

# OAM Select Income Fund

## ARSN 646 952 267

### ASIC RG45 Disclosure

As at 30 September 2022, published 31 December 2022

#### **OAM Select Income Fund – ARSN 646 952 267**

#### **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 asset 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. One Managed Investment Funds Limited (**OMIFL**), as responsible entity (**RE**) Oreana Asset Management (**OAM**) as investment manager of the OAM Select Income Fund ARSN 646 952 267 (**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 OMIFL's website <https://oneinvestment.com.au/oreana>:  
- the Fund's Product Disclosure Statement (**PDS**) dated 6 October 2022; and  
- the Target Market Determination (**TMD**) dated 6 October 2022

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 <https://oneinvestment.com.au/oreana>.

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 OMIFL on +61 2 8277 0000 directly for more information.

Benchmark & Disclosure Principle	Compliance	Statement/Disclosure	Reference
<p><b>Benchmark 1: Liquidity RG45.34</b></p> <p>For a pooled mortgage scheme, the responsible entity has cash flow estimates for the scheme that:</p> <ul style="list-style-type: none"> <li>(a) demonstrate the scheme’s capacity to meet its expenses, liabilities and other cash flow needs for the next 12 months;</li> <li>(b) are updated at least every three months and reflect any material changes; and</li> <li>(c) are approved by the directors of the responsible entity at least every three months.</li> </ul> <p>This benchmark and disclosure principle addresses the Fund’s ability to satisfy its expenses, liabilities and other cash flow needs, including the preparation of 12 month cash flow estimates that are approved by the directors.</p>	<p>This benchmark has not been met</p>	<p>The Investment Manager has provided the RE with cash flow estimates for the Fund that:</p> <ul style="list-style-type: none"> <li>(a) demonstrate the Fund’s capacity to meet its expenses, liabilities and other cash flow needs for the next 12 months;</li> <li>(b) are updated at least every three months and reflect any material changes; and</li> <li>(c) are approved by the directors of the RE at least every three months.</li> </ul> <p>As at the date of this Report, the RE reasonably expects to be able to realise at least 80% of the Fund’s assets for market value within the period specified in the Constitution for satisfying withdrawal requests.</p> <p>The RE does not expect there to be any changes to the scheme’s expenses, liabilities and other cash flow needs that will adversely affect the current and future liquidity of the Fund.</p> <p>While there were sufficient funds available to meet the liquidity requirements of the Fund, the sole reason that this benchmark was not met is because the directors did not approve the cashflows in the time prescribed by RG45. The RE now expects this cash flow to be approved on a quarterly basis as prescribed by RG45.</p> <p>More information on key liquidity risks that may affect the Fund’s ability to manage its cash flow can be found in section 5 of the PDS.</p>	<p>See Section 8 of the PDS under Liquidity Policy.</p>
<p><b>Benchmark 2: Scheme Borrowing RG45.42</b></p> <p>The responsible entity does not have current borrowings and does not intend to borrow on behalf of the scheme.</p> <p>This benchmark addresses the Fund’s policy on borrowing, including the Fund’s actual and intended borrowing, as well as the Fund’s policy on borrowing.</p>	<p>This benchmark is met</p>	<p>As at 30 September 2022, the RE has not borrowed on behalf of the scheme.</p> <p>The RE may, from time to time, borrow to meet liquidity requirements (such as withdrawal requests) of the Fund, however the RE will not borrow to pay distributions.</p> <p>As at the date of this Report, the RE has not borrowed on behalf of the Fund.</p>	<p>Not applicable.</p>

Benchmark & Disclosure Principle	Compliance	Statement/Disclosure	Reference
<p><b>Benchmark 3: Loan portfolio and diversification RG45.42</b></p> <p>For a pooled mortgage scheme:</p> <ul style="list-style-type: none"> <li>(a) the scheme holds a portfolio of assets diversified by size, borrower, class of borrower activity and geographic region;</li> <li>(b) the scheme has no single asset in the scheme portfolio that exceeds 5% of the total scheme assets;</li> <li>(c) the scheme has no single borrower who exceeds 5% of the scheme assets; and</li> <li>(d) all loans made by the scheme are secured by first mortgages over real property (including registered leasehold title).</li> </ul> <p>This benchmark addresses the Fund's lending practices and portfolio risk, including concentration risk.</p>	<p>This benchmark is not met.</p>	<p>As the Fund grows its capital base, the portfolio of Loans and the level of diversification will change. The Fund, from its inception to the date of this Report, has advanced nine (9) Loans, including eight (8) Investment Loans and one (1) dual Investment and Development &amp; Construction Loan, meaning the Fund currently invests a significant component of funds in Investment Loans and does not currently meet the loan portfolio and diversification benchmark. As at the date of this Report, there are eight (8) loans outstanding, all of which are Investment Loans.</p> <p>In the initial commencement phase to 30 September 2022, the amount of funds lent to single Borrowers will exceed 5% of the value of the Fund's assets. However, once the Fund is established and substantially invested, the RE does not intend to have a high concentration of Loans to any single Borrower or group of related or associated Borrowers. Diversification of the Fund's assets will be undertaken as follows:</p> <ul style="list-style-type: none"> <li>(a) by geographic location within Australia of the properties over which the Fund holds security;</li> <li>(b) across the types of property for which funding is provided (including residential, commercial, retail and industrial);</li> <li>(c) by security over the property (including first ranking registered mortgages, second ranking unregistered mortgages and First Loss Guarantees); and</li> <li>(d) to some extent by Borrower (although related or associated parties of the Investment Manager are likely to represent a significant percentage of the Loans made by value and number).</li> </ul> <p>The Fund's investment criteria provide further information in relation to Loan amounts and Loan-to-value ratios applied for any single Borrower. These investment criteria also apply to the Loan assessment process including assessing a Borrower's capacity to service its Loan.</p> <p>Refer to section 4 of the PDS for information about the Fund's investments and processes including key lending parameters, security requirements and the valuation process.</p>	<p>See section 4 of the PDS under Loans.</p>

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<p><b>Benchmark 4: Related party transactions RG45.44</b></p> <p>The responsible entity does not lend to related parties of the responsible entity or to the scheme's investment manager.</p> <p>This benchmark addresses the risk associated with related party lending, investments and transactions, including details of any related party transactions.</p>	<p>This benchmark is not met.</p>	<p>The RE has not lent to the Investment Manager or Related Parties of the RE. However, the RE lends to Related Parties of the Investment Manager on an arm's length basis. The Investment Manager has policies and guidelines in place to manage the risk of any actual or perceived conflict of interest as a result of a Related Party transaction and such transactions will be subject to the assessment and approval processes conducted by the Credit Committee.</p> <p>The Credit Committee has authority to determine whether to recommend to the RE to make a Loan, which must be unanimously approved by the members of the Credit Committee, including the Independent Member.</p> <p>Decisions in relation to conflicts of interest and Related Party transactions are documented.</p> <p>For further information about the Related Party Policy of the Investment Manager, please contact the Investment Manager.</p>	<p>Not applicable.</p>
<p><b>Benchmark 5: Valuation policy RG45.50</b></p> <p>In relation to valuations for the scheme's mortgage assets and their security property, the board of the responsible entity requires:</p> <p>(a) a valuer to be a member of an appropriate professional body in the jurisdiction in which the relevant property is located;</p> <p>(b) a valuer to be independent;</p> <p>(c) procedures to be followed for dealing with any conflict of interest;</p> <p>(d) the rotation and diversity of valuers;</p> <p>(e) in relation to security property for a loan, an independent valuation to be obtained:</p> <p>(i) before the issue of a loan and on renewal:</p> <p>A. for development property, on both an 'as is' and 'as if complete' basis; and</p> <p>B. for all other property, on an 'as is' basis; and</p> <p>(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.</p> <p>This benchmark addresses the Fund's valuation practices, including when an independent valuation is required.</p>	<p>This benchmark is met</p>	<p>This benchmark is met as follows:</p> <p>(a) when a professional valuation is required (i.e. upon acceptance of a loan offer or loan renewal offer), the valuers appointed are members of an appropriate professional body in the jurisdiction in which the subject property is located;</p> <p>(b) the valuers are independent;</p> <p>(c) the valuers, including the company, its partners, directors valuers and other employees, must have no direct or indirect pecuniary or other interest in the property being valued or be subject to any actual or potential conflict of interest in respect to the valuation; and</p> <p>(d) independent valuations on an:</p> <p>(i) 'as is' and 'as if complete' basis for development property; and</p> <p>(ii) 'as is' basis for all other property,</p> <p>are obtained before the issue of a new Loan and on renewal of an existing Loan. Independent valuations are also obtained within two (2) months after the Investment Manager forms 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, including that the LVR increasing beyond the maximum stated in the PDS.</p>	<p>See section 4 of the PDS under Valuation Policy.</p>

Benchmark & Disclosure Principle	Compliance	Statement/Disclosure	Reference
<p><b>Benchmark 5: Valuation policy RG45.50 (continued)</b></p>	<p>This benchmark is met</p>	<p>The 'as if complete' component of the development valuation is relied upon to ensure that, upon completion of the project, the sum of all advances made (including any interest capitalised) remains within an acceptable LVR.</p> <p>Investors may obtain a copy of the Valuation Policy contained in the Fund's Lending Policy and Procedures by contacting the Investment Manager.</p>	<p>See section 4 of the PDS under Valuation Policy.</p>
<p><b>Benchmark 6: Lending principles – Loan-to-valuation ratios RG45.56</b></p> <p>If the scheme directly holds mortgage assets:</p> <p>(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;</p> <p>(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</p> <p>(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.</p> <p>This benchmark addresses the Fund's lending practices, including the loan-to-valuation ratios.</p>	<p>This benchmark is met</p>	<p>The Fund's policy for issuing Loans is as follows:</p> <p>(a) the Fund aims to minimise risk in relation to property development and construction Loans by adopting additional procedures for such Loans involving the use of surveyors and valuation reports based on a 'cost to complete' basis to ensure funds are disbursed only in relation to works completed and that sufficient funds are available to complete construction. Funds are provided to the Borrower in stages based on independent evidence of the progress of the development; and</p> <p>(b) when a Loan is first drawn down, no construction or development Loan will have an LVR that exceeds 70% and no investment Loan will have an LVR that exceeds 80%.</p>	<p>See section 4 of the PDS under How the Fund Invests.</p>
<p><b>Benchmark 7: Distribution practices RG45.61</b></p> <p>The responsible entity will not pay current distributions from scheme borrowings.</p> <p>This benchmark addresses the transparency of the Fund's distribution practices, including whether current distributions are paid from Fund borrowings and disclosure of the source of the distributions.</p>	<p>This benchmark is met</p>	<p>Distributions are sourced from net income earned during the relevant distribution period (if any) on the assets held during the period and paid monthly.</p> <p>The RE has not borrowed in the ordinary course of running the Fund.</p> <p>The RE may, from time to time, borrow to meet liquidity requirements of the Fund, however the RE will not borrow to pay distributions.</p> <p>Distributions may be affected by a number of risk factors detailed in section 5 of the PDS.</p>	<p>Not applicable.</p>

Benchmark & Disclosure Principle	Compliance	Statement/Disclosure	Reference
<p><b>Benchmark 8: Withdrawal arrangements RG45.64-65</b></p> <p>This benchmark distinguishes between liquid and non-liquid schemes, to reflect the differences to an investor's ability to withdraw.</p> <p>RG 45.64 Liquid schemes: A liquid scheme is required to disclose whether it facilitates payment of withdrawal requests within 90 days and whether the responsible entity only permits member to withdraw if at least 80% (by value) of the scheme property is:</p> <ul style="list-style-type: none"> <li>(a) money in an account or on deposit with a bank and is available for withdrawal immediately, or otherwise on expiry of a fixed term not exceeding 90 days, during the normal business hours of the bank; or</li> <li>(b) assets that the responsible entity can reasonably expect to realise for market value within 10 business days.</li> </ul> <p>RG 45.65 Non-liquid schemes: For non-liquid schemes, the responsible entity intends to make withdrawal offers to investors at least quarterly.</p> <p>This benchmark addresses the transparency of the RE's approach to withdrawals of investments when the Fund is liquid and when the Fund is non-liquid.</p>	<p>This benchmark is not met</p>	<p>Investors should treat the Fund as a medium to long term investment.</p> <p>Loans made by the RE out of assets of the Fund will have fixed repayment dates. The RE considers that, where appropriate, it is in Investors' best interests to align the maturity of the Loans with Investors' Investment Terms. This will assist to manage the liquidity of the Fund and to allow the RE to fund withdrawals.</p> <p>If you wish to withdraw from the Fund in whole or in part at the end of the applicable Investment Term, then you must lodge a withdrawal request with the RE within the Withdrawal/Switch Request Window applicable to the Class of Units in which you have invested. As a result, payment of withdrawal requests will range from one (1) month to seven (7) months and twenty-one (21) days depending on the Class of Unit in which you have invested.</p> <p>The withdrawal arrangements detailed in the PDS are based upon the Fund remaining liquid, however Investors will have limited ability to withdraw (if any) if the Fund is unable to satisfy the statutory liquidity requirements.</p> <p>There is currently no requirement for at least 80% (by value) of the scheme property to be:</p> <ul style="list-style-type: none"> <li>(a) money in an account or on deposit with a bank that is available for withdrawal immediately, or otherwise on expiry of a fixed term not exceeding 90 days, during the normal business hours of the bank; or</li> <li>(b) assets that the RE can reasonably expect to realise for market value within 10 business days,</li> </ul> <p>for Investors to withdraw their investment.</p> <p>The Constitution also provides for certain events where the RE may suspend the making of and acceptance of withdrawal requests.</p> <p>More information on withdrawal arrangements and suspension events can be found in section 8 of the PDS.</p>	<p>See section 8 under Withdrawal Arrangements.</p>

## **Disclaimers**

This report has been prepared by Oreana Asset Management, a division of Oreana Financial Services Limited (CR No. 0766472) (**OAM**) for general information purposes only, without taking into account any potential investors' personal objectives, financial situation or needs. This information consists of forward-looking statements which are subject to known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Fund to be materially different from those expressed or implied. Past performance is not a reliable indicator of future performance. Neither this document nor any of its contents may be used for any purpose without the prior consent of OAM. All figures stated herein are as at 30 September 2022 and in Australian dollars unless otherwise stated.

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Limitation of liability: Whilst all care has been taken in preparation of this report, to the maximum extent permitted by law, neither the Investment Manager, Oreana Asset Management (OAM) or OMIFL will be liable in any way for any loss or damage suffered by you through use or reliance on this information. OAM's and OMIFL's liability for negligence, breach of contract or contravention of any law, which cannot be lawfully excluded, is limited, at OAM's option and to the maximum extent permitted by law, to resupplying this information or any part of it to you, or to paying for the resupply of this information or any part of it to you.