



# ICFM Credit Fund

## ARSN 619 134 422

### RG45 Disclosure

As at 30 September 2021

#### DISCLAIMER

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

This document has been prepared as at 30 September 2021, and was published on 28 February 2022.

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.

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# 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](http://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 as at 31 March and 30 September each year. The updated statement will be included on the RE's website [www.vascofm.com](http://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](http://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](http://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.

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

*RG 45.34 – For a pooled mortgage scheme, the responsible entity has cash flow estimates for the scheme that:*

- a) demonstrate the scheme's capacity to meet its expenses, liabilities and other cash flow needs for the next 12 months;*
- b) are updated at least every three months and reflect any material changes; and*
- c) are approved by the directors of the responsible entity at least every three months.*

*RG 45.72 – For pooled mortgage schemes, the responsible entity should disclose information about:*

- a) the current and future prospects of liquidity of the scheme;*
- b) any significant risk factors that may affect the liquidity of the scheme; and*
- c) the policy of the scheme on balancing the maturity of its assets with the maturity of its liabilities.*

### 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 does not comply with this benchmark.

The Responsible Entity does not produce cash flow estimates for the Fund.

The Responsible Entity 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.

To the extent there have been any redemption requests, these will be communicated to the Investment Manager. The Investment Manager is tasked with the responsibility of managing the fund's cash-flow requirements and ensuring the maturity of the assets with the maturity of its liabilities.

The Responsible Entity does not undertake an approval process of cash-flow estimates at a board level. The Responsible Entity instead will review cash-flow estimates produced by the Investment Manager.

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

*RG 45.42 – The responsible entity does not have current borrowings and does not intend to borrow on behalf of the scheme.*

*RG 45.75 – If the scheme has borrowings, the responsible entity should disclose:*

- a) for borrowings due in less than two years—the total debts due and their maturity profile, undrawn credit facility and whether refinancing or sale of assets is likely during this period;*
- b) for borrowings due in between two and five years—the total debts due and their maturity profile for each 12-month period and undrawn credit facility;*
- c) for borrowings due after five years—the total debts due;*
- d) why the responsible entity has borrowed the money, including whether the borrowed funds will be used to fund distributions or withdrawal requests;*
- e) any material loan covenant breaches;*
- f) the fact that amounts owing to lenders and other creditors of the scheme rank before an investor's interests in the*

*scheme; and*

- g) the risks associated with the scheme's borrowing and credit facility maturity profile.*

*RG 45.76 – A responsible entity should also disclose:*

- a) the existence and details of any current interest rate and foreign exchange hedging policies of the responsible entity; and*
- b) whether the scheme's variable interest rate and/or foreign exchange exposure conforms with these policies.*

## 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 and disclosure principle.

The Fund 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

*RG 45.44 – For a pooled mortgage scheme:*

- a) the scheme holds a portfolio of assets diversified by size, borrower, class of borrower activity and geographic region;*
- b) the scheme has no single asset in the scheme portfolio that exceeds 5% of the total scheme assets;*
- c) the scheme has no single borrower who exceeds 5% of the scheme assets; and*
- d) all loans made by the scheme are secured by first mortgages over real property (including registered leasehold title).*

*RG 45.80 – For pooled mortgage schemes, the responsible entity should disclose the nature of the scheme's investment portfolio, including:*

*(a) by number and value:*

- (i) loans by class of activity (e.g. development or construction projects, industrial, commercial, retail, residential, specialised property, reverse mortgages);*
- (ii) loans by geographic region;*
- (iii) the proportion of loans that are in default or arrears for more than 30 days;*
- (iv) the nature of the security for loans made by the scheme (e.g. first or second ranking);*
- (v) loans that have been approved but have funds that have yet to be advanced and the funding arrangements in place for any of these undrawn loan commitments;*
- (vi) the maturity profile of all loans in increments of not more than 12 months;*
- (vii) loan-to-valuation ratios for loans, in percentage ranges;*
- (viii) interest rates on loans, in percentage ranges; and*
- (ix) loans where interest has been capitalised;*

- (b) the proportion of the total loan money that has been lent to the largest borrower and the 10 largest borrowers;*
- (c) the percentage of loans (by value) that are secured by second ranking mortgages;*
- (d) the use of derivatives (if any);*
- (e) a clear description of the non-mortgage assets of the scheme, including the value of such assets; and*
- (f) the scheme's diversification policy and how the assets correlate with that policy.*

*RG 45.81 – The responsible entity should disclose its policy on the above matters and on how the scheme will lend funds generally.*

For example, such disclosure should cover:

- (a) the maximum loan amount for any one borrower;
- (b) the method of assessing borrowers' capacity to service loans;
- (c) the responsible entity's policy on revaluing security properties when a loan is rolled over or renewed; and
- (d) the responsible entity's approach to taking security on lending by the scheme (e.g. the types of security it takes and in what circumstances, and whether the security must be income producing).

RG 45.82 – If an unlisted pooled mortgage scheme invests in, or may invest in, other unlisted mortgage schemes (whether registered or unregistered), the responsible entity must disclose its policy on investing in those schemes, including the extent to which the responsible entity requires those schemes to meet the benchmarks and apply the disclosure principles in Sections C and D.

## 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 does not comply with this benchmark and disclosure principle.

The Fund's portfolio of assets is diversified by size (within a range of \$600,000 to \$2,147,000), 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).

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. 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 **30 September 2021**):

Loan Portfolio*						
Loan No.	Development Type	Total Loan Facility Amount	Ongoing or Repaid	Arrears	Class of Activity	Maturity Profile
1	Early Learning Centre and Medium Density Residential Townhouses	\$991,000	Repaid in Full	Nil	Construction Project	N/A
2	Service station, Fast Food and Large Format Retail	\$1,320,000	Repaid in Full	Nil	Commercial Construction Project	N/A
3	Child Care Centre	\$600,000	Ongoing	Nil	Commercial Construction Project	0-12 months remaining
4	Child Care Centre	\$600,000	Repaid in Full	Nil	Commercial Construction Project	N/A
5	Land Subdivision, Childcare and Medical Clinic	1,695,000	Repaid in Full	Nil	Residential Development Project	N/A

6	Residential Townhouses	\$1,232,000	Repaid in Full	Nil	Residential Construction Project	N/A
7	Residential Townhouses	\$400,000	Repaid in Full	Nil	Residential Construction Project	N/A
8	Service station, Medical Clinic, Childcare Centre	\$2,147,000	Ongoing	Nil	Commercial Construction Project	12-24 months remaining
9	Service station and Bulky Good / Restricted Retail	\$2,140,000	Repaid in Full	Nil	Commercial Construction Project	N/A
10	Child Care Centre	\$1,100,000	Ongoing	Nil	Commercial Construction Project	12-24 months remaining
11	Staged Multi Lot Subdivision and Medium Density Development	\$1,680,000	Ongoing	Nil	Construction Project	12-24 months remaining

\*The current Loan Portfolio has a total of 4 loans which have loan facilities with interest rates ranging from 18% to 20% interest only per annum with Loan to Valuation Ratios (LVRs) ranging from 70% - 90%. Loan sizes vary from \$600,000 - \$2,147,000. Locations of developments are in Greenvale, Kurunjang and Lara.

The proportion of the total loan money that has been lent to the largest borrower is 29.28%. All loans are currently secured by way of second unregistered mortgage, 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

*RG 45.47 – The responsible entity does not lend to related parties of the responsible entity or to the scheme's investment manager.*

*RG 45.88 – If the responsible entity enters into related party transactions, the responsible entity should disclose details of these transactions, including:*

- (a) the value of the financial benefit;*
- (b) the nature of the relationship (i.e. the identity of the related party, and the nature of the arrangements between the parties, in addition to how the parties are related for the purposes of the Corporations Act for group structures, the nature of these relationships should be disclosed for all group entities);*
- (c) whether the arrangement is on arm's length terms, is reasonable remuneration, some other Ch 2E exception applies or ASIC has granted relief;*
- (d) whether member approval for the transaction has been sought and, if so, when;*
- (e) the risks associated with the related party arrangements; and*
- (f) the policies and procedures that the responsible entity has in place for entering into related party transactions, including how compliance with these policies and procedures is monitored.*

## 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 and disclosure principle.

The Fund 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 (4 current loans in total as at 30 September 2021). 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

*RG 45.50 – In relation to valuations for the scheme's mortgage assets and their security property, the board of the responsible entity requires:*

- (a) a valuer to be a member of an appropriate professional body in the jurisdiction in which the relevant property is located;*
- (b) a valuer to be independent;*
- (c) procedures to be followed for dealing with any conflict of interest;*
- (d) the rotation and diversity of valuers;*
- (e) in relation to security property for a loan, an independent valuation to be obtained:*
  - (i) before the issue of a loan and on renewal:*
    - (A) for development property, on both an 'as is' and 'as if complete' basis; and*
    - (B) for all other property, on an 'as is' basis; and*
  - (ii) within two months after the directors form a view that there is a likelihood that a decrease in the value of security property may have caused a material breach of a loan covenant.*

*RG 45.91 – The responsible entity should disclose:*

- (a) where investors may access the scheme's valuation policy—for example, by disclosing that the policy is available on a relevant website;*
- (b) the processes that the directors employ to form a view on the value of the security property;*
- (c) the frequency of valuations of security property; and*
- (d) any material inconsistencies between any current valuation over security property and the scheme's valuation policy.*

*RG 45.92 – For a contributory mortgage scheme, the responsible entity only needs to provide an investor with information about the valuation of the property securing a loan in which the investor has, or is being offered, an interest.*

## 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 and disclosure principle.

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 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

*RG 45.56 – If the scheme directly holds mortgage assets:*

- a) 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;*
- b) where the loan relates to property development—the scheme does not lend more than 70% on the basis of the latest 'as if complete' valuation of property over which security is provided; and*
- c) in all other cases—the scheme does not lend more than 80% on the basis of the latest market valuation of property over which security is provided.*

*RG 45.94 – If the scheme directly holds mortgage assets, the responsible entity should disclose:*

- a) the maximum and weighted average loan-to-valuation ratios for the scheme as at the date of reporting; and*
- b) where funds are lent for property development:*
  - (i) the criteria against which the funds are drawn down;*
  - (ii) the percentage (by value) of the completion of any property that is under development as at the date of reporting; and*
  - (iii) the loan-to-cost ratio of each property development loan as at the date of reporting.*

*RG 45.95 – The responsible entity should also disclose the percentage of the scheme's assets that are property development loans. If property development loans exceed 20% of the scheme's assets, the responsible entity should identify the scheme as one that invests a significant component of funds in property development loans. If the loan-to-cost ratio of any property development loan exceeds 75%, this should also be highlighted.*

## 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 and disclosure principle.

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 relate to land with 'as is' valuations.

## Benchmark and Disclosure Principle 7: Distribution practices

*RG 45.61 – The responsible entity will not pay current distributions from scheme borrowings.*

*RG 45.99 – If a responsible entity is making, or forecasting, distributions to members, it should disclose:*

- a) the source of the current and forecast distributions (e.g. from income earned in the relevant distribution period, operating cash flow, financing facility, capital, application money);*
- b) if the distribution is not solely sourced from income received in the relevant distribution period, the reasons for making those distributions and the risks associated with such distributions;*
- c) if the distribution is sourced other than from income, whether this is sustainable over the next 12 months; and*
- d) when the responsible entity will pay distributions and the frequency of payment of distributions.*

*RG 45.100 – If the scheme promotes a particular return on investments, the responsible entity must clearly disclose details of the circumstances in which a lower return may be payable, together with details of how that lower return will be determined. For a contributory mortgage scheme, the responsible entity should, for a particular investor, disclose the above information to the investor for distributions or returns made, or forecasts to be made, to that investor.*

*RG 45.101 – The responsible entity should include a table identifying up to five main factors that would have the most material impact on forecast distributions, the risks of changes to those factors on distributions and a sensitivity analysis based on changes to those factors. It must also explain how any excess returns actually earned by the scheme will be applied.*

### 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

*RG 45.65 – For non-liquid schemes, the responsible entity intends to make withdrawal offers to investors at least quarterly.*

*RG 45.104 – The responsible entity should disclose:*

- a) the scheme's withdrawal policy and any rights that the responsible entity has to change the policy;*

- b) the ability of investors to withdraw from the scheme when it is liquid;
- c) the ability of investors to withdraw from the scheme when it is non-liquid;
- d) any significant risk factors or limitations that may affect the ability of investors to withdraw from the scheme;
- e) how investors can exercise their withdrawal rights, including any conditions on exercising these rights;
- f) the approach to rollovers and renewals, including whether the 'default' is that investments in the scheme are automatically rolled over or renewed;
- g) if the withdrawals from the scheme are to be funded from an external liquidity facility, the material terms of this facility, including any rights the provider has to suspend or cancel the facility;
- h) the maximum withdrawal period that applies to the payment of withdrawal requests when the scheme is liquid;
- i) any rights the responsible entity has to refuse or suspend withdrawal requests; and
- j) the policy of the scheme on balancing the maturity of its assets with the maturity of its liabilities and the ability of its members to withdraw (e.g. if a scheme has a policy of ensuring that sufficient assets are held in readily realisable investments to meet future withdrawal requests, the responsible entity should state this in its PDS, provide details of the source of the realisable investment and report against this in its ongoing disclosure).

*RG 45.105 – If the responsible entity makes representations to investors that they can withdraw from the scheme, there should be disclosure on:*

- a) the grounds (which must be verifiable) for the statement;
- b) the supporting assumptions (which must not be hypothetical only) for the statement;
- c) the basis for the statement (which must not be based only on an opinion of the directors of the responsible entity if there are no objective grounds to support that opinion); and
- d) any significant risk factors that mean that withdrawal requests might not be satisfied within the expected period.

*RG 45.106 – If the PDS contains a statement to the effect that, historically, withdrawal requests have been satisfied within a particular period, this may suggest a link between historical withdrawal periods and withdrawal periods that are likely to apply in the future. The responsible entity should ensure the statement clarifies that investors should not conclude that there is such a link between the historical availability of withdrawals and their future availability.*

*RG 45.107 – If the scheme promotes a fixed redemption unit price for investments (e.g. \$1 per unit), the responsible entity must clearly disclose details of the circumstances in which a lower amount may be payable, details of how that amount will be determined and the impact of a default under the scheme's mortgage assets on investors (e.g. on investor distributions and the unit price).*

*RG 45.108 – A responsible entity of a contributory mortgage scheme should, for a particular investor, disclose the above information to the investor as it relates to the investor's ability to withdraw.*

## **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 and disclosure principle.

The Fund does not comply 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.

## COVID-19

**PLEASE NOTE: The Investment Manager has provided the below summary of the impact of COVID-19. The summary below has not been independently verified by the Responsible Entity, and Investors are advised to undertake their own due diligence prior to investing in the Fund.**

Whilst the property market over the several quarters has experienced a significant amount of uncertainty, the Investment Manager is of the view that the market is starting to strengthen again as we emerge out of the COVID-19 restrictions. The construction sector was not impacted to the extent that was initially forecasted in March 2020 and the majority of builders continued with their projects. The Investment Manager is expecting a strong rebound in the residential and commercial real estate sectors as business' in Australia begin to operate at full capacity. They consider evidence is already emerging with strong clearance rates. Fixed interest fund products which don't have returns that are based on the outcome of projects' profit, rather on just successful completion, lead the Investment Manager to conclude that it is well positioned to continue to generate strong target returns for our Investors while preserving investor capital.

## After Disclosure Date Events

As at the publication date, some matters or circumstances have arisen since 30 September 2021 which significantly affect or may significantly affect the disclosures found in this document.

Firstly, the Investment Manager of the Fund wishes for the Fund to be deregistered so that it continues on as an unregistered managed investment scheme. Accordingly, units in the Fund will generally only be available to wholesale clients within the meaning of the Corporations Act. A wholesale client means an Investor who:

- invests \$500,000 or more in the Fund or
- if investing less than \$500,000:
  - provides a certificate from a qualified accountant (substantially in a form provided by and available from the Trustee) that states that the Investor has net assets of at least \$2.5 million or has a gross income for each of the last two financial years of at least \$250,000; or
  - is a professional investor (including the holder of an Australian financial services licence, a person who controls more than \$10 million or a person that is a listed entity or a related body corporate of a listed entity).

The Responsible Entity retains the discretion to accept applications from people that are otherwise permitted by law to participate in the Fund. The Responsible Entity also reserves the right to reject an application without providing a reason.

Once the Fund has been deregistered, it is anticipated the current responsible entity, Vasco Trustees Limited, will seek to retire from the role, and that a related party, Vasco Custodians Pty Ltd, will be appointed as trustee of the Fund.

Secondly, Loan No.3 was repaid in full in October 2021.

## Further Information

For further information on the Platform, please contact us on +61 3 8352 7120 or visit our website [www.vascofm.com](http://www.vascofm.com).