remaining
Service station and Bulky Good / Restricted Retail	$2,140,000	Ongoing	Nil	Commercial Construction Project	12-24 months remaining

*The current Loan Portfolio has a total of 9 loans which have loan facilities with interest rates ranging from 17% to 20% interest only p.a. with Loan to Valuation Ratios (**LVRs**) ranging from 70% - 90%. Loan sizes vary from $400,000 - $2,147,000. Locations of developments are in Cranbourne, Frankston, Greenvale, Kurunjang, Lara, Hallam and Tarneit.
The proportion of the total loan money that has been lent to the largest borrower: 19.30% of the Loan Portfolio has been leant to the largest borrower. All loans to date have been secured by way of a second mortgage (unregistered subordinated mortgage) as well as a general security interest over the borrower and guarantees provided by the borrower principals. Other than the loans the Fund's only other asset is cash. The Fund does not use any derivative products.

The Fund's Investment Criteria as summarised in Section 6.2 of the PDS provide further information in relation to Loan amounts and loan to value ratios applied for any single borrower.

These Investment Criteria also apply to assessing the borrower's capacity to service loans, the Investment Manager's approach to obtaining security for the loan and the valuation policies on loan extensions.

The Fund also discloses its valuation policy in Section 7 of the PDS and provides information about specific portfolio valuation risk and diversification risks at Sections 8.1.8 and 8.1.13 of the PDS respectively.

Benchmark and Disclosure Principle 4 – Related party transactions Description

This benchmark and disclosure principle addresses the risks associated with related party lending, investments and transactions, including details of any related party transactions and whether the responsible entity lends to related parties of the responsible entity or to the fund's investment manager.

Response

The Fund does not comply with this benchmark as it lends and is expected to predominantly lend to related parties of the Investment Manager and without seeking investor approval on each loan. However, the Fund will not lend to any related parties of the Responsible Entity.

The Investment Manager has committed to ensuring that all potential loans pass through the same stringent due diligence process, irrespective of whether those loans are made to its related party. However, the Responsible Entity does not guarantee that any loans made to related parties to the Investment Manager will be made on arms-length terms. For further details refer to Section 10.8 of the PDS for information relating to how the Responsible Entity and the Investment Manager deal with conflicts of interest and evaluate and approve related party transactions.

The Fund also discloses the risks associated with related party arrangements at Sections 8.1.1 and 8.1.2 of the PDS.

In relation to the current investments of the Fund, related party associations exist for all current loans made (9 loans in total as at the date of this document). All parties are related as per virtue of common directors, shareholders and guarantors.

The fees the Investment Manager earns by virtue of these Loans are set out in Section 9 of the PDS, and in particular, subsections 9.1, 9.4 and 9.5. The Investment Manager may also receive fees directly from Borrowers. Investors should also be aware that Borrowers receive the benefit of capital injections into their property projects and may receive a better outcome in terms of their commercial negotiation with the Investment Manager than would otherwise be received if the Loans were negotiated at entirely arms-length terms.

Benchmark and Disclosure Principle 5 – Valuation policy

Description

This benchmark and disclosure principle addresses a fund's policy in relation to obtaining valuations on the properties over which mortgages or other relevant securities are registered or held; including when an independent valuation is required. This benchmark requires: a valuer to be a member of an appropriate professional body in the jurisdiction in which the relevant property is located; a valuer to be independent; procedures to be followed for dealing with any conflict of interest; the rotation and diversity of valuers; in relation to security property for a loan, an independent valuation to be obtained: before the issue of a loan and on renewal and for a development property: on both an 'as is' and 'as if complete' basis; and for all other property: on an 'as is' basis. Furthermore, within two months after the directors form a view that there is likelihood that a decrease in the value of security property may have caused a material breach of a loan covenant.

Response

The Fund complies with this benchmark as secured properties will be valued on an 'as is' basis and (where a loan incorporates a project or construction element) also on an 'as if complete' basis.

This benchmark also requires that the Responsible Entity has a rigorous policy on how often, how and from whom it obtains valuations, including how recent a valuation has to be when the Responsible Entity makes a new loan. The Responsible Entity and the Investment Manager comply with this component of this benchmark as valuations are obtained prior to the loans being made (the date of valuation must be within 3 months of loan approval) and the Responsible Entity has the right to request an updated valuation at any time during the loan term. The Responsible Entity will also establish a panel of valuers to ensure rotation and diversity. The Fund's valuation policy is set out in Section 7 of the PDS. The Fund also discloses specific valuation risk at Section 8.1.8 of the PDS.

Benchmark and Disclosure Principle 6: Lending principles—Loan-to-valuation ratios

Description

This benchmark and disclosure principle addresses the fund's lending practices, including the loan-to-valuation ratio if the fund holds mortgage assets: where the loan relates to property development—funds are provided to the borrower in stages based on independent evidence of the progress of the development; where the loan relates to property development—the fund does not lend more than 70% on the basis of the latest 'as if complete' valuation of property over which security is provided; and in all other cases—the fund does not lend more than 80% on the basis of the latest market valuation of property over which security is provided.

Response

The Fund does not comply with this benchmark as the Fund can lend up to 80% of the 'as if complete' valuation in respect of loans made for construction purposes (and paid to the borrower in stages) and up to 90% of the latest 'as is' market valuation for loans made for pre-construction purpose. The Investment Manager considers this increased risk is commensurate with the increased returns that may be achieved by the Fund

The ASIC benchmark also anticipates that construction loans are provided in stages based on external evidence as to the progress of the construction.

The Fund complies with this requirement to the extent that where funds are advanced for construction purposes, they will be advanced progressively in stages throughout the construction upon independent certification on a cost-to-complete basis by an external cost consultant or quantity surveyor engaged or the first mortgage provider. However, investors should note that not all loans will be made in this way and the Fund may also lend on a pre-construction basis whereby the entirety of the loan may be provided up front, where supported by a suitable 'as is' valuation. The current facilities in place in the Fund all relate to land 'with as is' valuations only.

Benchmark and Disclosure Principle 7: Distribution practices

Description

This benchmark and disclosure principle addresses the transparency of a fund's distribution practices, including whether current distributions are paid from scheme borrowings and disclose the source of distributions.

Response

The Fund complies with this benchmark and disclosure principle. In general, the source of the Fund's distributions will be from income earned in the relevant distribution period; the source of any forecast distribution is from interest earned from loans made to borrowers and cash held on deposit with the Fund's custodian; except in circumstances where interest is paid in advance (in which case interest will be distributed as it is earned).

Benchmark and Disclosure Principle 8: Withdrawal arrangements

Description

This benchmark and disclosure principle addresses the transparency of the responsible entity's approach as to how and when investors can withdraw their investment from a fund, based upon whether the fund is liquid or non-liquid. For non-liquid funds, the benchmark is that redemption offers are made to investors at least quarterly.

Response

The Fund does not comply with this benchmark to the extent that withdrawal offers will be made quarterly but only to those Fund Unitholders who will have held their Units for the Minimum Investment Term or a Subsequent Investment Term by the end of the quarter in which the withdrawal offer is made. Unitholders who have not held their units for the Minimum Investment Term or a Subsequent Investment Term may apply to participate in the quarterly withdrawal offers but may be required to pay an Early Withdrawal Fee (see the Fees and Expenses section of the PDS) if their applications are accepted by the Responsible Entity. Where there are insufficient funds available in the Fund to satisfy all redemption requests, redemption requests will be satisfied on a pro-rata basis. Withdrawal offers may be made when the Fund is liquid and when the Fund is not liquid.

Redemptions are not funded from an external liquid facility, however the Investment Manager of the Fund will seek to match the repayment schedules of loans to the expiry of Minimum Investment Terms and Subsequent Investment Terms to provide the Fund with liquidity to meet expected Unitholder demand in response to withdrawal offers. The Investment Manager does not guarantee that loan repayment schedules will always coincide with the expiry of Minimum Investment Terms and Subsequent Investment Terms. As noted in Section 3.6 of the PDS, in certain circumstances the Responsible Entity may delay or suspend redemptions from the Fund for such period as it determines necessary to protect all investments. A delay in meeting a Unitholder's redemption request is possible where there are a significant number of redemption requests made at the same time, which absorb the cash assets of the Fund and if the assets of the Fund are not sufficiently liquid. The Fund discloses specific liquidity risk at Sections 8.1.3 of the PDS.

This ASIC benchmark requires that if the Fund promotes a fixed redemption Unit Price for investments (e.g. $1.00 per Unit), the Responsible Entity should clearly disclose details of the circumstances in which a lower amount may be payable, together with details of how that amount will be determined. The Fund does not promote a fixed redemption Unit Price for investments. Its Unit Price on issue is

$1.00 but the Unit Price on redemption is calculated by dividing the net asset value of the Fund by the number of Units on issue. Although the Fund's expectation is that the Unit Price is to remain at $1.00, in the case of non-performing investments that result in a capital loss (e.g. as a result of a mortgage default), the Unit Price could be less than $1.00. In this circumstance, the capital returned to Unitholders at the time of repayment of their investment could be less than the amount they initially invested.