

Information Memorandum

Sydney Metro Fund

Trustee

One AR Pty Ltd ACN 602 601 776

Manager

Sydney Metro Properties Pty Ltd ACN 111 327 747

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Important notice

This Information Memorandum (IM) is dated 10 December 2019 and is issued by One AR Pty Ltd ACN 602 601 776 (Trustee, we or us), which is the trustee of the Sydney Metro Fund (Fund). The purpose of this IM is to provide information for prospective Investors to decide whether they wish to invest in the Fund.

The Trustee is an authorised representative (authorised representative number 471702) of One Investment Administration Ltd ACN 072 899 060 (AFS Licence no. 225064) (Licensee).

The Trustee has appointed Sydney Metro Properties Pty Ltd ACN 111 327 747 (Manager) as the investment manager of the Fund.

The Licensee will appoint the Manager as an authorised representative on or about the date of the IM.

WHOLESALE INVESTORS ONLY

This Offer is available to wholesale investors only. We will not issue Units to you unless we are satisfied you invest at least \$500,000 into the Fund, you meet the minimum asset (\$2.5 million of net assets) or income (\$250,000 of gross income for the last two financial years) requirements, or you otherwise satisfy us you are a wholesale client for the purposes of Chapter 7 of the Act (including being a professional investor within the meaning of the Act).

FOREIGN JURISDICTIONS

This Offer is available to investors in Australia only. This IM does not constitute an offer in any jurisdiction other than Australia and the distribution of this IM outside of Australia may be restricted by law. If you come into possession of this IM in another jurisdiction you should seek your own advice, and observe any such restrictions of the laws of that jurisdiction. We will take your return of a duly completed Application Form to constitute a representation and warranty by you that there has been no breach.

NOT INVESTMENT ADVICE. SEEK YOUR OWN FINANCIAL ADVICE

We have prepared this IM without taking account of your investment objectives, financial situation or needs. This IM does not contain investment, legal, tax or immigration advice, nor is it a recommendation or opinion on the merits of investing in the Fund. You should seek professional advice and conduct your own investigation and analysis regarding the information contained in this IM. Investment in the Fund is speculative and may not be appropriate for you. You should consider the appropriateness of investing in the Fund having regard to your objectives, financial situation and needs.

NOT A PRODUCT DISCLOSURE STATEMENT (PDS) OR PROSPECTUS

The Fund is an unregistered managed investment scheme and the regulated fundraising requirements of the Act do not apply to the Offer. This IM is not a PDS within the meaning of the Act. Accordingly, this IM does not contain the same level of disclosure required for registered managed investment schemes that issue PDSs. We have prepared this IM on the express basis it does not purport to contain all of the

information you may require to make an informed decision about whether or not to invest in the Fund.

You should read this IM carefully in full before investing. This IM must be read in conjunction with the Fund's Constitution for further information about your rights and obligations as an investor in the Fund and our rights and obligations as the trustee of the Fund. If there are inconsistencies between this IM and the Constitution, the Constitution will prevail.

Statements made in this IM are made at the date of this IM. Under no circumstance does the delivery of this IM at any time or the issue of any Units in the Fund create an implication the information contained in this IM is correct at any other time subsequent to such date.

DISCLAIMER

We do not guarantee the performance of the Fund, the repayment of capital or any income or capital return; and nor does the Manager or any of our respective directors, associates or advisors.

To the extent permitted by law, neither we nor our directors, associates and advisors, nor the Manager and its directors, associates and advisors, represent or warrant (expressly or impliedly) the information in this IM is complete, true and correct and not misleading or likely to be misleading, or are responsible or in any circumstance liable for any statement made in this IM. You should make your own enquiries to ascertain the accuracy of any information upon which you intend to rely.

There are usually differences between forecast and actual results because events and actual circumstances frequently do not occur as forecast and these differences may be material. The actual outcomes are dependent on future events which may be radically different from those predicted for reasons outside our or the Manager's control. It is particularly important you carefully consider the risk factors that could affect the performance of the Fund in light of your personal circumstances before making an investment decision.

CONFIDENTIALITY

This IM is provided on a strictly confidential basis solely for your information and exclusive use to assess an investment in the Fund and may not be used for any other purpose. This IM may not be copied, reproduced, republished, posted, transmitted, distributed, disseminated or disclosed, in whole or in part, to any other person in any way without our prior written consent, which we may withhold in our absolute discretion. By accepting this IM, you agree you will comply with these confidentiality restrictions and acknowledge your compliance is a material inducement to us providing this IM to you.

GLOSSARY AND FINANCIAL DETAILS

Capitalised terms are defined in the Glossary and all references to dollar amounts are to Australian Dollars (AUD), unless otherwise stated.

DIRECTORY

Trustee

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Registrar

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Email: info@oneregistryservices.com.au

Key features

The following is a summary of the Offer and is not intended to be exhaustive. Refer to the relevant section of the IM for detailed information. You should read the IM in its entirety.

Overview		Refer to section
Fund	Sydney Metro Fund	2.1
Trustee	One AR Pty Ltd ACN 602 601 776	1.1
Manager	Sydney Metro Properties Pty Ltd ACN 111 327 747	1.2
Investment strategy	<p>The Fund is a pooled mortgage fund, which will invest in a portfolio of Loans sourced by the Manager, comprised of:</p> <p>(a) Loans secured predominantly by registered first Mortgages, with potential investment in a smaller selection of Loans secured by second ranking Mortgages (Property Loans).</p> <p>(b) Loans to business that are not secured by real property Mortgages but will be secured by other forms of security, including general security agreements and directors guarantees (Business Loans).</p> <p>Because the Fund is pooled, you will not have the opportunity to select specific Loan investments.</p> <p>All Loans made by the Fund will be in accordance with the Fund's Lending Guidelines. See section 3 below for further information.</p> <p>The Fund may also invest in Loans indirectly by acquiring interests in other managed investment products, provided that the loans made by these products also comply with the Lending Guidelines</p> <p>The Fund may also invest in cash held by Australian deposit taking institutions (including negotiable certificates of deposit, bank bills and other cash-like instruments). The Fund may do so directly, or indirectly by investing in other managed investment schemes which make these types of investments.</p>	3.1
Investment return objectives	<p>The investment return objectives of the Fund are as follows:</p> <p>(a) Regular income distributions.</p> <p>(b) The opportunity to access mortgage-secured investments through a professionally managed structure.</p> <p>(c) Provide Investors an average total return (income and capital) equal to the RBA Cash Rate plus 6.25% per annum (annualised, and after all fees and costs but before tax).</p> <p>The target return is not a forecast and is not guaranteed. The actual total</p>	2.3

Overview		Refer to section
	return may rise or fall.	
Who can invest?	This Offer is open only to wholesale investors as defined in the Act. See section 2.2 and the Application Form for further details.	2.2
Unit price	<p>The Unit price under this IM is \$1.00 and it is expected the Unit price will remain stable at \$1.00 per Unit over time. However the Unit price is calculated in accordance with the Constitution and is based on the value of the underlying assets of the Fund.</p> <p>Therefore, if there is a loan default and the Fund suffers a loss as a result, then the Unit price will be reduced.</p> <p>The current Unit price is available by contacting the Registrar.</p>	2.5
Minimum investment amounts	<p>Provided you qualify to invest in the Fund, you must make a minimum initial investment of \$200,000 to participate in the Fund (or such lower amount as we accept at our discretion). For existing Investors, subsequent investments must be in increments of \$50,000 (or such lower amount as we accept at our discretion).</p>	2.4
Allotment	Units will generally be issued monthly.	
Distributions	<p>The Trustee intends that income distributions will be paid on a monthly basis. However, please note income distributions are not guaranteed.</p> <p>Income distributions will be paid to your nominated bank account unless you elect to participate in the distribution reinvestment plan in the space provided in the Application Form.</p>	2.9
Fund Investment Term	<p>The Fund itself will not have a fixed investment term or life. This means neither the Trustee nor Manager are able to give any assurance regarding when the fund might end and be wound up.</p> <p>Investors wishing to exit the Fund may make a withdrawal request, however the ability of the Trustee to respond to a withdrawal request depends on a number of factors. See section 2.10 for more information on how withdrawal requests are managed.</p>	
Withdrawals	<p>The first 18 month period of an investment in the Fund by an Investor is referred to as the Investment Term. You cannot withdraw a Unit during the Unit's Investment Term.</p> <p>When you invest in the Fund, the Investment Term for each Unit you subscribe for begins on the first day of the month following the month in which that Unit is issued and runs for 18 months. If you invest on multiple different occasions, then each investment will have its own Investment Term.</p> <p>Once an Investment Term has expired, you may withdraw some or all of those Units at the end of a six month period (ending on 30 June and 31</p>	2.10

Overview

Refer
to
section

December each year).

To do this, you must provide at least 60 days' notice to the Registrar of your application to withdraw those Units from the Fund. However, withdrawals will be entirely dependent upon whether there is sufficient liquidity available. **Please note neither the Trustee nor the Manager guarantee there will be sufficient liquidity available at any particular time to meet all withdrawal requests, and so you may be unable to withdraw some or all of your investment.**

The Fund will invest in loans secured over real property, which is an illiquid asset class. The Fund will therefore primarily be illiquid, and the ability to withdraw from the Fund will be entirely dependent on whether there is surplus cash available. The Trustee will not borrow to satisfy withdrawal requests. **You should therefore regard this investment as a long-term investment.**

Risks	Like any investment of this type, there are risks associated with investing in the Fund. Distributions are not guaranteed, nor are any capital returns. For further information about the specific risks associated with the Fund, see section 4.	4
Fees and costs	There are fees and costs (plus GST) payable in relation to the management of the Fund. See section 5 for information.	5
Tax	Please obtain your own independent tax advice before investing in the Fund.	6

1. Management of the Fund

1.1 *About the Trustee*

One AR Pty Ltd has extensive experience as a corporate trustee, and is a professional trustee.

One AR Pty Ltd is a member of the One Investment Group (OIG). OIG is an independent Australian funds management business that focuses on providing responsible entity, trustee and other services associated with funds management. OIG operates a number of entities that, pursuant to the Act, are licensed to conduct financial services businesses and to act as responsible entities for registered schemes and as trustees for unregistered schemes.

OIG is responsible for in excess of 200 funds and \$25 billion in a wide range of underlying asset classes including infrastructure, real estate, equities, fixed income, private equity and fund of funds. OIG is not a fund manager and its clients include global and Australian listed companies, sovereign wealth funds, banks, insurance companies, pension funds, private equity firms and boutique managers.

One AR Pty Ltd is an AFS authorised representative (number 471702) of One Investment Administration Ltd ACN 072 899 060, the holder of AFS licence number 225064.

1.2 *About the Manager*

We have appointed Sydney Metro Properties Pty Ltd ACN 111 327 747 as the investment manager of the Fund.

The Manager has been responsible for management of a wide variety of property assets including, residential, commercial, industrial and construction. The Manager also has substantial experience in the lending market place having secured and/or placed hundreds of millions of dollars in debt finance.

1.3 *Managing Director – Frank Vrachas*

The Manager Sydney Metro Properties Pty Ltd is headed by Frank Vrachas, a founding partner of a top 100 Chartered Accounting firm, as listed in the Australian Financial Review, located in Sydney. He has been a practicing chartered accountant for 35 years and is a fellow of the Institute of Chartered Accountants, a Certified Practising Accountant, a fellow of the Taxation Institute of Australia and is a registered company auditor and tax agent.

2. Fund overview

2.1 Fund structure

The Fund is an unregistered managed investment scheme structured as a unit trust that offers you the opportunity to invest in a range of Loans secured by either by registered first or second Mortgages or Loans made to businesses and secured over the assets of the business.

We do not intend to register the Fund with ASIC as a registered managed investment scheme or to list the Fund on a secondary market such as the ASX.

Investment in the Fund is governed by the Fund's constitution and the general law of Australia. Please refer to section 7.1 of this IM for a summary of Investors' rights and obligations under the Constitution.

2.2 Wholesale investors only

This Offer is available to wholesale investors only. We will not issue Units to you unless we are satisfied you invest at least \$500,000 into the Fund, you meet the minimum asset (\$2.5 million of net assets) or income (\$250,000 of gross income for the last two financial years) requirements, or you otherwise satisfy us you are a wholesale client for the purposes of Chapter 7 of the Act (including being a professional investor within the meaning of the Act).

2.3 Investment return objectives

The investment return objectives of the Fund are as follows:

- (a) Regular income distributions.
- (b) The opportunity to access secured investments through a professionally managed structure.
- (c) Provide investors an average total return (income and capital) equal to the RBA Cash Rate plus 6.25% per annum (annualised, and after all fees and costs but before tax).

These investment return objectives are not forecasts, and the Fund may not be successful in meeting its objectives. Returns are not guaranteed, nor is the return of capital.

2.4 Minimum investment amounts

Provided you qualify to invest in the Fund, you must make a minimum initial investment of \$200,000 (or such lower amount as we accept at our discretion). For existing Investors, subsequent investments must be in increments of \$50,000 (or such lower amount as we accept at our discretion).

2.5 Price of Units

The Unit price will be \$1.00 per Unit, unless we determine this price does not appropriately reflect the value of the Fund's underlying assets.

Therefore, if there is a loss in the value of the Fund's assets (e.g., in the event of defaults under the Loans) then the Unit price may be significantly reduced.

The current Unit price is available by contacting the Registrar.

2.6 Issue of Units

Units will be issued monthly, after both the Application Form and Application Money have been received from each applicant and accepted by the Registrar on behalf of the Trustee.

If the Trustee does not receive the Application Money in cleared funds and/or is not satisfied that it has received all relevant information required to process the Application Form, then the Trustee may refuse to accept a prospective Investor's application.

Confirmation of an investment will generally be issued within five Business Days of the investment being processed.

2.7 Classes of Units

The Units offered under this IM are ordinary units in the Fund.

The Trustee may issue new classes of Units in the Fund at any time and these different classes may have different terms and rights attached to them, such as different fees, investment amounts, returns and withdrawal rights.

2.8 Investment by the Manager

The Manager has the opportunity to acquire Units in the Fund. These Units will be issued on the same terms as other Units issued to Investors under the terms of this IM. Some or all of the Units acquired by it may be funded in lieu of fees payable to it, at the Manager's discretion.

2.9 Distributions

As an Investor and holder of Units you are entitled to participate in income generated by the Fund's assets.

The Manager intends distributions will be calculated and paid monthly, within seven Business Days of the end of each calendar month.

If a distribution is paid, you will receive a proportion of the Fund's income based on the number of Units you hold in relation to the total number of Units on issue and the number of days you have held the Units for during the month.

If payable, distributions will be paid to your nominated account, unless you elect to participate in the distribution reinvestment plan in the space provided in the Application Form. You can change your election at any time by providing 30 days prior notice to the Registrar. The Registrar may waive this notice period at its discretion.

There is no guarantee distributions will be paid.

2.10 Withdrawals

The first 18 month period of an investment in the Fund by an Investor is referred to as the Investment Term. You cannot withdraw a Unit during the Unit's Investment Term.

When you invest in the Fund, the Investment Term for each Unit you subscribe for begins on the first day of the month following the month in which that Unit is issued and runs for 18 months. If you invest on multiple different occasions then each investment will have its own Investment Term.

Once an Investment Term has expired, you may withdraw some or all of those Units at the end of each six month period, ending 30 June and 31 December each year. You must provide at least 60 days' notice to withdraw those Units from the Fund. Withdrawals are dependent upon whether there is sufficient liquidity available. **Please note neither the Trustee nor the Manager guarantee there will be sufficient liquidity available at any particular time to meet all withdrawal requests, and you may be unable to withdraw some or all of your investment. The Fund will invest in loans secured over real property, which is an illiquid asset class.** The Fund will therefore primarily be illiquid, and the ability to withdraw from the Fund will be entirely dependent on whether there is surplus cash available (for example, from the Manager subscribing for Manager Units). Redemption proceeds will not be funded from borrowings. **You should therefore regard this investment as a long-term investment.**

The following table illustrates the withdrawal cycle of the Fund and the relevant cut-off dates each year:

Period ending:	Withdrawal request cut-off dates*:
30 June	5.00pm on 30 April
31 December	5.00pm on 31 October
*Where the cut-off date for a period is not a Business Day, then the cut-off date will be the Business Day immediately prior.	

To make a withdrawal request (after the first 18 month period), complete a withdrawal request form available at <http://www.oneregistryservices.com.au/investors/> and send it to the Registrar.

The Fund aims to pay any withdrawals within 30 Business Days after the end of the relevant period.

Withdrawal proceeds will be electronically transferred to your nominated bank account. Please note that bank charges may apply.

If you have made a withdrawal request and we are unable to accept all withdrawal requests from Investors for a given period, then the following will apply:

- (a) Withdrawal requests for that period will be satisfied on a pro-rata basis, which means you and other Investors who have made a withdrawal request for this period will continue to hold some Units in the Fund.
- (b) Investors with unsatisfied or partially unsatisfied withdrawal requests may, at their election, participate in future period withdrawals by lodging a further withdrawal request form in the manner described above. These withdrawal requests will not be satisfied in priority to withdrawal requests made by other Investors in that subsequent period.
- (c) If we have had to pro-rata withdrawal requests for three consecutive period then we will consult with the Manager on the Fund's investment strategy, the status and performance of the Fund's Loans and other assets and the Fund's current and prospective liquidity.
- (d) If we have had to pro-rata withdrawal requests for six consecutive quarters then we may determine to wind up the Fund.

2.11 *Transfer of Units*

There will not be any established secondary market for the sale of Units. If you want to sell your Units, we may endeavour to assist you; however, we are not required to do so. We may, at our discretion, refuse to register any transfer of Units.

2.12 *Borrowings*

While it not currently envisaged the Fund will borrow, the Fund may borrow from time to time where the Trustee, at its discretion and in consultation with the Manager, decides it may be in the interests of Investors to do so.

3. Investment overview

3.1 Overview

The Fund is a pooled mortgage fund, which will provide you with the opportunity to invest in a range of Loans sourced by the Manager. All Loans will be secured, either by registered first or second Mortgages or other forms of security (Security Interests). Because the Fund is pooled, you will not have the opportunity to select specific Loan investments.

Loan proceeds may be used for—

- (a) acquisition of assets (including property and equipment)
- (b) refinance existing lending facilities (which may include the refinancing of Business Loans made by the Manager or by its related or associated parties)
- (c) access equity in property asset for any worthwhile purpose including payment of tax debt
- (d) short-term business cash flow requirements
- (e) bridging finance, and
- (f) financing construction and the development of real property.

Loans must be used for commercial and business purposes only and may not be used for consumer purposes (for example, purchase of an individual residential property).

All Loans made by the Fund will be in accordance with the Lending Guidelines (see Section 3.3 below).

The Fund may also invest in Loans indirectly by acquiring interests in other managed investment products, provided that the loans made by these products also comply with the Lending Guidelines.

The Fund may also invest in cash held by Australian deposit taking institutions (including negotiable certificates of deposit, bank bills and other cash-like instruments). The Fund may do so directly, or indirectly by investing in other managed investment schemes which make these types of investments.

3.2 Guiding principles

The Manager undertakes a detailed due diligence process in reviewing investment opportunities on behalf of the Fund to assess the risk / reward profile of each Loan having regard to a number of factors including the following:

- (a) The character and financial and operating capacity of Borrowers.
- (b) The quality and value of the Loan.
- (c) The value of the underlying security property.

All Loan investment decisions will be based on the Manager's assessment of the risk-adjusted returns over the term of the Loan. All Loans, Borrowers and Mortgages are assessed under the Lending Guidelines, which are described below.

In addition, each Loan will be properly documented and appropriately secured following an assessment of the purpose, servicing capability of the Borrower, valuation, insurance and management protocols proposed for each Loan.

More detail of the analysis and evaluation process undertaken by the Manager is set out in Section 3.5.

3.3 Lending Guidelines—key terms

The following table provides a summary of the Lending Guidelines, which are maintained by the Manager. Depending on the Manager's views as to market conditions, property market cycles and

various other factors, these parameters may vary from time to time. They may be altered without providing notification to you.

Borrowers	<p>Corporates and individuals that satisfy the lending criteria of the Manager.</p> <p>The assessment process will consider a Borrower's credit worthiness, character and competency to properly manage their business affairs and the security (i.e., Mortgage and if applicable Security Interest(s) they can offer in respect of the Loan).</p>
No related party Loans	<p>The Fund will not make Loans to related parties of the Manager or the Trustee.</p> <p>However, it is likely that the Borrowers will be known to the key person of the Manager through this business dealings, including that they may be clients of the accounting practice of the key person of the Manager.</p>
Loan Types	<p>The Fund will only make the following types of Loans:</p> <ul style="list-style-type: none"> • Property Loans secured by registered first Mortgages. • Property Loans secured by registered second Mortgages, provided the LVR of the Loan plus any senior loan is less than 70 percent. • Business Loans secured by Security Interest(s). <p>The target allocation between the different types of Loans is as follows:</p> <ul style="list-style-type: none"> • First ranking Mortgage Property Loans: 70% to 100% of the Fund's assets. • Second ranking Mortgage Property Loans: 0 to 20% of the Fund's assets. • Business Loans: 0 to 20% of the Fund's assets. <p>These allocations are a guide only and actual allocations may vary from time-to-time. It may take some time (up to 12 months following the initial issue of Units) until the target allocation is achieved.</p>
Purpose of Loans	<p>Loan proceeds may be used for:</p> <ul style="list-style-type: none"> • Acquisition of assets (including property and equipment). • Refinance existing lending facilities (which may include the refinancing of Business Loans made by the Manager or by its related or associated parties) • Access equity in property asset for any worthwhile purpose including payment of tax debt • Short-term business cash flow requirements. • Bridging finance. • Financing construction and the development of real property. <p>Loans must be used for commercial and business purposes only and may not be used for consumer purposes (for example,</p>

	purchase of an individual residential property).
Property sectors	Acceptable property against which the Fund secures Loans may be commercial, retail, industrial, residential, or vacant land.
Geographical location	Properties or businesses for which the Fund advances Loans may be located anywhere in Australia. However, it is anticipated projects will be primarily located in the eastern seaboard capital cities.
Targeted minimum and maximum Loan amounts	<p>The targeted minimum and maximum amount of a Loan will be as follows:</p> <ul style="list-style-type: none"> • First Mortgage—minimum of \$500,000 and maximum of \$1.5 million. • Second Mortgage— minimum of \$250,000 and maximum of \$1 million. • Business Loan—minimum of \$100,000 and maximum of \$250,000.
Loan to value ratio (LVR)	The maximum LVR will be 70% of the value of a security property, however the Manager will aim to ensure (but does not guarantee) the average LVR will be 65% of the value of the security properties.
Term	<p>The maximum initial term of a Loan will be two years. Borrowers will have the opportunity to extend this period, subject to consideration by the Manager.</p> <p>Once repaid, prepaid or cancelled, the Loan is not available for re-drawing.</p>
Interest rate & terms	<p>The interest rate will be as negotiated between the Manager and the Borrower; however, the Manager expects the typical interests rates to be as follows:</p> <ul style="list-style-type: none"> • Property Loans—between 8% and 15% per annum. • Business Loans—10% to 15% per annum. <p>Generally, interest will accrue daily and be paid monthly in arrears.</p>
Default terms	Standard events of default including failure to pay amounts when due, breach of financial covenants and the insolvency of the Borrower.
Mortgages	<p>The Fund intends to hold predominantly first ranking Mortgages for all Property Loans. However, the Fund may make Property Loans secured by second ranking Mortgages provided the Loan complies with the remainder of the Lending Guidelines.</p> <p>All Mortgages will be registered with the relevant land titles office.</p> <p>Note: at the date of this IM there is no credit committee and all investment recommendations to the Trustee are made by Frank</p>

Vrachas.

Security Interest	In addition to the Mortgages in respect to real property, the Trustee may take other forms of security to secure the repayment of the Loan, referred to as Security Interests. These may include general security agreements (i.e., security over all personal property of the security provider), specific security agreements (i.e., security over specific property of the security provider such as shares, units in a trust or a bank account), corporate guarantees or directors' guarantees.
Fees charged to Borrower	The Manager may charge fees to a Borrower, such as commitment fees, establishment fees, loan management fees and line fees. These will be paid by the relevant Borrower and not by the Fund.
Other key requirements	Typical representations, warranties, undertakings and events of default, including restrictions on the Borrower disposing of the security property or incurring additional financial indebtedness.

3.4 ***Loan selection and assessment process***

The Manager will be responsible for undertaking the assessment of any Loans proposed to be made by the Fund, having regard to the Lending Guidelines outlined above.

3.5 ***Analysis and evaluation***

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

The Manager will assess the merits of each prospective Borrower and the associated risks. The analysis will take into account a set of criteria including available security, the precise nature of the security property, LVR, evidence of capacity to service the Loan, and the prospective Borrower's creditworthiness and character.

The risks can be described in four broad categories as follows:

- (a) Security Risk—the Manager must assess the character and geographic suitability of the proposed security property.
- (b) Borrower risk—the focus here is on the specific profile of the Borrower and its business and legal status. This includes the size of the Loan compared with the Borrower's net worth, historical project and financial performance, its revenue and cashflow streams and, depending on the nature and timeline for the investment, the Borrower's ability to refinance and the Borrower's character.
- (c) Servicing Risk—the ability of the Borrower to meet loan commitments which brings into focus the income and cashflow sources of the Borrower.
- (d) Saleability risk—the exit strategy at the Loan conclusion including the ability of the Borrower to sell the security property, the end value of the asset and the ability of the Borrower to refinance.

As the Fund grows in size (for example, once it reaches \$15 million in funds under management), the Manager may convene a credit committee that will be responsible for assessing each Loan opportunity following recommendation from the Manager and the ongoing assessment of credit risk for the Fund. The credit committee will consist of Frank Vrachas and at least one other experienced

professional. Note: at the date of this IM there is no credit committee and all investment decisions are undertaken by Frank Vrachas.

3.6 *Ongoing management of Loans*

After a Loan is made, the Manager is responsible for the day-to-day and ongoing management of the Loan. It will provide regular reports to the Trustee in relation to individual Loan performance, including in respect of payment and collection of interest, compliance with Loan covenants and conditions.

If a Borrower defaults, then any enforcement proceedings commenced against a defaulting Borrower will be decided by the Trustee in consultation with the Manager.

3.7 *Valuation policy*

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

It is anticipated that at the time of each Loan advance the valuation of the relevant security property will not be older than six months, however this is not guaranteed by the Manager.

An updated valuation will be obtained at least every two years from the anniversary of the initial Loan advance. Additionally, the Manager will have a security property revalued whenever it considers that a significant change may have occurred in the property's value, and at any other time it considers it to be in the best interests of Investors.

3.8 *Documentation and settlement of Loans and Mortgages*

Loan and Mortgage documents will be prepared and reviewed by a legal firm experienced in mortgage finance, verification and validation requirements, who will also attend to settlement of the legal documentation.

3.9 *Loan Loss Provisioning Account*

Despite the Manager's processes and procedures for selecting and assessing Loans, the Manager recognises the possibility Borrowers may be late in paying interest or in meeting their repayment obligations, or may be unable to do so. If so then the Fund will pursue enforcement action. However, the amounts recovered from Borrowers (if any) may not be sufficient to meet losses on individual Loan assets, once enforcement costs and expenses are paid.

Potentially, Loan losses will have to be addressed from the Fund's capital, which will in turn negatively impact upon the Fund's Unit price and affect returns of income and capital to Investors.

To seek to mitigate and manage this risk, the Manager will implement a provisioning policy in relation to losses on individual Loans. The Manager will aim (but will not be obliged) to allocate 5% per annum of the net interest received from Loans (after fees, costs and expenses of the Fund) to a Loan Loss Provisioning Account. This money will be used as provision for losses on individual Loans, including the payment of costs and expenses associated with enforcement against defaulting Borrowers.

The Loan Loss Provisioning Account will not constitute a separate bank account, and instead will constitute an accounting allocation within the Fund's operating bank account.

The Manager intends to review the Fund's holdings in the Loan Loss Provisioning Account at least once every six months. The Manager reserves the right to cap or reduce the amount held in the Loan Loss Provisioning Account for any length of time, if it determines there are sufficient funds held to cover anticipated Loan losses.

3.10 Arrears and default management

The Manager is responsible for monitoring the day to day compliance of Borrowers and will report to Trustee who, acting on the advice of the Manager, will perform the following functions:

- (a) Issuing notices of default if payments remain in arrears for more than one month.
- (b) Instituting legal proceedings for possession of a security property if the Borrower fails to comply with the issued notices.
- (c) Taking steps to sell the security property if a possession order has been obtained.

3.11 Enforcement expenses

The enforcement process can involve significant costs, including legal costs and receiver's fees. The Fund will hold cash reserves in the Loan Loss Provisioning Account, and will apply them towards these costs and expenses.

However, in the event the Fund does not have sufficient funds available to fund these enforcement costs, then these costs may be funded as follows (as may be agreed between the Trustee and the Manager):

- (a) By undertaking a rights offer to raise the capital required. It is likely that any future capital raising undertaken to pay for enforcement costs would be undertaken at an issue price less than the original issue price of Units and may therefore be dilutive to you as an Investor, to the extent you do not participate in the same proportions as your unitholding.
- (b) They may be paid out of the assets of the Fund. This may result in the non-payment or reduced payment of distributions to Investors. Additionally, depending on whether the enforcement costs can ultimately be repaid out of the proceeds from the sale of the relevant security property, this may result in Investors suffering a loss to their capital.
- (c) They may be paid by a third party or the Manager from its own funds, in return for the payer being able to recover any amount paid from the proceeds received from the Borrower. In this case the payer would have a right to recover any amount paid (plus any agreed interest and or fees on those amounts) in priority to any payments to be made to the Fund.

4. Risks

Like any investment, there are risks associated with investing in the Fund. There are a number of risk factors that could affect the performance of the Fund and the repayment of your capital. Many risk factors fall outside of our and the Manager's control and cannot be completely mitigated.

The following is a non-exhaustive list of the main risks associated with investment in the Fund. You should consider and weigh them up carefully and make your own assessment as to whether you are comfortable with them.

Distributions are not guaranteed and neither is the return of your capital.

4.1 *Capital and return risks*

Returns on investments in the Fund are not guaranteed. The risk to capital is primarily determined by the ability of Borrowers to repay Loans to the Fund. If a Borrower is unable to repay a Loan, then the Fund may need to enforce its security and sell the security property. If that were to occur, then the Fund may not be able to recover all amounts owing to it under the Loan and would therefore suffer a loss. If the Loan Loss Provisioning Account's funds are insufficient to cover these losses then Investors may lose some or all of their investment as a result.

Returns are not guaranteed.

4.2 *Loan loss risk*

It is intended the Fund will maintain a specific reserve of funds to meet losses on Loans, should they occur (Loan Loss Provisioning Account). This will take time to reach a meaningful level in order to off-set any significant losses on Loans that may be experienced by the Fund. Additionally, after it has been established for a significant period the Manager's provisioning policy may not adequately provide for sufficient funds to be held in the Loan Loss Provisioning Account, for example due to an unexpectedly high level of Loan defaults.

Accordingly this means some Loan losses caused as a result of Borrower default or otherwise may have to be met from the Fund's capital, if the Loan Loss Reserve Fund cannot cover a full loss position. This may impact upon the Fund's Unit price and may result in reduced distributions and a capital loss being incurred by Investors.

4.3 *Vacant land and non-income earning properties*

There are particular risks associated with Loans in respect of vacant land and other non-income earning properties. Where a default occurs under these Loans, there is no income to assist in rectifying the default.

There are other types of Loans that may attract a greater degree of risk in a default situation where the market for such properties may fluctuate or where the demand for such properties is lower than other types of property such as highly specialised properties.

4.4 *Default and credit risk*

There is a risk that a Borrower may fail to meet their financial obligations under a Loan or otherwise fail to meet the terms of a Loan made by the Fund. This may be for a wide range of reasons, including:

- (a) A change in the individual financial or other circumstances of the Borrower.
- (b) A change in the economic climate generally that adversely affects all Borrowers.

This could adversely affect the income attributable to the Loan and the recoverability of the principal. If a Borrower ultimately defaults on the Loan, then this may result in the Fund losing money if the security property is sold for less than the outstanding Loan amount together with arrears of interest,

default interest, enforcement and realisation costs. This may lead to Investors losing some or all of their investment as a result.

4.5 Enforcement risk

If a Borrower defaults under a Loan, then the Fund may have to enforce its Mortgage to recover the Loan, any unpaid interest and costs. This will involve incurring enforcement costs (such as the costs of appointing a receiver, legal fees in enforcing against the Borrower, agent's commissions for sale of the security property etc.).

If funds in the Loan Loss Provisioning Account are insufficient to meet these costs and expenses then this will most likely lead to a reduction in distributions paid to Investors and, depending on whether the enforcement costs can ultimately be repaid out of the proceeds from the sale of the security property, may result in Investors suffering a loss.

It is possible the Trustee will undertake a further capital raising to raise the capital required to pay for the expenses associated with enforcing the Loan. There is therefore a risk that Investors may be requested to contribute further capital to the Loan. It is highly likely that any such future capital raising will be undertaken at a price less than the original issue price for the Units and may therefore dilute the proportional holdings of those Investors that decide not to contribute further capital.

4.6 Junior lender risk

Loans associated with real property will be secured by a Mortgage. However, if the Fund is a second mortgagee lender, then its Mortgage will rank in priority behind a senior lender's mortgage. Therefore, in the event of a default by the Borrower the ability to recover the amount owing under the Loan agreement will be affected by the actions of the senior lender.

Generally, a senior lender will have the right to take possession of, and deal with, the security property and assets of the Borrower if various covenants of the senior lender's loan facility are not met. Where the Fund holds a second mortgage the Fund's security will rank behind the senior lender. If the Borrower defaults under any of the loan facilities and the senior lender exercises its security, then the Trustee will not have day-to-day control over the Borrower's assets. This will generally mean that the Trustee cannot exercise the Fund's security until the senior lender has been paid in full. In addition, any monies available to the Fund in these circumstances would be limited to what is recovered after the senior lender has been paid in full.

4.7 Borrowing risk

While it is not currently envisaged the Fund will borrow, it may do so from time to time where the Trustee determines, at its discretion and in consultation with the Manager, that it is in the interests of Investors to do so.

Depending on the arrangements with the financier, security may be pledged or granted over part or all of the assets of the Fund. A default under the terms of a facility agreement may result in the financier enforcing its security.

Whilst the terms of any debt facility are unknown as at the date of the IM, it is very common for a financier to have the power under a facility agreement to require the borrower to cease paying any distributions and instead to apply all income generated from the security asset towards the repayment of the loan facility and other operating costs. If a financier were to exercise this power, then an entity in which the Fund has invested may be prevented from making distributions to the Fund, which in turn would impact the Fund's ability to make distributions to Investors.

In addition, providers of the borrowed funds could withdraw their funding and alternative funding sources may not be available, which may have a material impact on potential returns of the Fund from its investment in another entity.

Falling asset values, declining revenue or other unforeseen circumstances may cause covenants under a debt facility to be breached. A breach of a debt facility covenant may result in a lender enforcing its security. The lender may require immediate repayment of the debt facility, possibly prior to its expected expiry. This could result in a sale of the security property at a less than optimal sale price (for instance, in a depressed market) additional equity being required, or distributions being deferred.

4.8 Construction and development risk

The Fund may loan monies to finance property construction and or development. There are many risks associated with Loans of this nature which may cause the Borrower to default, including (but not limited to)—

- (a) unexpected escalations in construction costs
- (b) delays caused by contractors, unions, government planning agencies or other parties, and
- (c) insolvency of third party to the project engaged by the Borrower.

The occurrence of the above or similar events where the Borrower is unable to complete its projects, may lead to it being unable to meet its repayments.

The Fund will seek to secure monies advanced under construction or development Loans, however these securities may rank behind other more senior lenders to the Borrower. For a further explanation of junior lender risks, please see section 4.6 above.

4.9 Concentration risk

There is an increased risk associated with loans that are highly concentrated in terms of particular types of loans, location, activities or Borrowers. It is likely that the Fund will initially lend to a single Borrower or limited number of Borrowers.

4.10 Documentation risk

A deficiency in documentation could, in certain circumstances, adversely affect the return on a Loan. This may make it difficult for the Fund to enforce its Mortgage in respect of the Loan and may also affect the ability to recover any penalties imposed against the Borrower.

4.11 Valuation risk

The valuation of the security property for a Loan may be inaccurate or not accurately reflect its true value at the time the valuation is undertaken. If the valuation of the security property for a Loan is incorrect, then the amount realised on the sale of a security property may not cover the amount lent to the Borrower. Security property is valued by a valuer under instructions from the Manager and in accordance with the Manager's valuation policy.

4.12 Due diligence risk

In all investments there exists a risk that material items that could affect the performance of individual investments are not identified during the investment analysis process and that these risks are not mitigated by the Manager.

4.13 Building risk

Property assets naturally deteriorate over time and are subject to disasters, which can damage the structure of the building. There is a risk that the value of a security property could diminish if the building on the security property deteriorates or is damaged.

4.14 Environmental risk

The valuation of an investment by the Fund could be adversely affected by discovery of environmental contamination or the incorrect assessment of costs associated with an environmental contamination, as well as restrictions associated with flora and fauna conservation.

4.15 Disaster risk

Disasters such as natural phenomena, acts of God and terrorist attacks may damage or destroy the property in relation to which the Fund holds a Mortgage. It is not possible to insure a security property against some of these events. Occurrence of these events could also lead to insurance becoming unavailable for such events in the future, or premiums increasing above levels expected.

4.16 Trustee and Manager risk

There is a risk we may be replaced as trustee of the Fund or our key personnel may change, or that the Manager may be replaced as investment manager of the Fund or its key personnel may change. You should note we may be obliged to retire as trustee of the Fund following a request made by the Manager, pursuant to the Investment Management Agreement. There is also a risk our authorisation under One Investment Administration Ltd's AFS licence may be suspended or revoked.

4.17 Manager performance risk

The success of the Fund is dependent on the Manager identifying suitable Loans for the Fund to make and then managing those Loans to ensure that the Loans are repaid. If the Manager is unable to identify suitable Loans for the Fund to make, then this will impact upon the Fund's return to you.

The Fund's performance also depends upon the Manager recommending suitable Loans to the Trustee, conducting regular audits of the performance of the Loans and undertaking enforcement action against defaulting Borrowers. Failure by the Manager to undertake these tasks properly may result in an adverse impact on the Fund and on its performance

If the Manager either becomes insolvent or encounters financial difficulties, which means that it is unable to perform its role under the Investment Management Agreement, then we will most likely need to terminate the Investment Management Agreement. If that were to occur, then we would either need to find a replacement investment manager or wind up the Fund. This could result in Investors suffering a loss or a diminished return on their investment in the Fund.

4.18 Manager strategy risk

The risk that the Manager or the Manager's investment strategy will not achieve its performance objectives or produce returns that compare favourably against its peers. Many factors can negatively impact the Manager's ability to generate acceptable returns e.g. loss of key staff.

4.19 Limited track record risk

The Fund is a newly established managed investment scheme and has no track record or past performance. However, as of the date of this IM, the directors of the Manager have over 30 years' experience between them in the lending industry.

4.20 Liquidity and withdrawal risk

You cannot withdraw Units from the Fund during their Investment Term, which may represent a risk to you in the event that you require the return of your investment more urgently. Further, after the expiry of an Investment Term withdrawals will be dependent upon there being sufficient liquidity in the Fund. A lack of sufficient liquidity may result in you being unable to withdraw any or all of your investment for a period of time.

4.21 Market risk

This is the risk that negative market movements will affect the price of assets within a particular market. By their nature, markets experience periods of volatility involving price fluctuations of varying magnitudes. Property market risk is the risk that the property market as a whole declines in value in line with various trends in the Australian or overseas markets. This may be due to a number of factors, such as over-supply of real estate, economic conditions, interest rate movements or general market sentiment.

The Fund will make Loans secured by Mortgages in respect to real property and other Security Interests in respect to business loans. Therefore, factors which affect the property market may impact upon the value of Fund assets.

Property market risk is inherent in the real estate securing the Fund's assets. A fall in property values may affect the ability to fully recover the amount owing under a Mortgage where a Borrower defaults. If the Borrower defaults and the security property is sold for less than the outstanding Loan amount (including the costs of the sale and interest), then this may result in the Investors suffering a loss if the Borrower cannot repay the balance of the outstanding debt from other assets of the Borrower.

4.22 Taxation risk

Changes to tax law and policy (including any changes in relation to how income of the Fund is taxed or to the deductibility of expenses or stamp duty law) might adversely impact the Fund and your returns. You should obtain independent tax advice in respect of an investment in the Fund.

4.23 Currency risk

The Fund is denominated in Australian dollars. All income and capital distributions to you will be made in Australian dollars. You should consider the effects of fluctuations in exchange rates between Australian dollars and other foreign currencies.

4.24 Regulatory and economic risk

There is the risk that the value of an investment may be affected by changes in domestic or international policies, regulations or laws (including taxation laws). There is also a risk that a downturn in domestic or international economic conditions may adversely affect investments.

These factors are outside the control of the Trustee and the Manager, but they may have a negative impact upon the operation and performance of the Fund.

4.25 General investment risks

In addition to the specific risks identified above, there are also other more general risks that can affect the value of an investment in the Fund. These include the following:

- (a) The state of the Australian and world economies.
- (b) Interest rate fluctuations.
- (c) Legislative changes (which may or may not have a retrospective effect) including taxation and accounting issues.
- (d) Inflation.
- (e) Negative consumer sentiment which may keep the value of assets depressed.
- (f) Natural disasters and man-made disasters beyond our or the Manager's control.
- (g) The illiquidity and cost of capital markets.

We strongly recommend you obtain independent financial advice before investing in the Fund.

5. Fees and costs

5.1 *Establishment fee*

An establishment fee of \$20,000 has been paid to the Trustee by the Manager for the work conducted to establish the Fund. The Manager has already paid this fee to the Trustee but has the right to recover it from the Assets of the Fund, on the date the first Unit is issued under this IM or once, in the Manager's opinion, the Fund has reached a size this reimbursement is sustainable. This reimbursement may be paid in a single payment or in smaller increments on different occasions.

5.2 *Trustee fee*

We are entitled to a fee equal to 0.06% per annum of the gross value of the assets of the Fund, subject to a minimum fee of \$4,000 per month (indexed to the higher of 3% or CPI on 1 July each year from 1 July 2020) and a loan establishment fee of \$3,000 per loan. The minimum monthly fee will be reduced to \$3,000 per month and the loan establishment fee reduced to \$1,500 per loan for a period of 12 months, commencing from the date of first issue of Units under this IM.

This fee is calculated and is payable monthly in arrears from the assets of the Fund.

5.3 *Management fee*

The Manager is entitled to a management fee equal to 2.5 percent per annum of the gross value of the Fund's assets. This fee is calculated and is payable monthly in arrears from the Fund's assets. However, this fee will accrue monthly in arrears for each month where the gross value of the Fund's assets is less than \$4 million. Any accrued fee will be payable on the first Business Day of a month following the month in which the Fund's gross assets are equal to or more than \$4 million.

5.4 *Units as consideration for fees*

The Manager may, at its discretion, elect to be issued Units in lieu of any fees and costs payable to it, either in whole or part. Such Units will be issued on the same terms as those issued to Investors under this IM.

5.5 *Trustee removal fee*

We are entitled to be paid a removal fee if—

- (a) we are removed as trustee of the Fund within four years of the issue of the first Unit under this IM, other than for gross negligence or for a breach of a fiduciary duty to Investors which causes them substantial loss, or
- (b) we retire as trustee of the Fund within four years of the issue of the first Unit under this IM at the request of the Manager in accordance with the Investment Management Agreement.

The amount of the fee is the amount of Trustee fees we would have received if we had remained the trustee of the Fund for four years from the issue of the first Unit in the Fund under this IM (taking into account any fees which we have received prior to termination). It is determined based on the gross value of the assets of the Fund at the time we are removed or retire.

If the Trustee removal fee becomes payable then it will be an expense of the Fund and must be paid for out of the assets of the Fund.

5.6 *Administrator and Registrar removal fees*

The Administrator and the Registrar may be entitled to be paid removal fees if their appointments are terminated within four years of the date of their appointment, in accordance with the relevant service agreements.

5.7 *Manager removal fee*

The Manager is entitled to be paid a removal fee if removed as manager of the Fund within four years of the issue of the first Unit under this IM, other than for gross negligence or for a breach of a fiduciary duty to Investors which causes them substantial loss.

The amount of the fee is the amount of the Manager would have received if it had remained the Manager of the Fund for four years from the issue of the first Unit in the Fund under this IM (taking into account any fees received prior to termination). It is determined based on the gross value of the assets of the Fund at the time the Manager is removed.

If the Manager removal fee becomes payable then it will be an expense of the Fund and must be paid for out of the assets of the Fund.

5.8 *Operating costs and expenses*

The Trustee and the Manager are entitled to be paid or reimbursed for operating costs and expenses associated with the operation of the Fund, such as the costs associated with the administration or distribution of income, the Administrator's fee, the Registrar's fee, fees to other service providers and other expenses properly incurred in connection with performing their duties and obligations in the day-to-day operation of the Fund.

The appointments of the Administrator and Registrar is for a minimum of four years. If either appointment is terminated within four years of commencement, then the Administrator and or the Registrar will be entitled to be paid a removal fee.

The Manager has incurred legal costs associated with the establishment of the Fund. The Manager is entitled to reimbursement of these costs from the Fund either in a single payment or numerous partial payments.

The Manager may elect to receive Units in lieu of reimbursement for its costs and expenses. Such Units will be issued on the same terms as those offered to Investors under this IM.

5.9 *Fees payable by Borrowers*

The Manager will receive fees directly from Borrowers in relation to individual Loans, such as commitment fees, establishment fees, loan management fees and line fees. These fees will be paid for by the relevant Borrower and not from the Fund's assets.

5.10 *Third party referral fees*

The Manager may pay an introductory fee or commission rebate to a party that has referred you to the Fund and/or arranging for you to invest in the Fund. Such fees and rebates are negotiated between that third party and the Manager. Please ask your advisors for details of the payments (if any) that they will receive from the Manager.

5.11 *Fee changes*

The Constitution allows for higher fees to be charged than those detailed and specifies circumstances where additional fees may be charged. We will provide Investors with at least 30 days' written notice of any such fee imposition or increase.

5.12 *Waiver, deferral or rebate of fees*

We and the Manager may, in our absolute discretion, accept lower fees and expenses than we are entitled to receive, or may defer payment of those fees and expenses for any time. If payment is deferred, then the fee will accrue until paid. In addition, we and the Manager may waive, negotiate or rebate our fees, for example, in the case of a large investment amount.

5.13 *Goods and services tax*

All fees quoted in this IM are quoted exclusive of GST.

The Fund may not be entitled to claim a full input tax credit in all instances.

6. Taxation information

We do not provide financial or tax advice, and nor does the Manager. We have not obtained taxation advice specific to the Offer, and nor has the Manager. As such, this IM does not address taxation issues which may be relevant to you. You must take full and sole responsibility for your investment in the Fund, the associated taxation implications arising from your investment and any changes in those taxation implications during the course of your investment.

Before investing in the Fund, you should obtain your own independent tax advice, which takes into account your own circumstances. In particular, you should seek advice on income tax and interest withholding tax liabilities arising out of the investment.

7. Additional Information

7.1 *Summary of material documents*

The following is a summary of material documents relevant to the Fund. You should consider whether it is necessary to obtain independent advice on any of the documents.

Constitution

The Constitution is the primary document governing the relationship between the Investors and the Trustee. It contains extensive provisions about the legal obligations of the parties and the rights and powers of each.

Subject to the Constitution, as an Investor you have the following rights:

- (a) The right to share in any distributions.
- (b) The right to attend and vote at meetings of Investors.
- (c) The right to participate in the proceeds of winding up of the Fund.

The Constitution contains provisions about convening and conducting meetings of Investors.

We can amend the Constitution without Investors' approval.

A copy of the Constitution is available free of charge by calling us on (02) 8277 0000.

Investment Management Agreement

We have appointed the Manager to provide investment management services to the Fund pursuant to an Investment Management Agreement.

The Investment Management Agreement contains provisions dealing with matters such as the Manager's obligations to report to us, and the fees payable to the Manager for its services.

The Investment Management Agreement will remain in force until the Fund is wound up, unless the agreement is terminated earlier in accordance with its provisions. The agreement can be terminated by us if the Manager is in material breach of the agreement, and that breach has not been remedied after a certain time. There are also provisions allowing us to terminate if, for example, the Manager becomes insolvent.

The Manager is permitted to terminate the agreement in certain circumstances, such as if we cease to be the trustee for the Fund.

7.2 *Manager's authorised representative appointment*

The Manager will be appointed as an authorised representative of the Licensee on or about the date of the IM. The Manager's authorisation is limited to its role as manager of the Fund, and does not extend to any other business that the Manager conducts, or services that the Manager provides.

7.3 *Reporting*

Our reporting will comprise the following:

- (a) Periodic performance update reports, at the discretion of the Trustee.
- (b) An annual income distribution statement detailing any distributions paid to you, including an annual tax statement detailing information required for inclusion in your annual income tax return which will be provided within 90 days of the end of each financial year.

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

7.4 *Related party transactions*

We may from time to time face conflicts between our duties to the Fund as trustee, our duties to other funds we manage and our own interests. We will manage any conflicts in accordance with our conflicts of interest policy, the Constitution, ASIC policy and the law.

The Manager is not a related party of us. The contractual arrangements between us and the Manager are negotiated at arm's length.

Loans made by the Fund may constitute the refinancing of existing Business Loans made by the Manager or its related or associated parties. All such Loans must comply with the Lending Guidelines.

We may from time to time enter into transactions with related entities. All transactions will be effected at market rates or at no charge.

We have appointed the Administrator, an associated company, to provide fund accounting and taxation services to the Fund pursuant to an administration agreement under which the Administrator provides administration services for day-to-day operations of the Fund. These services include fund accounting, Unit pricing, reporting and preparation of statutory accounts. We have appointed the Registrar, a related party, for unit registry services in respect of the Fund. We have appointed these parties in consultation with, and with agreement from, the Manager.

7.5 *Change of trustee*

A change of trustee for the Fund requires Investors to pass an extraordinary resolution to give effect to the replacement. An extraordinary resolution must be passed by at least 50% of the total votes that may be cast by Investors entitled to vote (including Investors who are not present in person or by proxy).

7.6 *Conflicting Investor interests*

Investors may have conflicting investment, tax, and other interests with respect to their investments in the Fund, including conflicts relating to the structuring of acquisitions and disposals of the Fund's assets. Conflicts may arise in connection with decisions made by us or the Manager regarding an investment that may be more beneficial to one Investor than another, especially with respect to tax matters. In structuring, acquiring and disposing of investments we and the Manager may consider the investment and tax objectives of the Fund and its Investors as a whole, not the investment, tax, or other objectives of any Investor individually.

7.7 *No-cooling off rights*

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

7.8 *Privacy*

We collect personal information about you from your Application Form. We use this information primarily so we can verify your identity and establish your investment in the Fund. We will also collect and may use and disclose your personal information to process your application and manage your investment, comply with our obligations under applicable laws and regulations and improve our products and services. We may also use your information to provide you with details of future investment offers made by us or the Manager.

If you do not provide us with all the personal information we request, then we may be unable to establish and manage your investment in the Fund. The types of organisations to which we may disclose your personal information include the Manager and its related parties, external parties which provide services in relation to the Fund (e.g. custodial and registry service providers and providers of printing and postal services), government authorities when, and to the extent, required by law, and

our professional advisors (including legal and accounting firms, auditors, consultants and other advisors).

Under the Privacy Act 1988 (Cth), you are entitled to access the personal information we hold about you, except in limited circumstances. You also have the right to ask us to correct information about you which is inaccurate, incomplete or out of date.

Please contact us if you have any questions about how we handle your personal information, or if you wish to access the personal information we hold about you.

7.9 *Anti-money laundering law*

The Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) requires us to verify the identity of an Investor and any underlying beneficial owner of Units in the Fund and the source of any payment. You will be required to provide the identification information set out in the Application Form. We will not issue you with Units unless satisfactory identification documents are provided.

We reserve the right to reject any application where such documents are not provided to us prior to, or accompanying, your application or if we believe on reasonable grounds that processing the application may breach any law in Australia or any other country. We will incur no liability to you if we do so.

7.10 *Foreign Account Tax Compliance Act (FATCA)*

FATCA is United States (US) tax legislation that enables the US Internal Revenue Service (IRS) to identify and collect tax from US residents that invest in assets through non-US entities. If you are a US resident for tax purposes, you should note that the Fund is or is expected to be a 'Foreign Financial Institution' under FATCA and it intends to comply with relevant FATCA obligations, as determined by either the FATCA regulations or any inter-governmental agreement (IGA) entered into by Australia and the US for the purposes of implementing FATCA. Under these obligations, the Fund will have to obtain and disclose information about certain Investors to the Australian Taxation Office. In order for the Fund to comply with relevant obligations, we will also request that you provide certain information about yourself, including your US Taxpayer Identification Number (TIN). We will only use such information for this purpose from the date the Fund is required to do so.

7.11 *Common Reporting Standard (CRS)*

CRS is the single global standard set by the Organisation for Economic Co-operation and Development (OECD) for the automatic exchange of information with revenue authorities for tax non-residents that invest in certain financial accounts. The standard covers both the identification of tax non-residents and reporting on the applicable financial accounts. We will be a 'Reporting Financial Institution' under CRS and intend to comply with our CRS obligations under any relevant Australian laws and regulations, including obtaining and disclosing information about certain investors to the ATO or other foreign tax authorities as required. To facilitate these disclosures, Investors will be required to provide certain information such as that relating to their country of tax residence and their relevant taxpayer identification number (if applicable).

7.12 *Complaints and contacting us*

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

Telephone: (02) 8277 0000

Email: complaints@oneasset.com.au

Complaints Officer

One Investment Group

Post: PO Box R1471, Royal Exchange, NSW 1225

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

8. **Glossary**

Act	Corporations Act 2001 (Cth) for the time being in force together with the regulations of the Corporations Act 2001 (Cth).
Administrator	Unity Fund Services Pty Ltd ACN 146 747 122.
AFS	Australian Financial Services.
Application Form	The application form to invest in the Fund.
Application Money	The money paid by an applicant for Units.
ASIC	Australian Securities and Investments Commission.
Borrower	The borrower under a Loan.
Business Day	A day on which banks are open for business in Sydney, except a Saturday, Sunday or public holiday.
Business Loan	A Loan made for business (as apposed to property) purposes and secured by Security Interest and generally not secured by a Mortgage.
Constitution	The constitution of the Fund, as amended from time to time.
CPI	Consumer Price Index.
Fund	Sydney Metro Fund.
GST	Goods and Services Tax as defined in A New Tax System (Goods and Services Tax) Act 1999, as amended from time to time.
IM	This information memorandum, dated 10 December 2019.
Investment Management Agreement	The investment management agreement between us and the Manager, as amended from time to time.
Investment Term	A period of 18 months which applies to each Unit issued to an Investor, beginning on the first day of the month following the month in which the Unit was issued.
Investor	A person who has acquired, or will acquire, Units.
Lending Guidelines	The Manager's lending guidelines for the Fund.
Licensee	One Investment Administration Ltd ACN 072 899 060, AFS licence number 225064.
Loan	A loan advanced by the Fund to a Borrower.
Loan Loss Provisioning	Money set aside by the Fund to meet losses arising from shortfalls in Loan principal and interest payments and enforcement costs and

Account	expenses which the Fund cannot recover from a Borrower or the realisation of security property.
LVR	Where loans are secured by property, LVR is the 'loan to valuation ratio' which is a measure of the amount of the loan advanced to the value of any security granted in respect of the loan.
Manager	Sydney Metro Properties Pty Ltd ACN 111 327 747.
Mortgage	A first or second mortgage over the real property of a Borrower or a consenting third party.
Offer	The offer under this IM to acquire Units.
Property Loan	A loan made for the primary purpose related to real property and secured by a Mortgage.
RBA Cash Rate	The interest rate which banks pay to borrow funds from other banks in the money market on an overnight basis as published by the Reserve Bank of Australia.
Registrar	One Registry Services Pty Limited ACN 141 757 360.
Security Interest	Security over assets other than real property to secure a Loan.
Trustee, we, our, us	One AR Pty Ltd ACN 602 601 776, AFS authorised representative number 471702.
Unit	An ordinary unit in the Fund.

9. How to invest

9.1 *Before completing the Application Form you should read this IM carefully.*

Please pay particular attention to all of the risk factors in section 4 of this IM. The risks should be considered in light of your own investment situation.

Where appropriate, you should also consult a financial, taxation or other professional advisor before deciding whether to invest in the Fund.

The Application Form is provided separately. Please contact the Registrar on (02) 8188 1510 or info@oneregistryservices.com.au.

9.2 *How to invest*

For an application to be considered, you must complete and return your Application Form and pay your Application Money.

The minimum initial investment in the Fund is \$200,000 (or such lower amount as we accept in our discretion), and then in increments of \$50,000 (if any) (or such lower amount as we accept in our discretion) from a wholesale client (within the meaning of the Act).

You are requested to provide your Tax File Number (TFN), Australian Business Number (ABN) or exemption code, and failure to quote an ABN or TFN will result in tax being withheld by us on distributions paid to you at the highest marginal tax rate plus Medicare levy. It is not compulsory for you to quote your TFN or ABN.

We have the sole discretion whether to accept or reject an application. If your application is rejected, wholly or in part, then we will notify you in writing and arrange for return of your Application Money to you. Interest will not be paid to you on your Application Money. If your application to invest in the Fund is accepted, then interest earned on your Application Money will be retained by us. If your application to invest in the Fund is not accepted, then your Application Money will be returned to you (without interest).

By sending a completed Application Form, you are making an irrevocable offer to become an Investor in the Fund and you are agreeing to be legally bound by the Constitution and the terms of the IM. No cooling-off rights apply to an investment in the Fund.

9.3 *Application Form instructions*

Only legal entities are allowed to invest in the Fund. Applications must be in the name(s) of natural person(s), companies or other legal entities acceptable to us. At least one full given name and the surname are required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the example of correct forms of registrable title shown below.

The Application Form should be signed by the applicant. If a joint holding, all applicants should sign. If signed by the applicant's attorney, a certified copy of the power of attorney must be attached to the Application Form. If executed by a company, then the form must be executed in accordance with the applicant's constitution and the Act.

Type of investor	Correct form	Incorrect form
Individual	Mr John David Smith	J D Smith
Company	JDS Pty Ltd	JDS P/L or JDS Co
Trusts	My John David Smith <J D Smith Family A/C>	John Smith Family Trust

Type of investor	Correct form	Incorrect form
Deceased estates	Mr Michael Peter Smith <Est Late John Smith A/C>	John Smith (deceased)
Partnerships	Mr John David Smith & Mr Ian Lee Smith	John Smith & Son
Clubs/unincorporated bodies	Mr John David Smith <Smith Investment A/C>	Smith Investment Club
Superannuation funds	John Smith Pty Limited <J Smith Super Trust A/C>	John Smith Superannuation Trust

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