



Zank Income Fund

ARSN 637 888 307

ASIC RG45 Disclosure

As at 31 March 2024

DISCLAIMER

The responsible entity of the Zank Income 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 2024 and was published on or around 10 May 2024.

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 a copy of the PDS for 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 Responsible Entity Services Limited (**Vasco**), as responsible entity (**RE**) of the Zank Income Fund (**Fund**), presents the eight benchmarks and eight disclosure principles in this document in relation to 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 Fourth Supplementary Product Disclosure Statement dated 28 February 2023, the Fund's Third Supplementary Product Disclosure Statement dated 24 May 2022, the Fund's Second Supplementary Product Disclosure Statement dated 31 May 2021, the Supplementary Product Disclosure Statement dated 30 October 2020 together with the Product Disclosure Statement dated 30 January 2020 (collectively the **PDS**); and
- 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.

If you need help about investing generally, speak to a licensed financial adviser. The Australian Securities and Investments Commission ("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 and Disclosure Principle 1 – Liquidity

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

- demonstrate the scheme's capacity to meet its expenses, liabilities and other cash flow needs for the next 12 months;*
- are updated at least every three months and reflect any material changes; and*
- 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:

- the current and future prospects of liquidity of the scheme;*
- any significant risk factors that may affect the liquidity of the scheme; and*
- 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 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 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. As such the Responsible Entity does not undertake an approval process of cash-flow estimates at a board level, but will instead will review cash-flow estimates produced by the Investment Manager.

The Responsible Entity will redeem the Units of all Unitholders who have served their Minimum Investment Term (as set out in this PDS) and requested to withdraw from the Fund each calendar quarter, pursuant to a withdrawal offer made by the RE and subject to available liquidity in the Fund.

To the extent there have been any withdrawal requests, these will be communicated to the Investment Manager.

Where there are insufficient funds available in the Fund to satisfy all withdrawal requests, withdrawal 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 5.9 and 7.6 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 does not comply with this benchmark and disclosure principle.

The Fund currently has a number of sub-participation arrangements (SPA) in place. These are entered into from time to time where a related party of the Investment Manager participated in a loan facility made by the Zank Income Fund. These are

disclosed under section 2.5 of the PDS. These can be construed as “borrowings” and the Responsible Entity has elected to disclose them. The following SPA is in place; The participation commitment of Loan 2, \$8,100,000.00.

Under the Constitution, the Responsible Entity may borrow against the Fund’s assets on terms and conditions acceptable to the Responsible Entity. 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 6 assets in its fund portfolio that exceeds 5.0% of the total fund’s assets; the fund

has 5 single borrowers who exceed 5.0% of the fund's assets; and all loans made by the fund are secured by first and second 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 \$220,000.00 to \$10,800,000.00), by borrower and by borrower activity (development of commercial, retail, residential and specialised property).

The Fund 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 Investment Manager does not intend for the Fund 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.

The loan portfolio of the Fund as prepared by the Fund's Investment Manager as at 31 March 2024 is outlined as follows:

Loan	Total Facility Amount	Current Facility Amount (drawn down)	Ongoing or Repaid	Security	Loan Term	Class of Activity	Location (state)
1	\$1,750,000.00	\$1,750,000.00	Ongoing	First Ranking Mortgage	24 Months	Vacant land	VIC
2	\$10,800,000.00	\$10,800,000.00	Ongoing	First Ranking Mortgage	15 Months	Commercial	VIC
3	\$3,270,000.00	\$1,908,848.91	Ongoing	First Ranking Mortgage	27 Months	Construction	VIC
4	\$5,145,000.00	\$5,145,000.00	Ongoing	Second Ranking Mortgage	24 Months	Vacant land	VIC
5	\$400,000.00	\$400,000.00	Ongoing	Second Ranking Mortgage	18 Months	Construction	VIC
6	\$1,482,000.00	\$1,121,859.45	Ongoing	First Ranking Mortgage	12 Months	Construction	QLD
7	\$385,000.00	\$385,000.00	Ongoing	First Ranking Mortgage	6 Months	Vacant land	VIC
8	\$1,512,500.00	\$1,512,500.00	Ongoing	First Ranking Mortgage	12 Months	Residential	QLD
9	\$1,007,500.00	\$1,007,500.00	Ongoing	First Ranking Mortgage	12 Months	Residential	ACT

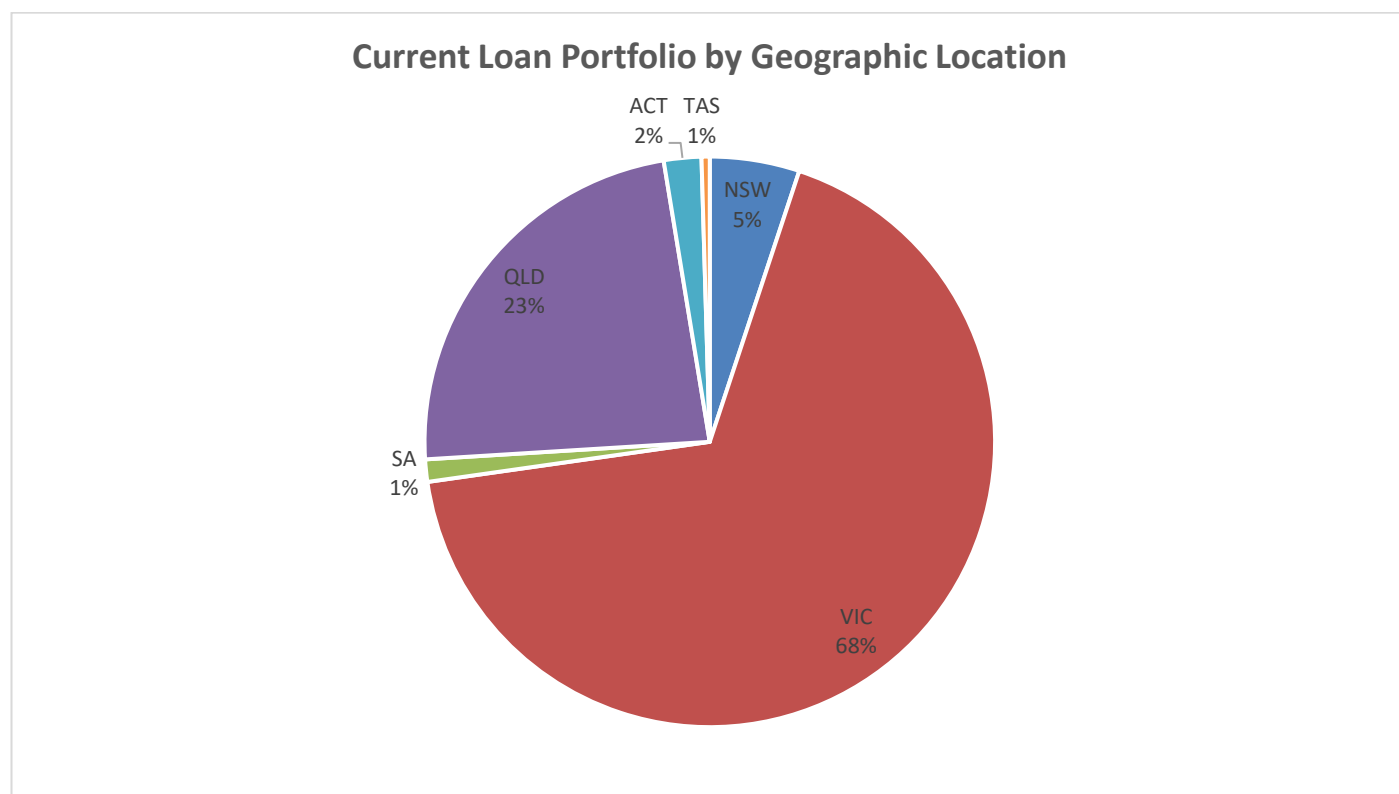
10	\$749,000.00	\$749,000.00	Ongoing	First Ranking Mortgage	12 Months	Residential	VIC
11	\$1,284,334.73	\$1,284,334.73	Ongoing	First Ranking Mortgage	N/A	Residential	VIC
12	\$3,000,000.00	\$3,000,000.00	Ongoing	Second Ranking Mortgage	24 Months	Vacant land	VIC
13	\$270,000.00	\$270,000.00	Ongoing	Second Ranking Mortgage	24 Months	Residential	VIC
14	\$1,065,000.00	\$1,065,000.00	Ongoing	First Ranking Mortgage	24 Months	Vacant land	NSW
15	\$3,094,000.00	\$2,794,621.00	Ongoing	First Ranking Mortgage	21 Months	Construction	QLD
16	\$5,000,000.00	\$5,000,000.00	Ongoing	First Ranking Mortgage	24 Months	Residential	QLD
17	\$220,000.00	\$220,000.00	Ongoing	First Ranking Mortgage	12 Months	Vacant land	TAS
18	\$1,705,000.00	\$1,705,000.00	Ongoing	First Ranking Mortgage	24 Months	Vacant land	VIC
19	\$1,320,000.00	\$1,320,000.00	Ongoing	First Ranking Mortgage	24 Months	Commercial	VIC
20	\$2,000,000.00	\$2,000,000.00	Ongoing	First Ranking Mortgage	24 Months	Residential	VIC
21	\$1,344,000.00	\$1,344,000.00	Ongoing	First Ranking Mortgage	24 Months	Commercial	NSW
22	\$600,000.00	\$600,000.00	Ongoing	First Ranking Mortgage	15Months	Vacant land	SA

The current Loan Portfolio as at 31 March 2024, has a total of 22 loans which have loan facilities with interest rates ranging from 9.75% to 20.00%.

The Fund's largest exposure is a loan of \$10,800,000.00 which represents 22.78% of the Loan Portfolio. The proportion of the total loan money that has been lent to the 10 largest borrowers is 78.64% of the Loan Portfolio.

The Loan to Valuation Ratio (LVR) also ranges from 36.47% to 100.00%.

As at 31 March 2024, the following diagram illustrates the Fund's loan portfolio by geographic location:



All loans to date have been secured by way of either a first or second registered 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 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 valuation policy is available by contacting the Responsible Entity, and information about specific portfolio valuation risk and diversification risks is disclosed at Sections 7.9 and 7.15 of the PDS respectively.

Benchmark and Disclosure Principle 4 – Related party transactions

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 complies with this benchmark and disclosure principle.

At present, the Fund does not lend, and does not intend to lend, to related parties of the Investment Manager or Responsible Entity. However, the terms of the Constitution do not preclude such loans being made. Should the Investment Manager decide to change the Fund's investment strategy to include related party loans, Investors will be notified.

The Investment Manager, or a related entity of the Investment Manager, may lend to borrowers alongside the Fund. In such circumstances, the Investment Manager has committed to not lending to any borrower on better terms than those negotiated for the Fund.

Where a loan sought by a borrower meets the Fund's Investment Guidelines and the Investment Manager's own personal lending guidelines, then the Investment Manager will take into account a range of factors and act in good faith to ensure the Fund isn't disadvantaged.

The Investment Manager will consider a range of factors, including but not limited to:

- Availability of capital
- Cash and liquidity available and any future liquidity requirements (including any Withdrawal Requests and quarterly distributions)
- Other lending opportunities that may be or become available

Related parties of the Investment Manager may invest in some of the loans in the Fund's portfolio via participation arrangements with Perpetual Corporate Trust Limited as custodian for the Fund (the "Lender").

Under these arrangements, the Lender will have no obligation to make any payment to any participant unless and until it receives payment of principal or interest from or on behalf of the relevant borrower pursuant to the loan documentation.

The participation arrangements will give the participant a right to share in the financial effects of the relevant loan/s but without granting any direct rights against a borrower or any other obligor or their respective assets.

Any right, power, discretion or remedy of the Lender, a receiver or any attorney under any loan documentation or applicable law, is at the Lender's absolute discretion. For example, a participant will have no control over how the Lender chooses to handle a default by a borrower under the loan documentation.

Any participant will be liable to the Lender for the participation proportion of any costs and expenses which are not recovered by the Lender from the obligors and the Lender may set-off those liabilities against any other moneys payable to the relevant participant at any time under the participation arrangements

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 valuation policy may be updated from time to time and is available by contacting the Responsible Entity. The Fund also discloses specific valuation risk at Section 7.15 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 complies with this benchmark and disclosure principle.

The Fund can lend up to 70% of the ‘as if complete’ valuation in respect of loans made for construction purposes (and paid to the borrower in stages) and up to 70% of the latest ‘as is’ market valuation for loans made for pre-construction purpose.

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.

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).

The Target Return is a target only and is not a guaranteed distribution. Some of the key factors which could have a material impact on the Fund achieving the Target Return include:

- Interest rate movements
- Default loans
- Asset allocation
- Undeployed capital.

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:

- the scheme's withdrawal policy and any rights that the responsible entity has to change the policy;*
- the ability of investors to withdraw from the scheme when it is liquid;*
- the ability of investors to withdraw from the scheme when it is non-liquid;*
- any significant risk factors or limitations that may affect the ability of investors to withdraw from the scheme;*
- how investors can exercise their withdrawal rights, including any conditions on exercising these rights;*
- the approach to rollovers and renewals, including whether the 'default' is that investments in the scheme are automatically rolled over or renewed;*
- 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;*
- the maximum withdrawal period that applies to the payment of withdrawal requests when the scheme is liquid;*
- any rights the responsible entity has to refuse or suspend withdrawal requests; and*
- 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:

- the grounds (which must be verifiable) for the statement;*
- the supporting assumptions (which must not be hypothetical only) for the statement;*
- 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*
- 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 Investors 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. Investors 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 withdrawal request is accepted by the Responsible Entity. Where there are insufficient funds available in the Fund to satisfy all withdrawal requests, then withdrawal 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.

Withdrawals are not funded from an external liquid facility; however, the Investment Manager 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 Investor 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 5.9 of the PDS, in certain circumstances the Responsible Entity may delay or suspend withdrawals from the Fund for such period as it determines necessary to protect all investments. A delay in meeting an Investor’s withdrawal request is possible where there are a significant number of withdrawal 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 Section 7.6 of the PDS.

This ASIC benchmark requires that if the Fund promotes a fixed withdrawal 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 withdrawal Unit Price for investments. As at 31 March 2024, current or potential losses, impact the unit price of the Fund and where there is uncertainty of the likely value of certain loans it also impacts the Responsible Entity’s ability to calculate the unit price with accuracy and confidence. As at 31 March 2024, the RE is not able to ascertain the unit price of the Fund. The valuation of the fund is pending clarification of the value of certain loans. The Responsible Entity has decided to temporarily suspend redemption and applications to the Fund until such a time as the veracity of the carrying value of the portfolio can be determined.

After Disclosure Date Events

As at the publication date, the following matters or circumstances have arisen since 31 March 2024 which significantly affect or may significantly affect the disclosures found in this document.

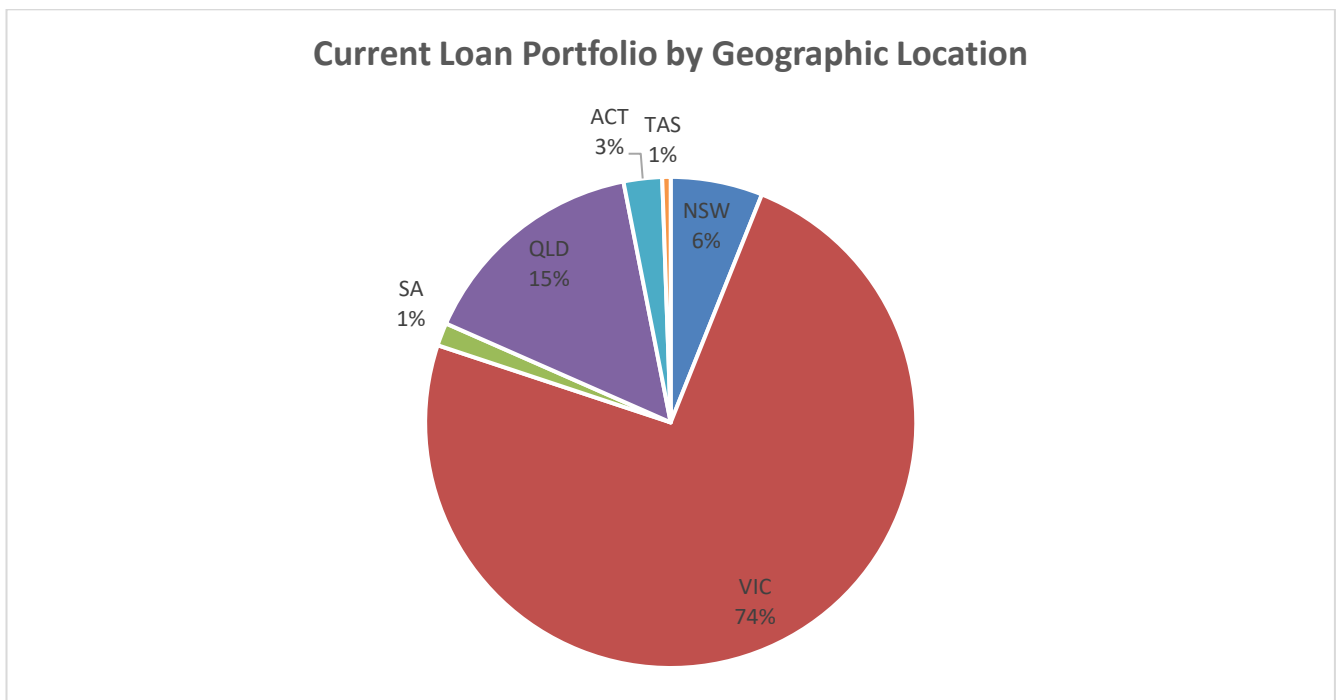
Some additional loans have been made as follows:

Loan	Total Facility Amount	Current Facility Amount	Ongoing or Repaid	Security	Loan Term	Class of Activity	Location (state)
23	\$238,000.00	\$238,000.00	Ongoing	First Ranking Mortgage	6 months	Residential	VIC

24	\$143,000.00	\$143,000.00	Ongoing	First Ranking Mortgage	6 months	Residential	VIC
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- Additional new loans were made on the 10/04/2024 (Loan 23 and Loan 24)
- Loan 18 and 19 were repaid during the month of April 24 with the final instalment received in the Funds bank account on the 03/05/2024.
- The principal Loan amount for Loan 16 was repaid on the 17/04/2024
- The Fund’s largest exposure is a loan of \$10,800,000.00 which represents 27.16% of the Loan Portfolio. The proportion of the total loan money that has been lent to the 10 largest borrowers is 84.00% of the Loan Portfolio.
- The Loan to Valuation Ratio (LVR) also ranges from 36.47% to 100.00%.
- The Fund has been temporarily closed to new applications and redemptions pending clarification of the value of the loans.
- Owing to the various defaults being actively managed by the Investment Manager having an impact on the Fund’s ability to receive interest payments from borrowers, the Fund has paid distributions for the 31 March 2024 quarter at 3% p.a.
- Should the ongoing defaults and loans under receivership remain unresolved, the Fund’s ability to meet its Target Return is likely to remain uncertain over the next 12 to 18 month period.

The following diagram illustrates the Fund’s current loan portfolio by geographic location:



Default Management

The below defaults within the portfolio are being actively managed by the Investment Manager:

Loan	Total Facility Amount	Current Facility Amount	Ongoing or Repaid	Security	Loan Term	Class of Activity	Location (state)
2	\$10,800,000.00	\$10,800,000.00	Ongoing	First Ranking Mortgage	15 Months	Commercial	VIC
3	\$3,270,000.00	\$1,908,848.91	Ongoing	First Ranking Mortgage	27 Months	Construction	VIC
6	\$1,482,000.00	\$1,121,859.45	Ongoing	First Ranking Mortgage	12 Months	Construction	QLD
11	\$1,284,334.73	\$1,284,334.73	Ongoing	First Ranking Mortgage	N/A	Residential	VIC
22	\$600,000.00	\$600,000.00	Ongoing	First Ranking Mortgage	15 Months	Vacant land	SA

- Receivers have been appointed for loans 2, while agents for mortgagee in possession have been appointed for loans 3, 6 & 11.
- The receivers are currently managing the recovery of these loans and the realisation of the assets to recover max value for the Fund.

Further Information

For further information on the Fund, please contact us on +61 3 8352 7120 or visit our website www.vascofm.com.