



# Incentivise Investment Fund

## ARSN 657 944 100

## ASIC RG46 Disclosure

As at 31 March 2023

### DISCLAIMER

The responsible entity of the Incentivise Investment Fund (**Fund**) is Vasco Responsible Entity Services Limited (**Vasco**) (ABN 20 160 969 120, AFSL 434533).

This document has been prepared as at 31 March 2023, and was published on or around 15 June 2023.

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 consider your own objectives, financial situation and needs or you should obtain 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 have 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 46 Disclosure

The Australian Securities & Investments Commission (**ASIC**) requires responsible entities of unlisted property schemes in which retail investors invest to provide a statement addressing ASIC's six benchmarks and eight disclosure principles as set out in Regulatory Guide 46: Unlisted Property Schemes – improving disclosure for retail investors (**RG46**).

The disclosure aims to help retail investors compare risks, assess the rewards being offered and decide whether the investments are suitable to them. Vasco Responsible Entity Services Limited (**Vasco**), as responsible entity (**RE**) of the Incentivise Investment Fund (**Fund**), presents the six benchmarks and eight disclosure principles in relation to the Fund.

This document should be read in conjunction with the following documents which will be made available on the website [www.vascofm.com](http://www.vascofm.com):

- the Fund's Supplementary Product Disclosure Statement (**PDS**) dated 11 May 2022.

In accordance with the requirements of RG46, 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 of each year. The updated statement will be included on the RE's website [www.vascofm.com](http://www.vascofm.com).

If you need help about investing generally, speak to a licensed financial adviser. ASIC can help you check if a financial adviser is licensed.

If you do not have an adviser, contact us and we can put you in touch with someone who can help. If you have questions about this Fund in particular, speak to your Adviser or call Vasco on +61 3 8352 7120 directly for more information.

## Disclosure principles and Benchmarks

### Benchmark 1: Gearing Policy

*RG 46.31 – The RE maintains and complies with a written policy that governs the level of gearing at an individual credit facility level.*

#### Yes - The Fund meets the benchmark

The RE maintains a written gearing policy. This policy can be obtained by contacting the RE.

The purpose of this policy is to provide guidance and explanation in relation to the calculation and limits of the gearing and interest cover ratios. The Gearing Ratio indicates the extent to which all of a Fund's assets are funded by interest bearing liabilities. Low gearing ratios can mean a lower reliance on external liabilities (primarily borrowings) to Fund assets and can be viewed as a measure of financial strength of the Fund.

The policy contains relevant formulas for the calculation of the Gearing Ratio for the Fund and for an individual credit facility, as below:

Gearing Ratio of a Fund is calculated as:

$$\frac{\text{Total Fund interest-bearing liabilities}}{\text{Total Fund assets}}$$

Gearing Ratio for an individual credit facility is calculated as follows:

$$\frac{\text{Total Fund interest-bearing liabilities in relation to an individual credit facility}}{\text{Total secured assets in relation to an individual credit facility}}$$

The policy confirms that the Gearing Ratio of each individual credit facility will be disclosed, and the gearing ratio of a Fund will also be calculated and disclosed in compliance with Disclosure Principle 1 of ASIC's 'Regulatory Guide 46: Unlisted Property Schemes: Improving disclosure for retail investors. Unless otherwise disclosed, calculations will be made based on the Fund's latest financial statements.

## Benchmark 2: Interest Cover Policy

*RG 46.36 – The Responsible Entity maintains and complies with a written policy that governs the level of interest cover at an individual credit facility level*

### Yes - The Fund meets the benchmark

The Responsible Entity maintains a written 'Gearing and Interest Cover Policy' which the Fund complies with. This policy is available on request by contacting the Responsible Entity and is reviewed and updated from time to time. The purpose of this policy is to provide guidance and explanation in relation to the calculation and limits of the gearing and interest cover ratios.

The interest cover ratio gives an indication of the Fund's ability to meet interest payments from earnings. An interest cover ratio of below 1 indicates a fund is not generating sufficient revenue to satisfy interest expenses. Therefore, the policy provides that the Investment Manager will target to limit the interest cover ratio to be no less than 1 times at an individual credit facility level and Fund level. This is a target only and not a limit.

The policy confirms that where the Fund borrows, an interest cover ratio in respect of each individual credit facility will be disclosed, and the interest cover ratio of the Fund will also be calculated and disclosed in compliance with Disclosure Principle 2 of ASIC's 'Regulatory Guide 46: Unlisted property schemes: improving disclosure for retail investors.

Further details regarding the calculation of ratios are outlined in the Gearing and Interest Cover Policy.

## Benchmark 3: Interest Capitalisation

*RG 46.41 – The interest expense of the scheme is not capitalised.*

### No - The Fund does not meet this benchmark

Interest expenses of the Fund are intended to be capitalised on credit facilities related to development projects, as the Fund is not expected to generate income during development to service the credit facility. The interest expense and loan principal will be paid from the development proceeds upon sale of the completed development. The terms of any loan facility entered in to will be such that interest is capitalised to reflect the nature of a development project.

Potential risks associated with interest being capitalised include that the development process for a project may extend beyond a proposed timeframe or a project may be sold at an amount less than anticipated or initially valued. Each of these outcomes may adversely affect Investor returns.

## Benchmark 4: Valuation Policy

*RG 46.45 – The RE maintains and complies with a written valuation policy that conforms to ASIC's requirements at RG 46.45, or must explain why they do not.*

### Yes - The Fund meets the benchmark

The RE maintains and complies with a written valuation policy.

The RE's Valuation Policy can be obtained by contacting the RE.

## Benchmark 5: Related Party Transactions

*RG 46.53 – The RE maintains and complies with a written policy on related party transactions, including the assessment and approval processes for such transactions and arrangements to manage conflicts of interest.*

### Yes - The Fund meets the benchmark

The Responsible Entity maintains a related party transaction policy that provides a framework for the review of the terms of the all related party transactions. The policy details the circumstances and conditions as to when related party transactions are permitted and any supporting evidence required in relation to such transactions, including that:

- Any transactions involving related parties of the Responsible Entity are disclosed to Investors. Any new related party transactions are subject to a review process according to the policy and need to be either on 'arms-length' terms or otherwise approved by Investors.
- The details of any known transaction between the Responsible Entity and a related party of the Investment Manager must also be disclosed to Investors. Any transactions not previously disclosed can only proceed if considered by the Responsible Entity to be on "arms-length" terms or otherwise approved by Investors.
- Where an Investment Manager proposed that a fund enter into a transaction with its related party and the terms of the transaction were not previously disclosed to investors, they are required to complete a notification form which initiates the Responsible Entity's review process.

## Benchmark 6: Distribution Practices

*RG 46.58 – The Fund will only pay distributions from its cash from operations (excluding borrowings) available for distributions.*

### Yes - The Fund meets the benchmark

The RE will only pay distributions from the net realised income and/or capital gains of the properties.

## Disclosure Principle 1: Gearing Ratio

*RG 46.62 – The RE should disclose the Fund's gearing ratio as calculated in accordance with the prescribed formula.*

*RG 46.63 – The liabilities and assets used to calculate the gearing ratio should be based on the scheme's latest financial statements.*

*RG 46.64 – If the scheme has material off-balance-sheet financing, the RE should disclose a 'look through' gearing ratio that takes into account such financing.*

*RG 46.65 – The RE should explain what the gearing ratio means in practical terms, and how investors can use the ratio to determine the Fund's level of risk.*

The Responsible Entity must disclose the level of direct gearing and look-through gearing for the Fund using the following formula:

$$\text{Gearing ratio} = \frac{\text{Total interest-bearing liabilities}}{\text{Total assets}}$$

The gearing ratio represents the percentage of debt compared to the gross assets of the Fund. As such it indicates the extent to which the Fund assets are funded by interest-bearing liabilities.

A higher gearing ratio means a higher reliance on external liabilities (primarily borrowings) to assets. A highly geared fund has a lower asset buffer to rely upon in times of financial stress.

As at the date of this disclosure, the Fund has no borrowings.

However, as detailed in section 2.5 of the PDS, the Special Purpose Vehicles (SPVs) in which the Fund invests has the ability to borrow up to 70% of the TDC (total development cost) value of each property development to be acquired in order to fund any purchase.

As at the date of this disclosure, the SPV has no borrowings.

## Disclosure Principle 2: Interest Cover Ratio

*RG 46.71 – The RE should disclose the Fund's interest cover ratio calculated in accordance with prescribed formula.*

*RG 46.72 – The EBITDA and interest expense figures used to calculate the interest cover ratio should be consistent with those disclosed in the scheme's latest financial statements.*

*RG 46.74 – The RE should explain how investors can use the interest cover ratio to assess the Fund's ability to meet its interest payments.*

For the purposes of this RG 46 disclosure, the interest cover ratio is calculated by using the following formula:

$$\text{Interest cover ratio} = \frac{\text{EBITDA unrealised gains} + \text{unrealised losses}}{\text{Interest expense}}$$

Where EBITDA = earnings before interest, tax, depreciation and amortisation.

The interest cover ratio gives an indication of an entity's ability to meet interest payments on debt from its earnings. It is an important indication of financial health and key to analysing the sustainability and risks associated with the Fund's level of borrowing.

As at the date of this PDS, the Fund has no borrowings. However, as detailed in section 2 the SPVs in which the Fund invests will borrow up to 70% of TC of each property development used to secure any loan.

Interest expenses of the Fund are intended to be capitalised on credit facilities related to development projects, as the Fund is not expected to generate income during development to service the credit facility. The interest expense and loan principal will be paid from the development proceeds upon sale of the completed development. The terms of any loan facility entered in to will be such that interest is capitalised to reflect the nature of a development project.

### Disclosure Principle 3: Scheme Borrowing

*RG 46.78 – If a scheme has borrowed funds (whether on or off balance sheet) the RE should clearly and prominently disclose:*

- *for each borrowing that will mature in five years or less – the aggregate amount owing and the maturity profile in increments of not more than 12 months;*
- *for borrowings that will mature in more than five years – the aggregate amount owing;*
- *the amount (expressed as a percentage) by which either the operating cash flow or the value asset(s) used as a security for the facility must fall before the scheme will breach any covenants in any credit facility;*
- *for each credit facility;*
  - i. the aggregate undrawn amount;*
  - ii. the assets to which the facility relates;*
  - iii. the loan to-valuation and interest cover covenants under the terms of the facility;*
  - iv. the interest rate of the facility; and*
  - v. whether the facility is hedged;*
- *details of any terms within the facility that may be invoked as a result of scheme members exercising their rights under the constitution of the scheme;*
- *the fact that amounts owing to lender and other creditors of the scheme rank before investor's interests in the scheme.*

*RG 46.79 – If any of the Fund's borrowings or credit facilities are to mature within the next 12 months, the RE should make appropriate disclosure about the prospects of refinancing; or possible alternative actions (e.g. sales of assets or further fund raising).*

*RG 46.80 – The RE should explain any risks associated with the Fund's borrowing maturity profile, including whether borrowings have been hedged and, if so, to what extent.*

*RG 46.81 – The RE should disclose any information about Fund borrowing and breaches of loan covenants that is reasonably required by investors*

As at the date of this disclosure, the Fund has no borrowings.

However, as detailed in section 2.5 of the PDS, the Special Purpose Vehicles (SPVs) in which the Fund invests has the ability to borrow up to 70% of the TDC (total development cost) value of each property development to be acquired in order to fund any purchase.

It is intended that funds will be borrowed from Australian banks or other credit providers, and that interest will be capitalised.

Borrowings will be on a property-by-property basis and will be secured by the relevant property acquired by the Fund. However, in certain circumstances the Responsible Entity, upon instruction from the Investment Manager, may, at its discretion, use multiple properties to secure any debt facility or provide a general security interest to a financier over all of the Fund's assets.

Repayment of borrowings ranks ahead of Investor's interests in the Fund, and payment of interest on borrowings must be funded prior to any distributions being made to Investors.

As at the date of this disclosure, the SPV has no borrowings.

## Disclosure Principle 4: Portfolio Diversification

RG 46.87 – The RE should disclose the current composition of the Fund’s direct property investment portfolio, including:

- properties by geographic location, by number and value;
- non-development projects by sector (e.g. industrial, commercial, retail and residential) and development projects by number and value;
- for each significant property, the most recent valuation, the date of the valuation, whether the valuation was performed by an independent valuer and where applicable, the capitalisation rate adopted in the valuation;
- the portfolio lease expiry profile in yearly periods calculated on the basis of lettable area or income and, where applicable, the weighted average lease expiry;
- the occupancy rates of the property portfolio;
- for the top five tenants that each constitutes 5% or more by income across the investment portfolio, the name of the tenant and percentage of lettable area or income; and
- the current value of the development and/or construction assets of the scheme as a percentage of the current value of the total assets of the scheme.

RG 46.88 – Disclosure should cover the responsible entity’s investment strategy on these matters, including its strategy on investing in other unlisted property schemes, whether the scheme’s current assets conform to the investment strategy and an explanation of any significant variance from this strategy. A responsible entity should also provide a clear description of any significant non-direct property assets of the scheme, including the value of such assets.

The Fund will indirectly invest into property development projects in Australia focused on mainland capital cities and large regional locations. As at 31 March 2023, the Fund owns 100% of the issued shares of the Special Purpose Vehicle (SPV), IIF SPV 1 Pty Ltd which currently has two properties within its portfolio.

Entity	Geographic location	Number	Value
IIF SPV 1 Pty Ltd	Daglish, WA	2	\$ 1,814,546

As at 31 March 2023, deposits were paid to acquire two additional properties at Daglish WA, totalling \$166,439.

All of the Fund’s current development projects are residential development projects, totalling \$1,980,985, being the combined value of the settled property and deposits paid.

## Disclosure Principle 5: Related Party Transactions

RG 46.98 – REs that enter into transactions with related parties should describe related party arrangements relevant to the investment decision. The description should address:

- (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 or ASX listing rules – 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 exception applies, or relief has been granted;
- (d) whether scheme member approval for the transaction has been sought and, if so, when (e.g. if member approval was obtained before the issue of interests in the scheme);
- (e) the risks associated with the related party arrangement; and
- (f) whether the responsible entity is in compliance with its policies and procedures for entering into related party transactions for the particular related party arrangement, and how this is monitored.

Policies and procedures are in place to mitigate the risk of any actual or perceived conflict of interest, including as a result of a related party transaction - see Benchmark 5 above for more information.

The Administration Manager is a related party of the Responsible Entity. Fees payable to the Administration Manager are detailed in section 9 of the PDS. While the Responsible Entity reasonably considers the appointment of the Administration Manager to be on arms-length terms but does not guarantee that this is the case.

The Investment Manager and its subsidiaries (related-parties) may invest in the Fund.

The Responsible Entity may appoint its related parties or related parties of the Investment Manager from time to time to undertake functions for the Fund, including, for example, the role of developer, sales agent, lawyer, property manager or business operator. While not the Investment Manager's intention for the Fund, the Fund may also purchase properties from parties related to the Investment Manager. Such transaction will only be entered into if it is determined by the Responsible Entity that doing so is in the best interests of investors and on 'arms-length' terms or otherwise where the Responsible Entity seeks Investor approval prior to entering into such transactions. Where an investment Manager proposes that the Fund enter into a transaction with its related party and the terms of the transaction were not previously disclosed to investors, they are required to complete a notification form which initiates the Responsible Entity's review process.

The Investment Manager or any consultants or contractors engaged by it, either directly or through an SPV, may have a financial or other interest in other developments in proximity to any Project.

## Disclosure Principle 6: Distribution Practices

*RG 46.102 – If the Fund is making or forecasts making distributions to members, the RE should disclose:*

- (a) the source of the current distribution (e.g. cash from operations available for distributions, or from capital, or from unrealised revaluation gains);*
- (b) the source of any forecast distribution;*
- (c) whether the current or forecast distribution are sustainable over the next 12 months;*
- (d) if the current or forecast distribution is not solely sourced from cash from operations (excluding borrowings) available for distribution, the sources of funding and the reasons for making the distribution from these other sources;*
- (e) if the current or forecast distribution is sourced other than from cash from operations (excluding borrowings) available for distribution, whether this is sustainable over the next 12 months; and*
- (f) the impact of, and any risks associated with the payment of distributions from the scheme from sources other than cash from operations (excluding borrowings) available for distribution.*

Distributions are intended to be made to Investors in the Fund at the completion of each property development.

Any distributions will be sourced from cash from operations available for distribution and will not be sourced from borrowings or unrealised capital gains.

The amount of distribution income paid to Investors is based on the number of Units held at the end of each distribution period and is generally irrespective as to when the Investor was issued with their Units – see section 6.3 for more information about distributions.

## Disclosure Principle 7: Withdrawal Arrangements

*RG 46.104 – If investors are given the right to withdraw from the Fund, the RE should disclose a clear explanation of how investors can exercise their withdrawal rights, including any conditions on exercise. The RE should clearly disclose:*

- (a) whether the constitution of the Fund allows investors to withdraw from the Fund, with a description of the circumstances in which investors can withdraw;*
- (b) the maximum withdrawal period allowed under the constitution for the scheme (this disclosure should be at least as prominent as any shorter withdrawal period promoted to investors);*

- (c) any significant risk factors or imitations that may affect the ability of investors to withdraw from the scheme, or the Interest price at which any withdrawal will be made (including risk factors that may affect the ability of the RE to meet a promoted withdrawal period);
- (d) a clear explanation of how investors can exercise their withdrawal rights, including any conditions on exercise (e.g. specified withdrawal periods and scheme liquidity requirements); and
- (e) if withdrawals from the scheme are to be funded from an external liquidity facility, including any rights the provider has to suspend or cancel the facility.

RG 46.105 – Any material changes to withdrawal rights (such as if the RE knows that withdrawal requests will be suspended), through ongoing disclosure.

RG 46.106 – Responsible entities should also clearly disclose if investors have no withdrawal rights.

The Fund hold shares in the Special Purpose Vehicle (SPV), IIF SPV 1 Pty Ltd, which subsequently invest in the property market. As such, the Fund has indirectly invested in property.

Investment in property is by its nature an illiquid asset class and should always be viewed in the context of its long-term returns and diversification benefits within an overall investment portfolio. Typically, investors who allocate to direct property funds make a long-term investment.

Investors should treat the Fund as “illiquid” as there is no automatic right of redemption of Units. Withdrawal terms apply and are subject to the liquidity of the Fund and at the discretion of the RE.

Unitholders will have no right to withdraw from the Fund, other than in response to a Withdrawal Offer made by the RE, subject to Unitholders having been invested in the Fund for the Minimum Term.

Withdrawal Offers will be published on the Responsible Entity’s website, at [www.vascofm.com](http://www.vascofm.com).

Unitholders wanting to take advantage of a Withdrawal Offer must complete a Withdrawal Request form and return it to the RE.

Where there are insufficient funds to satisfy all Withdrawal Requests received in response to a Withdrawal Offer, Withdrawal Requests may be satisfied on a pro-rata basis.

For further details, see section 5.2 of the PDS.

There is no formal secondary market for units in the Fund. However, units in the Fund are transferable please see section 11.10 for more information.

## Disclosure Principle 8: Net Tangible Assets

RG 46.108 – the responsible entity of a closed-end scheme should clearly disclose the value of the net tangible assets (NTA) of the scheme on a per Interest basis in pre-tax dollars.

RG 46.109 – We consider that responsible entities should calculate the NTA of the scheme using the following formula:

$$NTA = \frac{\text{Net assets} - \text{intangible assets} \pm \text{any other adjustments}}{\text{Number of units in the scheme on issue}}$$

RG 46.111 – Responsible entities should also explain to investors what the NTA calculation means in practical terms and how investors can use the NTA calculation to determine the scheme’s level of risk.

The disclosure principle does not apply to this Fund as it only applies to closed-end schemes and this Fund is an open scheme.

The NTA can be utilised by investors to understand the value of the assets upon which the value of their unit is determined.

The Fund is an open-ended fund. Therefore, the original entry price that unitholders invested into the Fund varies depending on the timing of when they invested.

The Fund’s unit price is updated on a monthly basis.



## After Disclosure Date Events

As at the publication date of 15 June 2023, the following material events have occurred:

- Two further properties located in Darglish, WA for which the deposits were paid during March 2023, were settled. As such, the information in Disclosure Principle 8 is supplemented below:

Entity	Geographic location	Number	Value
IIF SPV 1 Pty Ltd	Darglish, WA	4	\$ 3,544,830

## Further Information

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