



Mortgage FundTM

Product Disclosure Statement

8 February 2019 / ARSN 146 451 792

Issuer / Trustee - Melbourne Securities
Corporation Limited

AFS Licence 428 289

Fund Manager - Eastwood Securities Pty Ltd
ACN 143 030 540

IMPORTANT INFORMATION

This Product Disclosure Statement is dated 8th February 2019 and relates to the offer (“Offer”) to participate in and make Loans through the Eastwood Securities Mortgage Fund (ARSN 146 451 792) (the “Fund”). This offer supersedes previous offers dated 27th February 2017, 19th January 2016, 16th April 2014, 20th March 2012 and 11th October 2010.

This PDS details the features, benefits, risks and general information about the Fund.

Investment in the Fund is offered by Eastwood Securities Pty Ltd (ACN 143 030 540, Australian Credit Licence Number 385467) as trustee of Eastwood Securities Unit Trust (ABN 28 554 409 241) in its capacity as the Fund Manager for the Fund (referred to in this PDS as the “Fund Manager” or “Eastwood Securities”). The responsible entity for the Fund is Melbourne Securities Corporation Limited (ACN 160 326 545, Australian Financial Services Licence No. 428289) (referred to in this PDS as the “Trustee” or “MSC”). Eastwood Securities is appointed as an authorised representative of MSC Advisory Pty Ltd (ACN 607 459 411, Australian Financial Services Licence No. 480649), a related party to the Trustee. The Trustee is the issuer of this PDS.

Applicants should read this PDS before making a decision about whether to invest in the Fund. The information contained in this PDS is general information only and does not take into account the individual objectives, financial situation, needs or circumstances of investors.

Updated information can be obtained at any time on the Eastwood Securities website; www.eastwoodsecurities.com.au.

Sandhurst Trustees Limited (ACN 004 030 737) (the “Custodian”) is not the issuer of this PDS and has not prepared this PDS. The Custodian makes no representation and takes no responsibility for the accuracy or truth of any statement or omission from any part of this PDS.

Neither the Fund Manager, the Trustee, the Custodian, the Investment Committee members, nor any of their associates, officers, employees or agents or any other person guarantees the performance or success of the Fund, the repayment of principal loaned via the Fund or any particular rate of return on Loans made via the Fund. Participation in the Fund and the making of Conforming Mortgage Investments does not represent a deposit with, or a liability of, the Fund Manager, the Trustee, the Custodian, the Investment Committee members, or any of their associates, officers, employees or agents. Participation in the Fund and making of Conforming Mortgage Investments is subject to investment risk, including possible delays in repayment and loss of income or capital invested. You should obtain independent professional advice specific to your circumstances and requirements from a licensed investment advisor.

The Australian Securities and Investments Commission (“ASIC”) takes no responsibility for the content of this PDS.

An electronic version of this PDS appears on the Eastwood Securities website www.eastwoodsecurities.com.au.

If this PDS is received electronically, then you should ensure that a complete version of the PDS, including a full Application Form, has been received. A hard copy version of the PDS is available by contacting the Fund Manager.

The Offer is an offer which is available to persons receiving the PDS within Australia but does not constitute an offer of interests in any jurisdiction where, or to any persons to whom, it would be unlawful to make the Offer. It is the responsibility of any overseas Applicant to ensure compliance with all laws of any country relevant to the Offer. The return of a duly completed Application Form will be taken to constitute a representation and warranty that there has been no breach of such laws and that all approvals and consents have been obtained.

Throughout this PDS certain defined terms are used. Defined terms appear in the Glossary of Terms in Section 13 of this PDS.

The Complaints Handling process for the Fund is detailed in Section 11.6 of this PDS.

All financial amounts in this PDS are expressed in Australian dollars (A\$, AUD) unless stated otherwise. The assets depicted in photographs in this PDS are not assets of the Fund unless otherwise stated.

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AN INTRODUCTION TO EASTWOOD SECURITIES MORTGAGE FUND

1. ABOUT THE FUND

1.1 INTRODUCTION

The Eastwood Securities Mortgage Fund is designed to provide its Members with an opportunity to acquire an interest in a registered managed investment scheme and receive fixed monthly income yields from registered mortgage securities throughout Australia. The Fund Manager, Eastwood Securities, has relevant experience in managing mortgage securities. The Fund is registered with ASIC as a managed investment scheme (ARSN 146 451 792).

When Members invest in the Fund, Eastwood Securities customises loans secured by registered mortgages to suit the Member. The Member chooses the Loan, security and investment term. Each Conforming Mortgage Investment will typically have one Member as the lender, but may have more than one Member. Each Conforming Mortgage Investment has a defined and clear return that is payable to the relevant Members, subject to the risks described in this PDS.

The National Credit Code (the "Code"), set out as part of the National Consumer Credit Protection Act 2009 (Cth), regulates certain consumer lending, usually where lenders are making loans as part of a business of lending money or as part of or incidentally to any other business. The Fund invests in Loans that are subject to, and as well as Loans that are not subject to, the Code. For non-Code mortgages, the mortgage is registered in the Member's name and the Member is noted on title to the security property as a mortgagee. For Code mortgages, the Fund Manager is registered as the mortgagee and it does so as bare trustee for the Member, and the Member has a caveat on title lodged in the Member's name.

1.2 WHAT IS A MORTGAGE?

A mortgage is a legal charge given over real estate by the borrower (mortgagor) to the lender (mortgagee) to secure their promise to repay a debt at a later date.

The security property is real estate and the mortgage is registered in a government registry. Mortgage securities are a valuable part of any investment portfolio where the investor is seeking high reliable income yields from a relatively conservative investment instrument.

Under the Fund, the Member generally makes a loan secured by registered first-ranking direct mortgage securities. Where the Member is the beneficial or legal and beneficial holder of a first-ranking registered mortgage, the Member has exposure to their Conforming Mortgage Investment only and in the event of any default by the Borrower, the Member ranks above all other creditors (other than some statutory authorities, e.g. for Land Tax and Council Rates) and has access to the proceeds of selling the relevant security property.

A registered second-ranking mortgage may be included as additional security where additional security for a Loan is considered commercially prudent by the Fund Manager.

1.3 INVESTMENT STRATEGY

The mandate of the Fund is to provide a return by offering Members a stand-alone Conforming Mortgage Investment governed by prudent lending policies and backed by sound underlying securities. Eastwood Securities' strategy is to maximise regular income yields from registered mortgage securities while offering investments that minimise risk and offer a degree of capital security. Investment monies are only invested Loans made in respect of real property situated in Australia and which do not exceed 80% of the value of

the security property, at the time of investment, so as to provide for a relatively secure investment.

Importantly, no Loans are made that are reliant on future or “as if complete” values.

The Fund does not provide finance to related parties.

The interest income paid to you as a Member in relation to a Conforming Mortgage Investment may vary to reflect the risk of return. The amount of interest income earned may be determined by such things as the term of the Loan, location and nature of the security property, the possibility of early repayment and the background of the Borrower. As described in Section 1.4 of this PDS, this style of investment requires some involvement from the Member in assessing their investment options.

1.4 THE SPDS

This document is the first part of a two-part disclosure process, namely this PDS and a Supplementary Product Disclosure Statement (or “SPDS”). This document and the relevant SPDS together comprise the Product Disclosure Statement for the Fund as it relates to a specific Conforming Mortgage Investment. You should read both this document and the relevant SPDS before making a decision as to whether to invest in or otherwise be exposed to a specific Conforming Mortgage Investment.

Each SPDS describes a specific Conforming Mortgage Investment, and includes relevant information about the Conforming Mortgage Investment and its terms. For example, the SPDS will include details of:

- other Members (where relevant);
- the Borrower and, where necessary, the means by which the Borrower proposes to pay the interest during the term;
- any guarantor;
- the purpose of the Loan;
- the Loan amount;
- the Loan term;
- the income rate (yield) and interest payments under the Loan;
- the Mortgage Security;
- the Approved Security Property;
- the LVR;
- the credit history of the Borrower; and
- a copy of the Borrower’s application form, valuation reports and mortgage terms.

To make a Conforming Mortgage Investment, Applicants must receive both this PDS and the SPDS and complete and lodge the Application Form.

An Applicant should read the SPDS to help make a decision as to whether or not to invest in a particular Conforming Mortgage Investment.

An interest in a Conforming Mortgage Investment is subject to investment risk, including possible delays in repayment and loss of income or capital invested. The risks of investment are described in Section 10 of this PDS. Before investing, you should obtain independent professional advice specific to your circumstances and requirements from a licensed investment advisor.

After considering the information contained in the SPDS, and approval of their Loan, Applicants make their contribution to the Fund Application Trust Account which is then applied to the specific Conforming Mortgage Investment.

Further information about the application process is set out in Section 7.8 of this PDS.

1.5 RISKS

All investments carry some level of risk and it is important to understand what those risks are. Before investing you should consider the risk involved with a particular Conforming Mortgage Investment and whether the potential returns justify those risks.

For details of risks that may apply when participating in the Fund see Section 10 of this PDS. In summary some of the significant risks of investing in Conforming Mortgage Investments through the Fund are:

- Loan defaults by Borrowers;
- valuation risks;
- interest rate risk;
- liquidity risk; and
- risk of changes to law or government policy.

It is important to understand that returns are not guaranteed and you may lose some of your money. The level of returns will vary and past performance is not an indication of future performance.

1.6 APPOINTMENT AS ATTORNEY

In signing the Application Form, and in respect to Loans subject to the Code and those that are not subject to the Code, the Member appoints the Fund Manager to be their attorney to, if required, amongst other things:

- execute a mortgage, a variation of mortgage or a discharge of mortgage and, in the event of a default, a contract of sale and transfer of the security property;
- take possession of any security property and exercise the mortgagee power of sale;
- recover all outstanding interest or principal secured by the mortgage; and
- do all things that are necessary to give effect to any document considered to be in the interests of the Member on the terms and conditions contained in this PDS and/or the relevant SPDS.

1.7 THE FUND MANAGER

Eastwood Securities Pty Ltd as trustee of Eastwood Securities Unit Trust is appointed by the Trustee as Fund Manager of the Fund. Eastwood Securities has substantial experience in managing mortgage securities and is a specialist in managing fixed interest investments and non-bank mortgage lending.

1.8 CUSTODIAN & MEMBER MONIES

The Custodian, Sandhurst Trustees Limited (ACN 004 030 737, Australian financial services licence No. 237906) ("Sandhurst"), is independent of both the Fund Manager and the Trustee. The Custodian has been appointed by the Trustee to hold certain assets of the Fund. The Custodian's principal role is to:

- receive all application monies from Applicants and under instruction from the Trustee disburse to Members their respective income entitlement (being the interest referable to their respective Conforming Mortgage Investment plus any other interest received from the Fund from bank accounts referable to that Member less any costs of the Fund referable to that Member); and
- where requested by the individual Members, hold in safe custody all mortgage securities.
- The role of the Custodian is generally limited to holding the Fund's bank accounts on trust for the Trustee, separate from the assets of the Fund Manager and the Trustee. Application monies are held by the Custodian in a Fund Application Account, which may be interest bearing. Income received from Loans and income distributions to be paid to Members are held in separate bank accounts in the name of the Custodian.

All non-Code Conforming Mortgage Investments are registered in the Member's name, and all Code Conforming Mortgage Investments are held by the Fund Manager as bare trustee for the Member whose interest is noted on the title to the security property by way of a caveat. The Custodian's role does not extend to validating the accuracy of, or retaining in its possession, any mortgage or any documents evidencing title or a mortgage. All mortgages and documents evidencing title are typically retained in the possession of the Members.

Custodian obligations and responsibilities are governed by the custodian agreement entered into between the Custodian and the Trustee ("Custodian Agreement"). The Custodian is required to comply with the terms and conditions of the Custodian Agreement in addition to any relevant requirements under the Corporations Act including the requirements of its Australian financial services licence.

Details of the Custodian Agreement are contained in Section 11.7 of this PDS.

1.9 THE TRUSTEE

Melbourne Securities Corporation Limited (ACN 160 326 545, Australian financial services licence No. 428289) is a professional trustee firm, licensed by the Australian Securities and Investments Commission. MSC is also the holder of Australian credit licence No. 428289.

MSC is the trustee and responsible entity of the Eastwood Securities Mortgage Fund. It acts on behalf of investors and provides oversight in respect of compliance of the Fund with the Corporations Act and ASIC guidelines.

MSC Advisory Pty Ltd is the holder of Australian financial services licence No. 480649 and is a related party to the Trustee. The Fund Manager, Eastwood Securities Pty Ltd, has been appointed an authorised representative of MSC Advisory Pty Ltd (ACN 607 459 411, Australian financial services licence 480649) (Authorised Representative Number 000386369).

In exercising its powers and duties, the trustee must:

- act honestly and in the best interests of investors at all times;
- exercise a reasonable degree of care and diligence;
- treat each class of investors equally and fairly;
- not make use of information obtained to gain an improper advantage or cause detriment to investors;
- comply with the Fund's constitution and all applicable laws;
- ensure Fund property is separated from the property of the Fund Manager and other entities; and
- assume ultimate responsibility for any complaints by investors or enquiries by the regulator.

The Trustee also has the obligation to step in and operate the Fund in the event anything happens to the Fund Manager. This includes any impropriety of the Fund Manager or non-adherence under a formal Investment Management Agreement.

All bank accounts of the Fund are held by the Trustee or its appointed custodian on behalf of investors. The Trustee will refer to Fund disclosure documents and governing documentation before authorising any transfer of funds requested by the Fund Manager. It will also ensure investment decisions comply with Fund terms and the Fund's Constitution.

The Trustee is required to meet strict financial guidelines as set out in the Corporations Act and under its licence conditions, including holding adequate professional indemnity insurance, maintaining a minimum net tangible assets and it must produce regular cash flow projections to ensure it has the financial resources to meet its obligations on an ongoing basis.

MSC has established a Compliance Committee (with majority independent members) to monitor compliance and report to the directors of MSC on a regular basis regarding adherence of the Fund to the Corporations Act and ASIC requirements. If any issues or breaches are not addressed by either the management or the board of MSC, the Compliance Committee is obliged to report directly to ASIC.

In adherence with Corporations Act requirements, MSC is subject to independent financial audit. It is also subject to independent compliance audit on a minimum annual basis.

BENEFITS OF INVESTING IN THE FUND

2. BENEFITS

- As a Member of the Fund, your contribution is not pooled and specific Conforming Mortgage Investments are held in the name of the Member or on bare trust for the Member.
- The Member decides which Conforming Mortgage Investment to invest in.
- Generally invest in a registered first mortgage with a conservative loan-to-value ratio (“LVR”) typically limited to 80% of valuation at the time of investment.
- Disciplined lending criteria reduce the risk of capital losses. No Loans are made that are reliant on the future or “as if complete” value of a security property.
- Access to a professionally managed fund which, as a registered managed investment scheme, is subject to ASIC oversight and compliance with regulatory obligations under the Corporations Act and ASIC policy.
- To ensure complete and ongoing independence each of the Fund Manager and Trustee is not a related party to any of the Borrowers.
- Target interest income is fixed for the term of the Conforming Mortgage Investment as highlighted in the relevant SPDS and consistent with underlying mortgage Loan terms.
- No commissions are payable by you or the Fund.
- Superannuation funds are able to invest in Conforming Mortgage Investments offered by the Fund, subject to their own constitutions and investment criteria.

NO FEES ARE PAYABLE DIRECTLY BY YOU

The Fund’s management and expense fees are not directly payable by you but are raised out of interest and/or fees paid by the Borrower. You should note that such fees may reduce the returns payable to you on your investment.

INCOME CREDITED MONTHLY TO THE MEMBER’S BANK ACCOUNT

The Fund’s objective is to pay income at a rate fixed at the rate disclosed in the relevant SPDS (subject to the risks set out in this PDS), and income distributions are generally credited to your nominated account on a monthly basis.

TERM OF INVESTMENT

Typically 1 to 3 years. Actual investment term will be specific to the Conforming Mortgage Investment as nominated in the relevant Supplementary Product Disclosure Statement. In certain circumstances relating to actual performance of the conforming Mortgage Investment, the investment term may be extended up to a maximum of five years at the discretion of the Fund Manager, subject to written confirmation to Members of the extension.

EARLY REDEMPTION

The Fund’s Constitution permits an early redemption of Conforming Mortgage Investments in circumstances of financial hardship at the Fund Manager’s discretion.

KEY FEATURES OF THE FUND

3. KEY FEATURES

Key Feature	Summary
Fund Manager	Eastwood Securities Pty Ltd ACN 143 030 540, holder of Australian credit licence No. 361095, as trustee of Eastwood Securities Unit Trust ABN 28 554 409 241 as an authorised representative of MSC Advisory Pty Ltd (ACN 607 459 411, Australian financial services licence 480649 Authorised Representative Number 000386369).
Trustee & Product Issuer	Melbourne Securities Corporation Limited (ACN 160 326 545) holder of Australian financial services licence No. 428289 and Australian credit licence No. 428289.
Custodian	Sandhurst Trustees Limited (ACN 004 030 737 Australian financial services licence No. 237906), a wholly owned subsidiary of Bendigo and Adelaide Bank Ltd (ACN 068 049 178), holds the Fund's property to the extent transferred to it, including bank accounts, separate from the assets of the Fund Manager and Trustee.
Fund Characteristics	<ul style="list-style-type: none">• Fixed term Conforming Mortgage Investment selected by the Member at the start of their investment.• Registered mortgage security.• An independent and qualified valuer values the Approved Security Property prior to an investment in the Conforming Mortgage Investment being made by the Member.• Loans cannot exceed 80% of the valuation of the Approved Security Property at the time of investment.
Investment Term	Typically 1 to 3 years.
Minimum Investment	\$100,000. A lower minimum investment may be accepted as part of a Contributory Mortgage or when considered commercially prudent.
Who is Eastwood Securities?	Eastwood Securities Pty Ltd as trustee of Eastwood Securities Unit Trust is the Fund Manager of the Fund. The Fund Manager is composed of staff specialising in mortgage lending, debt arrangement and the management and control of private and institutional mortgage investments across Australia. The Fund Manager has been contracted by the Trustee to act as the Fund Manager of the Fund.

Key Feature	Summary
Mortgage Security	<p>The Fund offers investment in mortgages secured predominantly by residential property with a mix of commercial, industrial and approved regional, rural or coastal property.</p> <p>Loans offered for investment by the Fund are primarily short to medium term (typically 1 to 3 years), interest only, and secured by residential or commercial property.</p>
Distribution of Income	<p>A Member's Income Entitlement for a month is calculated as follows:</p> <ul style="list-style-type: none"> • the amount of interest paid by a Borrower in that month in relation to the Loan made by that Member the subject of a specific Conforming Mortgage Investment; • plus: any other interest received by the Fund in that month from bank accounts referable to that Member (if any); • less: the costs of the Fund (including the fees paid to the Fund Manager except the fee referred to in clause 12.4) in that month referable to that Member; • less: any other deductions entitled to be made under the Constitution, in that month. <p>In most cases Members will be paid their Income Entitlement monthly in arrears. In some cases the Member will be entitled to further payment should the Borrower repay the debt before the repayment date.</p>
Entry and withdrawal fees	<p>No entry fees are payable by Members. A withdrawal fee may be payable on early withdrawal/redemption (See below).</p>
Expenses and Management Fee	<p>The Fund Manager is responsible for paying all expenses of the Fund. Accordingly, the Fund Manager is entitled to be reimbursed by the Fund.</p> <p>Except for the exit fee which may be payable on early redemption/withdrawal from a Conforming Mortgage Investment (which may be deducted from the principal amount of Loan repayment), all other fees can only be paid out of interest income and/or fees payable by Borrowers which are referable to Members.</p> <p>These fees and expenses are allocated to Members on a Conforming Mortgage</p> <p>See section 13 for further information.</p>
Cooling-off period	<p>As at the date of this PDS there is no cooling-off period for Applications in the Fund as the Fund is not liquid</p>
Early Redemption/Withdrawal	<p>Generally, funds can only be withdrawn by Members on maturity of Conforming Mortgage Investments. However, in circumstances such as death or financial hardship, the Fund Manager will consider requests for early redemption of all or part of a Conforming Mortgage Investment. If the Trustee, after being advised by the Fund Manager, allows withdrawal, then an Income Adjustment may apply as outlined in Section 13.2 of this PDS. An exit fee may also apply to Member-initiated withdrawals.</p>
Reporting	<p>Members will receive:</p> <ul style="list-style-type: none"> • a monthly summary update on their Conforming Mortgage Investment; and • annual tax statements.

AN INTRODUCTION TO EASTWOOD SECURITIES MORTGAGE FUND

4. MANAGEMENT PERSONNEL

4.1 FUND MANAGER

BARRIE WILLOUGHBY (EXECUTIVE DIRECTOR)

Barrie Willoughby is a former director of Adelaide Finance Agency, a commercial debt arrangement business which he founded in 1984. He is also a former director and founder of Readett Simmons & Associates, a mortgage management business which he operated in Adelaide until it was sold in 2001 with approximately \$30 million under management. Mr. Willoughby has had extensive experience in the financial services industry dating back to 1977 when he commenced his career as a financial planner with the AMP Society.

In addition to his role as Director of Lending, Mr. Willoughby is a member of the Investment Committee.

PETER SCHEMBRI (EXECUTIVE DIRECTOR)

Peter Schembri holds a Master of Business Administration (MBA) from Macquarie University, and has diverse experience in business management, large scale capital raisings and management buyouts. He has over 30 years' corporate experience in various directorships and senior management roles. Peter has over 20 years' experience in managing property investment and property portfolios throughout Australia and six years in direct Funds Management.

In addition to his role as Director of Operations, Mr. Schembri is the Compliance Officer and a member of the Investment Committee.

CATHERINE WILLOUGHBY (BUSINESS DEVELOPMENT MANAGER)

Catherine Willoughby has over 27 years' experience in banking, starting with State Bank (now BankSA) in 1988. Her successful retail banking career saw her promoted from Senior Customer Service Officer to Personal Banker and then Senior Branch Manager where she managed hubs of multiple branches in the Adelaide metropolitan area. These full financial service branches included Home Lenders, Commercial Lenders, Financial Planners, Insurance and Personal Banking Specialists. Cathy's career in a structured corporate banking environment brings a wealth of experience to Eastwood Securities customer focussed operations.

DAMIEN CASE (COMMERCIAL LENDING MANAGER)

Damien has over 34 years' experience in Banking commencing with the Savings Bank of South Australia in 1979 progressing through to BankSA, and eventually to BankWest in 2006. Having worked in both City and Rural locations, Damien has a great understanding of the differing needs of both Rural and Urban communities. Damien managed Commercial lending portfolios of more than \$100 million.

Damien also has significant practical experience in business management as Managing Director of Adelaide Hospitality and Tourism School, a business in which he was a shareholder and direct investment in three hotels over a 10 year period. Immediately prior to joining Eastwood Securities Damien held the position of Senior Business Development Manager Commercial Broker with BankSA looking after the entire BankSA Commercial Broker network with over 250 Broker partnership clients throughout SA.

The above-named management staff are correct at time of PDS issue.

5. INVESTMENT ASSETS

A Member may invest in a Conforming Mortgage Investment either by itself (Direct Mortgage), or as part of a group of Members (Contributory Mortgage).

5.1 CONFORMING MORTGAGE INVESTMENTS

5.1.1 DIRECT MORTGAGE

A Member invests in a single Conforming Mortgage Investment. The Member's name is registered on the title as the mortgagee for non-Code mortgages, and for Code mortgages Member interests are protected by instrument of bare trust and a caveat is lodged in their name. Members generally need to contribute a minimum of \$100,000 to invest in a Direct Mortgage.

5.1.2 CONTRIBUTORY MORTGAGE

Multiple Members can contribute funds to one Conforming Mortgage Investment. Where this occurs, Members' names are registered on the title as the mortgagee for non-Code mortgages, and for Code mortgages Members interests are protected by instrument of bare trust and a caveat is lodged in their names. Each of the Members need to contribute a minimum of \$100,000 to invest in a Contributory Mortgages, however, a lower minimum investment from a particular Applicant may be accepted as part of a Contributory Mortgage.

5.1.3 ROLLING OVER YOUR INVESTMENT

The mortgage term of Conforming Mortgage Investments can be extended. If it is extended its interest rate may also be varied. Notification will be sent to the Member not less than 30 days before maturity date. The Member can continue their Conforming Mortgage Investment at the interest rate contained in the notification or elect to withdraw at the maturity date. The notice may be sent by email or mail to a Member.

In circumstances where the Borrower has not discharged their Loan at term and has not complied with Loan renewal terms, the Loan may be extended at the discretion of the Fund Manager where the Fund Manager considers that it is in the best interest of the Member to extend the Loan term (for example, to improve recovery of moneys due under the Loan). The Member will be notified of any such extension of the term of their Investment, in writing and no later than seven days prior to the term maturity date of that investment. The Fund can hold Investments for a maximum of five years inclusive of the original Loan term and any extension period.

5.2 SECURITY OPTIONS

Mortgage Securities are defined by the use of the underlying real-estate as security. Different types of mortgage security may be priced differently with respect to interest rate return, reflecting the perceived risk in relation to the Loan and underlying real property security.

5.2.1 RESIDENTIAL SECURITY

Residential security is property used for domestic and commercial or business purposes. Residential lending is also regulated by the Code. Loans made for business or investment purposes may also be secured by residential property.

5.2.2 COMMERCIAL SECURITY

Commercial security includes offices, retail property, showrooms, warehouses and hotels or accommodation facilities and will have a commercial lease with an approved tenant or be occupied by the Borrower. These securities usually generate rental income to the Borrower which is matched against mortgage repayments over the term of the Loan without the Borrower having to reduce the outstanding Loan principal.

5.2.3 INDUSTRIAL SECURITY

Industrial security includes factories which have a manufacturing or mechanical use or are used for industrial purposes.

5.2.4 RURAL SECURITY

This security type is made up of properties outside the metropolitan areas. It may include coastal properties, farms, vineyards and standard residential properties in these areas.

ASIC BENCHMARK DISCLOSURE FOR MEMBERS

6. ASIC BENCHMARK DISCLOSURE FOR MEMBERS

To improve the disclosure information about mortgage funds in Australia, ASIC requires us to provide information about eight (8) benchmarks. PDSs for unlisted mortgage funds are required to include the following statements in respect of each benchmark:

- that the Fund meets the benchmark; or
- that the Fund does not meet the benchmark, and an explanation of how and why the Fund deals with the business factor or issue underlying the benchmark in another way.

A full copy of Regulatory Guide 45 can be obtained from ASIC at www.asic.com.au.

ASIC states that failure to meet one or more of the benchmarks does not mean that a particular mortgage scheme is necessarily a poor investment. However, additional disclosure to Members is needed so that Members can assess its impact on their investment decision.

The eight benchmarks are set out below with a summary of how the Fund meets or does not meet the benchmarks. We encourage you to discuss the ASIC benchmarks with your financial advisor.

Benchmark	Benchmark 1: Liquidity (Pooled Mortgage Schemes Only)
Statement	This benchmark does not apply as the Fund is not a pooled mortgage fund.
Explanation	Not applicable
Benchmark	Benchmark 2: Scheme Borrowing - The trustee does not have current borrowings and does not intend to borrow on behalf of the scheme.
Statement	This benchmark is met.
Explanation	As at the date of this PDS, the Fund does not have any borrowings, nor are any borrowings intended at this time.
Benchmark	Benchmark 3: Loan Portfolio and Diversification (Pooled Mortgage Schemes Only)
Statement	This benchmark does not apply as the Fund is not a pooled mortgage fund.
Explanation	Not applicable
Benchmark	Benchmark 4: Related Party Transactions – The trustee does not lend to related parties of the trustee or to the scheme’s fund manager
Statement	This benchmark is met.
Explanation	The Fund does not lend to or invest scheme funds in related parties or transact with related parties.

Benchmark	<p>Benchmark 5: Valuation Policy</p> <p>In relation to valuations for the scheme’s mortgage assets and their security property, the board of the trustee requires:</p> <ul style="list-style-type: none"> (a) a valuer to be a member of an appropriate professional body in the jurisdiction in which the relevant property is located; (b) a valuer to be independent; (c) procedures to be followed for dealing with any conflict of interest; (d) the rotation and diversity of valuers; (e) in relation to security property for a loan, an independent valuation to be obtained: <ul style="list-style-type: none"> (i) before the issue of a loan and on renewal: <ul style="list-style-type: none"> (A) for development property, on both an ‘as is’ and ‘as if complete’ basis; and (B) for all other property, on an ‘as is’ basis; and (ii) within two months after the directors form a view that there is a likelihood that a decrease in the value of security property may have caused a material breach of a loan covenant.
Statement	This benchmark is not met.
Explanation	<p>While most of the requirements of Benchmark 5 are met, it is not the intention of the Fund to always perform a new valuation on a security property each time a Conforming Mortgage Investment is renewed.</p> <p>The reason the Fund does not intend to comply is due to the short term nature of the Loans (often only 1 year in duration) it does not deem it necessary to perform valuations so frequently even if the Conforming Mortgage Investment is being renewed. For loans that are renewed and that are not more than three years old, a valuation will generally not be obtained.</p> <p>Further, the Fund will not always value a development property on both ‘as is’ and ‘as if complete’ basis as it adopts a more conservative approach and will generally only value properties, including even development property, on an ‘as is’ basis.</p> <p>Valuation summary information is included in the relevant SPDS when each Conforming Mortgage Investment is proposed for investment by an Applicant</p> <p>For additional disclosure on this benchmark, see Section 9 of this PDS.</p>

Benchmark	<p>Benchmark 6: Lending Principles - Loan to Valuation Ratios (LVRs)</p> <p>If the scheme directly holds mortgage assets:</p> <ul style="list-style-type: none"> (a) where the loan relates to property development—funds are provided to the borrower in stages based on independent evidence of the progress of the development; (b) where the loan relates to property development—the scheme does not lend more than 70% on the basis of the latest ‘as if complete’ valuation of property over which security is provided; and © 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.
Statement	This benchmark is not met.

Benchmark	Benchmark 7: Distribution Practices The trustee will not pay current distributions from scheme borrowings.
Statement	This benchmark is met.
Explanation	Income Entitlements are paid monthly to Members, referable to their own specific Conforming Mortgage Investment. The rate of income paid for the specific Conforming Mortgage Investment is disclosed in the SPDS for that Conforming Mortgage Investment. The capital invested by the Member (ie the principal amount of the Loan) is repaid when the Loan is repaid by the Borrower or the Loan funds are replaced by an incoming Member.

Benchmark	Benchmark 8: Withdrawal Arrangements Liquid schemes This benchmark does not apply as the Fund is non-liquid. Non-liquid schemes For non-liquid schemes, the trustee intends to make withdrawal offers to investors at least quarterly.
Statement	Liquid schemes – Not applicable. Non-liquid schemes – This benchmark is not met.
Explanation	Members invest in a specific Loan and cannot withdraw until that Loan is repaid and the mortgage discharged. There is generally no opportunity to withdraw before then. However, early redemption may be permitted if special circumstances exist in relation to the Member and an incoming, or substitute Member, is willing to assume the Conforming Mortgage Investment of the original member. In this instance, the Member's Income Entitlements may be subject to an Income Adjustment. An exit fee may apply. Investments may be rolled over, with any changes to the Conforming Mortgage Investment clearly disclosed to the Member in via written notice which must be sent to the Member not less than 30 days before the conclusion of the current investment term. The relevant SPDS will disclose if there is any option available to the Borrower to repay the Loan in part or in its entirety at any time before the nominated repayment date.

7. INVESTING IN THE FUND

7.1 HOW IT WORKS

The Fund offers Members the opportunity to individually select the Loan and mortgage securities in which they wish to invest, providing fixed term income secured by a registered mortgage over property in Australia. As a Member, you decide which Conforming Mortgage Investment you want to invest in, using information about the Loan, its term, the Approved Security Property, interest rate and Borrower. You receive all of the benefits and rights attached to the Conforming Mortgage Investment that you invest in.

Your entitlement to income or capital is based entirely on the Conforming Mortgage Investment invested in by you. A Direct Mortgage will have one Member as lender and a Contributory Mortgage may have more than one Member. From an individual Member's risk perspective, that Member is exposed to the selected Conforming Mortgage Investment only.

For Loans subject to the Code the Member's interest is protected by a deed of bare trust and a caveat and for non-Code Loans the Member's mortgage interest is registered on title. In such circumstances a copy of the bare trust, as well as a copy of the caveat registered at settlement of that loan, is provided to the Investor. The Member has priority over the Approved Security Property over subsequent creditors.

If you choose to participate in the Fund, this PDS is the initial part of a two-stage disclosure process and you will subsequently be provided with a separate document referred to as a Supplementary Product Disclosure Statement or SPDS. Each SPDS provides detailed information about the relevant specific Conforming Mortgage Investment, as described in Section 1.4 of this PDS.

You should consider all of the information in this PDS and the relevant SPDS before deciding to invest in a Conforming Mortgage Investment. The decision to invest in a particular Conforming Mortgage Investment is made by the Member not the Fund Manager.

7.2 HOW TO INVEST

An Applicant must complete the Application Form provided as a separate document attached to or accompanying this PDS before their investment in the selected Conforming Mortgage Investment can take place. Application moneys will not be accepted until the Applicant is provided with both the PDS and relevant SPDS and the ESMF Application Form and the SPDS Application Form are completed. Any interest earned on Application moneys prior to their utilisation will be for the account of the Applicant. Application moneys do not need to be supplied until the Member has subscribed to the particular Conforming Mortgage Investment pursuant to Application Form attached to the relevant SPDS. Following completion and lodgement of the SPDS Application Form, your investment moneys will be deposited in a bank account maintained by the Custodian that is used as an application account.

The Fund Manager reserves the right to establish alternate minimum investment amounts on some or all of the Conforming Mortgage Investments or decline part or all of any Application.

7.3 INVESTMENT TERM

The term of the Conforming Mortgage Investment is disclosed in the relevant SPDS; however, the typical term is between 1 and 3 years. The Member elects the investment term to be applied to the preferred Conforming Mortgage Investment.

7.4 ACCESS TO YOUR MONEY DURING THE TERM

There are generally no withdrawals available to Members during the term of the Conforming Mortgage Investment (including during any extension period as a result of a Roll-Over). The Fund Manager is under no obligation to agree to a withdrawal request. The Fund Manager may, at its complete discretion, consider a request from a Member where, due to financial hardship or unforeseen circumstances, they need to withdraw part or all of their Loan amount prior to the agreed term expiration.

The Fund Manager may also approve a withdrawal from the Fund when the Member provides 30 days' written notice to withdraw part or all of their Conforming Mortgage Investment before the Loan term matures. Should this occur there may be expenses related to the withdrawal which may include, but are not limited to, Income Adjustments, and fees and expenses incurred by the Fund Manager in processing the withdrawal request. This could reduce the capital value of your Conforming Mortgage Investment.

Your withdrawal request can only be considered if a substitute member is available to replace your investment in the specific Conforming Mortgage Investment. Should the Fund Manager be in a position to facilitate your withdrawal request, an Income Adjustment may also be applied. An exit fee may also be applied.

7.5 INCOME DISTRIBUTIONS

Members generate income from participating in the Fund by virtue of receiving income on their own Conforming Mortgage Investments as specified in each SPDS relating to each individual Conforming Mortgage. Income may be received monthly or may be prepaid depending on the terms and conditions of that particular Loan as specified in the relevant SPDS.

Income is initially paid into a Fund's operations account maintained by the Custodian.

The expenses and fees of the Fund (except the fee referred to in clause 13.4 Commissions are allocated on a Member/Conforming Mortgage Investment basis and deducted from the income referable to that Member. Other deductions may also be allowed under the Constitution, for example, rounding where there are fractions of a cent.

The net amount of income and expenses referable to a particular Member represents their Income Entitlement.

The rates of return are not guaranteed and income on a Conforming Mortgage Investment for any given period are dependent on the Borrower making the interest repayments required under the relevant Loan facility.

Distributions of Income Entitlements may be delayed if the Borrower is unable to meet the repayments under the Loan facility. In this instance, either income or principal may not be repaid on the due date. The Fund Manager will appoint a Loan manager to assess any non-performing Loan so as to implement a response to the situation which may involve resolution via:

- refinancing the security property using the Borrower's existing equity (if any); or
- realising the security property through sale and repayment of outstanding interest and principal amounts.

Your Income Entitlement is generally paid monthly; however, this may be varied as disclosed in the relevant SPDS. Once your Income Entitlement for the relevant period is calculated, that amount is moved to the distribution account. Your Income Entitlement will commence once the Loan has been advanced to the Borrower. The Borrower then makes the required interest repayments under the Loan facility with funds credited to the Member's account once the relevant Income Entitlement has been determined. It may take several days after each month's end for a Member's Income Entitlement to be deposited into the Member's account.

7.6 TRANSFER RIGHTS

A Member of the Fund may transfer their interest in a Conforming Mortgage Investment with the approval of the Responsible Entity.

A transfer is not effective until the Fund Manager registers that transfer in the registry of the Fund. The Fund Manager may refuse a transfer request at its discretion.

7.7 WHO MAY INVEST?

Investors may consider participating in the Fund to make a Conforming Mortgage Investment if they:

- are seeking regular monthly income yields;
- want to invest in a product;
- are comfortable with the additional investment risk associated with investment in fixed interest securities (refer to Section 10 of this PDS for details of the applicable risks); and
- want to diversify the fixed interest component of their investment portfolio with exposure to higher income yielding property backed securities.

Investment through the Fund may form part of an investment portfolio of:

- retail investors;
- wholesale investors;
- retirees and pension funds;
- superannuation funds;
- charities and foundations; and
- trusts and companies.

The above comments (and all other information in this PDS) have been prepared without taking account of your objectives, financial situation or needs. Before investing in a Conforming Mortgage Investment via the Fund you should consider whether it is appropriate having regard to your objectives, financial situation and needs. We recommend that you consider consulting your financial advisor before making a decision.

7.8 REMITTING YOUR INVESTMENT

To make an investment in a Conforming Mortgage Investment through participation in the Fund, complete and sign the ESMF Application Form and the SPDS Application Form as it relates to the specific Loan and Mortgage Security (on receipt) and remit funds directly by Electronic Funds Transfer (“EFT”). You must send the Application Forms to the Fund Manager by fax on +61 (0)8 8377 7433 or by email to investments@eastwoodsecurities.com.au. All correspondence, including the completed and signed Application Forms may also be mailed to:

Eastwood Securities Pty Ltd
Suite 5, 1 Markey Street
Eastwood SA 5063

You will then be advised when to proceed to transfer your investment funds using EFT to:

Sandhurst Trustees Limited
ACF Eastwood Securities Mortgage Fund Application Account
BSB: 083 376
Account No: 181645210

Applicants should note that their financial institution may charge a remittance fee. The Fund Manager will endeavour to ensure that inter-financial institution transfer processes are effected promptly but cannot be held accountable for any delays within the banking system. Please note that you should transfer the funds upon the submission of the Application Form attached to the SPDS and as advised by the Fund Manager. Application monies will not be released except for refunds of cancelled Applications (in whole or in part).

If an Applicant’s Application Form is incomplete, the Fund Manager will endeavour to contact the Applicant or their financial advisor to make arrangements to correct the Application Form. If the Fund Manager is unable to contact the Applicant or their financial advisor, the Fund Manager will return the Application monies within 30 days.

7.9 CUSTODIAN

The Fund Manager and the Trustee will not at any time hold monies provided by Applicants or Members, but the Trustee has appointed an independent custodian, Sandhurst Trustees Limited, for this purpose.

Sandhurst is not the issuer of this PDS and has not prepared this PDS. Neither Sandhurst nor any person, firm or corporation associated with Sandhurst guarantees, warrants or underwrites any interest payments, repayment of any capital invested, any tax deduction availability or the performance of the Fund Manager or Trustee or the Fund.

The Custodian’s obligation extends to holding the Fund’s property, including bank accounts, and moneys provided by Applicants, separate from the assets of the Fund Manager and the Trustee.

8. INVESTMENT MANAGEMENT

8.1 INVESTMENT COMMITTEE

The Investment Committee is integral to the risk management and compliance processes used by the Fund Manager with respect to the selection of assets for the Fund. The Investment Committee is an internal review committee for all Conforming Mortgage Investments offered through the Fund. The Investment Committee requires the collaboration of a broad base of expertise from the property, finance, legal and valuation sectors when assessing mortgage assets for the Fund.

The Investment Committee is responsible for recommending the primary terms and lending conditions upon which a subsequent Loan approval will be based. The collaborative decision making process is built around a formal structure which ensures that the Investment Committee makes an informed assessment and an objective decision when selecting proposed Conforming Mortgage Investments of the Fund.

The Fund's Investment Committee meets regularly to consider proposed Loans. Whenever a Loan application is made to the Fund Manager, the application will be assessed by the Investment Committee members against the Investment Criteria of the Fund (outlined in Section 8.2 of this PDS). Only upon approval of the investment proposal by the Investment Committee, and satisfactory completion of all conditions imposed by the Investment Committee, will the Loan application be considered for approval by Applicants. A prospective mortgage will be presented to Applicants in a particular Conforming Mortgage Investment following this formal approval process.

The final decision to invest in the particular Conforming Mortgage Investment is made by the Applicant following review by the Investment Committee.

8.2 INVESTMENT CRITERIA

As an integral part of the assessment of every Loan application made to the Fund Manager, the Investment Committee considers the following criteria in determining whether an application for mortgage finance or a renewal of a Loan is acceptable to the Fund.

- The Approved Security Property for which a Loan is provided must be located in Australia, may be metropolitan or rural property and must be of a residential, industrial, commercial, retail or accommodation nature.
- The Fund Manager must be satisfied that the Borrower and the borrowing principals are commercially sound and that the current market value of the Approved Security Property is sufficient to enable the Loan to the Borrower to be repaid. For this purpose:
- The Fund Manager must obtain a written Valuation from a reputable Valuer independent from the Borrower and acceptable to the Fund Manager, and not more than 6 months old at the first Loan advance;
- The Fund Manager must obtain statements of the financial position of the Borrower and, where necessary, of the borrowing principals and directors of the Borrower;
- Where the Loan is regulated by the Code, and the Loan is sought primarily for private or domestic use such as an owner-occupied mortgage, the Fund Manager will confirm the Borrower meets the Code repayment guidelines, and may also complete a 'loan repayment calculation certificate' and request confirmation from the Borrower's accountant as to their repayment capacity; and
- Loan serviceability and capacity to repay principal at Loan maturity are assessed and documented in the SPDS for each investment opportunity.
- For all Loans, the Fund Manager reserves the right to request a new Valuation at any time.
- The Fund Manager has a preference for non-special purpose use approved security property.
- For all Loans, a credit reference report, bankruptcy search and company search are completed.
- The Borrower receiving the Loan will be required to grant the following security:
 - a registered (generally first) mortgage over the Approved Security Property;
 - where the Borrower is a company and it is commercially prudent, a General Security Agreement (GSA - previously a fixed and floating charge over the Borrower), which charge would usually be specific to the Approved Security Property for which the Borrower is receiving the funds; and
 - where appropriate, pursuant to a guarantee deed to be entered into between the Member and the Borrower's holding company, directors, and/or shareholders or such other person associated with the Borrower, such holding company, directors, and/or shareholders or person must provide a guarantee and indemnity to the Member in respect of repayment of the Loan by the Borrower and all interest payable on the same.

Prior to any flow of funds to the Borrower, the Borrower must enter into all required agreements including a Loan agreement, and the securities referred to above.

The Constitution does not preclude the Fund Manager from varying the Investment Criteria. However, it is not the intention of the Fund Manager to vary the Investment Criteria during the life of this PDS. If the

Investment Criteria are varied, Members will be updated via either a SPDS or via the Fund's website.

A registered second-ranking mortgage may be included as additional security where additional security for a Loan is considered commercially prudent by the Fund Manager. Such mortgages may be taken against the same security as an existing first mortgage held by the Member or against an alternative security granted by the Borrower.

8.3 INVESTMENT UPDATES

Members will receive regular updates on their Conforming Mortgage Investment and also a SPDS which contains specific information on their Conforming Mortgage Investment. However, the Trustee and the Fund Manager may provide updated non-materially adverse information via the Fund Manager's website www.eastwoodsecurities.com.au. A paper copy of any updated information will also be given to a person without charge on request.

8.4 INVESTMENT MATURITY

At the end of the Loan term of the Conforming Mortgage Investment the Loan must be repaid in full by the Borrower and the proceeds paid by the Fund to the Member's nominated bank account or reinvested in another Conforming Mortgage Investment.

Alternatively, a Borrower may seek a further term on expiry. This constitutes a Loan Roll Over. At that time the relevant Member may elect to:

- reinvest all or part of their investment as per the terms of the new SPDS, if the Conforming Mortgage Investment is to be provided for a further term; or
- invest in an alternate Conforming Mortgage Investment on the terms of that particular Conforming Mortgage Investment or SPDS; or
- redeem those funds from the Fund and have them remitted to the Member's nominated bank account.

When a Mortgage Security is due to mature the Borrower, must confirm in writing that it will be discharged by requesting a pay-out figure, or apply to the Fund Manager no less (30) days prior to the expiration of the term, for an extension of the mortgage over the Approved Security Property for:

- the same amount;
- an increased amount; or
- a reduced amount.

Any request for an extension of a Conforming Mortgage Investment by a Borrower will be assessed by the Fund Manager and may require updated information from the Borrower, a new Valuation of the Approved Security Property and the requisite due diligence to be conducted as if the mortgage was an entirely new investment. If approved, the Fund Manager will issue a new SPDS and obtain signed Application Forms.

In circumstances where the Borrower has not discharged their Loan at term and has not complied with Loan renewal terms, the Loan may be extended at the discretion of the Fund Manager where the Fund Manager considers that it is in the best interest of the Member to extend the Loan term (for example, to improve recovery of monies due under the Loan). The Member will be notified of any such extension of the term of their Investment, in writing and no later than seven days prior to the term maturity date of that investment. The Fund can hold Investments for a maximum of five years inclusive of the original Loan term and any extension period.

9. SECURITY VALUATION POLICY

9.1 VALUATION PROCESS

All properties to be offered as security for a Loan must be valued by a Valuer, acceptable to the Fund Manager prior to Loan approval and/or settlement of each transaction and, if necessary, be re-valued at any time after settlement of the transaction. Valuations may only be carried out by a Valuer and generally must not be more than 6 months old at the time of Loan approval.

In all cases the Fund Manager will use Valuers who are registered under State/Territory registration schemes and who include confirmation in their Valuation reports that the Valuation complies with all relevant industry standards and codes.

The Investment Committee is responsible for review of the Valuation and must:

- ensure that the Valuation is prepared on an 'as is', vacant possession or alternate use basis as may be required depending on the security type;
- review the Valuer's market commentary;
- review and assess the conditions attached to the Valuation and their impact on the Valuation;
- check that at least two valuation methodologies have been employed – a primary valuation method and a secondary check valuation methodology (although the requirement for two valuation methodologies may be reduced to one method where it is impractical or deemed unnecessary to insist on two methods);
- check the Valuer's comments as to whether the property represents satisfactory security for mortgagee purposes, as appropriate; and
- where the subject security property is to be acquired, check that the agreed contract price has been disclosed to the Valuer.

The Investment Committee must also confirm that the Valuer is independent of the Borrower and the Approved Security Property at all times. A minimum of three different Valuers should be rotated within any major geographic area, where possible, to provide valuer diversity.

'AS IS' VALUATION

The 'as is' value of the property is the current market value of an Approved Security Property. The 'as is' valuation is the valuation figure used by the Fund Manager in calculating the maximum allowable Loan amount. The Loan-to-value ratio in this case must fall within the Fund Manager's lending criteria.

The LVR must be no greater than 80% at the time of initial investment. There is also a reduced LVR of 60% maximum for rural and special use properties. Development funding Loans will not exceed 80% LVR on an 'as is' valuation.

The Fund Manager may decide to revalue a security Property at any time, especially if there is cause to believe the value may have reduced since the time of Loan draw-down. In the event a reduction in security property value is suspected, a revaluation will be conducted within two months.

10. RISK MANAGEMENT

10.1 GENERAL RISK MANAGEMENT

Investment in a Conforming Mortgage Investment through the Fund, whilst conservative, contains a number of risks. Before making an investment in the Fund, as a potential investor you should consider:

- other investments and their risk compared with the Fund;
- specific risks as they relate to a Conforming Mortgage Investment through the Fund (see below);
- your personal risk tolerance; and
- your investment objectives.

The Fund Manager has established detailed risk management policies, strict lending criteria and internal and external procedures which actively seek to identify and manage the risks associated with mortgage finance and risks faced by the Fund in an appropriate and prudent manner.

The Fund Manager manages the Fund and the Fund assets with a view to balancing income returns with capital security. This is achieved by:

- employing experienced, professional personnel;
- outsourcing to experienced, industry professionals;
- maintaining a long-term vision for the Fund;
- complying with the Fund's Constitution and Compliance Plan; and
- actively monitoring and managing the assets of the Fund.

The Fund Manager has adopted strict guidelines for lending to minimise the risk of default. The Investment Criteria referred to in Section 8.2 of this PDS are designed to ensure that the risk of bad debts is minimised as much as is practicable.

This includes funds lent to a Borrower being secured by the following:

- a registered (generally first) mortgage over the Approved Security Property, to be granted by the Borrower;
- in instances where the Borrower is a company and it is commercially prudent, a General Security Agreement over the Borrower, which charge would usually be specific to the Approved Security Property for which the Borrower is receiving the funds; and
- where appropriate, a guarantee and indemnity from the Borrower's holding company, directors and/or shareholders or other associated person in respect of repayment of the Loan to the Borrower and all interest payable on the same.

Many risks are managed by the Fund Manager through prudent assessment of Loans, obtaining valuations of security property from a registered valuer approved by the Fund Manager, and other investment policies maintained by the Fund Manager. In order to manage risks associated with Loans, the Fund Manager conducts a range of searches, which are appropriate to a particular Approved Security Property or Borrower, including satisfactory credit checks, bankruptcy and company searches and/or obtaining certificates of currency to ensure Borrowers have suitable insurance policies in place. The Fund Manager has responsibility for recovering debts that have become due under a Loan agreement, on behalf of Members.

10.1.1 LOAN DEFAULTS

Risks, which may arise from the operation of the Fund, include possible Loan defaults by Borrowers. Borrowers may default for a wide range of reasons, including changes in personal circumstances, death, changes in the general state of the Australian and/or international economies, conditions of the particular market in which the Borrower's primary business operates and property market conditions.

Members who receive Income Entitlements because the relevant Borrower is paying interest may assume that a Borrower is able to repay the capital borrowed. However, where a Borrower uses the Loan to make interest repayments, this assumption may be unwarranted and there may be a greater likelihood of the Borrower defaulting.

Where a default occurs, the Fund Manager will issue a letter of demand within 30 days of a Loan payment being overdue. Events of default are detailed in each Loan agreement and include non-payment of interest.

The Fund Manager takes steps to minimise Loan default risk by:

- using the combined experience of the Directors and Investment Committee members;
- proactively monitoring all Loans to ensure that the Fund Manager is aware of potential problems at the earliest opportunity; and
- having a process which identifies when a default has occurred and a set procedure to endeavour to remedy the default, with remedial steps which might include issuing a letter of demand, entering a consultation process with the Borrower and instituting legal proceedings for possession of the Approved Security Property and its sale in accordance with the Loan agreement.

Members will be notified if a default occurs.

10.1.2 ILLIQUID NATURE OF UNDERLYING SECURITY

Given that the underlying security is property, which is relatively illiquid, there is a risk that delays could occur between a Loan going into default and sale of the Approved Security Property. These delays may affect income distributions to the Member and payment of any redemption or repayment of the initial capital invested.

10.1.3 MARKET CONDITIONS

The Fund Manager operates in a market where there is competition for its products and services. The effect of this competition may have an impact on interest rates and affect the return to Members. There is a large range of factors which are outside the control of the Fund Manager and include changes to the real estate market, taxation, interest rates, legislation, monetary policy, natural disasters, war in Australia or overseas or terrorist attacks.

10.1.4 DELAY IN PAYMENTS TO MEMBERS

The Fund Manager will endeavour to ensure that income distributions are made in accordance with the terms of the relevant SPDS. However, there is always a risk that there may be delays in payments to Members.

10.1.5 TAXATION RISK

Tax liabilities are the responsibility of each individual Member and the Fund Manager is not responsible either for taxation or penalties incurred by Members. Members should consult their own taxation advisors to ascertain the tax implications of their investment.

The Fund is subject to Australian tax legislation. Legislative changes may have an impact on returns to the Member.

10.1.6 PROPERTY MARKET RISKS

Increase in supply, fall in demand or reduction in market rent levels in any of the sectors of the property market in which the Fund is invested could reduce the value of one or more of the Approved Security Properties. This could adversely affect the ability of the individual Borrower to repay funds in accordance with the terms of the relevant Loan.

10.1.7 DEVELOPMENT RISK

There are risks associated with development of a property including time delays in construction, cost overruns, and the inability of the builder to carry out their obligations, which may adversely impact the ability of the individual Borrower to repay funds and/or adversely impact the value of the underlying real-estate security.

10.1.8 CHANGES IN THE LAW OR GOVERNMENT POLICY

Changes in income tax, indirect tax or stamp duty legislation or policy, particularly with regard to property development and investment activity, may affect the Fund's returns. You should be aware that GST may be payable on the sale of a Fund property as mortgagee in possession in certain circumstances and this may reduce the funds available for distribution to Members.

10.1.9 DIVERSIFICATION

The nature of this Fund does not provide for diversification at any time as your investment is in a specific Conforming Mortgage Investment.

Members in the Fund may manage their exposure to any one mortgage security type or profile by investing in a range of Conforming Mortgage Investments, subject to the minimum investment required.

10.1.10 TENANCY DEFAULTS, VACANCY LEVELS AND RE-LETTING

There are tenancy default risks associated with tenants in commercial premises.

Re-letting vacant property may take some time and there will be costs associated with re-letting, including agents' commissions and works to refit premises. Time taken to re-let any vacant space may depend on economic factors and general demand. Vacancy levels can have a direct impact on the valuation and rental income of the properties at any time which can lead to difficulties in the Borrower making repayments.

10.1.11 INCOME RISKS

Members derive their income from interest on Loans. There is a risk that these Conforming Mortgage Investments will not generate the expected income return.

Members participate in a specified mortgage as detailed in the relevant SPDS and their income is dependent on the Borrower meeting their interest repayment obligations under the relevant Loan agreement. There is a risk that the Borrower will be unable to do so. Where a Borrower defaults and does not remedy the default within a short period of time, the Fund Manager will commence recovery action in relation to the mortgage. In these circumstances, Members in that specific mortgage may not receive all income distributions, affecting the income paid.

10.1.12 CAPITALISED INTEREST

Interest payable on Loans may be capitalised by including the interest payable in the original Loan amount. This is referred to as 'pre-paid interest'. In this instance, interest repayments are not funded by the Borrower from their cashflow but rather are repaid from the sale or refinancing of the Approved Security Property. There is a risk that the sale proceeds may not be sufficient to repay the entire Loan, which will include both the Loan principal and pre-paid interest.

10.1.13 TERMINATION OF INVESTMENT MANAGEMENT AGREEMENT

The Fund Manager and the Trustee have entered into an Investment Management Agreement dated 22 November 2016. There is a risk that this agreement may be terminated by either party should the other party to the agreement become insolvent or fail to make a payment required in that agreement. The agreement may also be terminated by mutual agreement.

Should termination occur, an alternate Fund Manager or Trustee, depending upon which party is terminating its involvement with the Fund, will need to be appointed as required under the Fund's Constitution.

10.1.14 GENERAL RISKS

All investments involve some level of risk. The performance of your Conforming Mortgage Investment can be affected by a variety of factors including economic, financial and market conditions, government regulations, interest rate fluctuations and specific risks of the Fund. These risks may be beyond the control of the Borrower or the Fund Manager.

Factors, which may have a significant impact on the future of the Fund include, but are not limited to, the following:

- Investment in mortgage loans and the performance of these investments is reflected in the performance of the Fund.
- Losses may occur due to Borrowers not being able to meet their interest and/or principal repayments either during or at maturity of the mortgage.
- A deterioration of economic conditions at a macro and/or micro level.
- A decline in property values may increase security risk of mortgage loans.
- A detrimental change in the existing regulatory environment governing the provision of credit.
- Environmental risks associated with prior use of land that may result in residual site contamination and/or pest infestation which results in property damage, such as that caused by white ants.
- A valuation report may not accurately reflect a security property's true value which does not get tested unless that property is put to market should recovery action be required.

11. OTHER MATTERS

11. OTHER MATTERS

11.1 DEALING WITH SECURITY TITLES

Members are required to forward to Eastwood Securities any request they may receive from a Borrower or a Borrower's agent to release the secured property or the title for the secured property or seeking authority to amend the title in any way. Members must also telephone Eastwood Securities and advise them of any contact with them by a Borrower or a Borrower's agent. Failure to do so may lead to your security over your Loan being affected to your detriment

11.2 COMPLIANCE

The board of the Trustee is comprised of directors who are entirely independent of and external to the Fund Manager. The purpose of this separation is to ensure that the Trustee always acts in the best interest of Members, as it is required to by the Constitution and the Corporations Act.

The Trustee has appointed a registered company auditor to audit, on an annual basis, compliance with the Compliance Plan. Compliance with the Compliance Plan is also monitored on a quarterly basis by an independent and external Compliance Committee. The board of the Trustee and the Compliance Plan auditor will be responsible for monitoring the extent of compliance by the Fund Manager with the Constitution and the Compliance Plan and reporting breaches to ASIC, if deemed necessary. You should note that the Compliance Plan audit is in addition to the financial audit of the Fund and the Trustee.

The Trustee, as required by the Corporations Act, has lodged its Compliance Plan with ASIC. The Compliance Plan sets out how the Fund Manager and the Trustee ensure that the Fund complies with the Corporations Act and how the Fund is intended to be operated under the Constitution. A copy of the Compliance Plan is available free of charge from the office of the Fund Manager.

The Compliance Plan identifies responsibilities of the Fund Manager and the Trustee in relation to the Compliance Committee, the valuation of property and reports to Members, borrowings, the use of external service providers, safekeeping and inspection of records, disaster recovery plans and other matters relating to the operation of the Fund.

A Compliance Committee has been established to monitor compliance with the Compliance Plan and report to the directors of the Trustee on a regular basis regarding adherence to the Compliance Plan, the Corporations Act and the Constitution.

If the issues are not addressed by the board of either the Fund Manager or the Trustee, the Compliance Committee is obliged to notify ASIC. Where a Compliance Committee member receives information regarding serious breaches of the Compliance Plan, the Constitution or the activities of the Trustee, he or she has an obligation to report to ASIC.

12. ADDITIONAL INFORMATION

12. ADDITIONAL INFORMATION

12.1 CONSTITUTION OF THE FUND

12.1.1 The Fund is a managed investment scheme which has been registered with ASIC in accordance with Chapter 5C of the Corporations Act (ARSN 146 451 792).

12.1.2 The Fund's Constitution sets out the Fund Manager's legal relationship with Members and provides a framework for the operation of the Fund. Melbourne Securities Corporation Limited (ACN 160 326 545) is named as the Trustee under the Constitution. The primary functions of the Trustee are to:

- monitor the extent to which the Fund Manager complies with the Fund's Compliance Plan;
- monitor any breaches by the Fund of the Corporations Act and the Fund's Constitution;
- report directly to ASIC if there has been a reportable breach of the Corporations Act, the Constitution or the Compliance Plan; and
- regularly assess whether the Compliance Plan is adequate to the needs of the Fund and implement improvements as necessary.

12.1.3 The Constitution includes provisions which deal with the:

- rights of Members in the Fund;
- principal obligations of the Fund Manager and the Trustee;
- powers of the Fund Manager to operate the Fund;
- limitation of liability of the Fund Manager and the Trustee (subject to the Corporations Act);
- ability of the Fund Manager to be indemnified by the Fund for all expenses, losses and liabilities;
- termination of the Fund;
- withdrawal of rights of Members; and
- ability of Members to attend all Fund meetings.

12.1.4 To the extent that there is any inconsistency between this PDS, any SPDS and the Constitution, the latter prevails. A copy of the Constitution can be viewed at ASIC or is available to Members free of charge. Provisions of the Corporations Act affect the manner in which the Constitution is interpreted and the rights and obligations of the Fund Manager, the Trustee and Members under it. These provisions have not been summarised in this PDS. Members should confirm all information by reference to the Constitution.

12.2 COOLING OFF RIGHTS

There is no cooling off period for Applications in the Fund as the Fund is not liquid and Members participate in specific Conforming Mortgage Investments, with investment funds remitted to the relevant Mortgagors/Borrowers on receipt by the Fund Manager.

12.3 GENERAL RIGHTS OF MEMBERS

12.3.1 An investment in the Fund and the relevant Conforming Mortgage Investment entitles the Member to:

- attend and vote at meetings of Members, at which a Member has one (1) vote for each \$1,000 invested in a Conforming Mortgage investment;
- instruct the Fund Manager in the enforcement of the mortgage security and observance of the Borrower of the terms of the mortgage;
- receive their Income Entitlement.

12.3.2 Where applicable and subject to the relevant SPDS, participate with other Members of that Conforming Mortgage Investment in the realisation and division of proceeds from repayment of that Loan and mortgage as a tenant in common with the other Members of that Conforming Mortgage Investment.

12.4 TAXATION CONSIDERATIONS

12.4.1 The taxation implications of an investment in a Conforming Mortgage Investment through the Fund will depend on an individual Member's circumstances. Therefore, Applicants should consider seeking professional taxation advice before investing in the Fund. The Fund, the Fund Manager, the Trustee, and their directors, officers, employees, agents and advisers do not accept any responsibility for any taxation consequences.

12.4.2 The net income (interest less referable expenses) referable to the specific Conforming Mortgage Investment (or Member's interest in it) will form part of the Member's assessable income. Income paid to non-resident Members may be subject to withholding tax.

12.4.3 Where a Member fails to provide a valid Tax File Number to the Fund Manager, or give appropriate exemption information, the Trustee is required to withhold tax from any interest.

12.4.4 The Trustee is required to collect information about the tax status of Investors, including whether the Investor is a US citizen or resident for US tax purposes, and other relevant information under the Foreign Account Compliance Act ("FATCA") and Common Reporting Standard ("CRS") rules. If an Investor is identified as a foreign resident, its account information may be reported to the ATO under the FATCA and CRS rules, who in turn may share this information with foreign tax authorities.

GOODS AND SERVICES TAX

12.4.5 Goods and Services Tax ("GST") will generally be incurred on each of the fees and other costs outlined in section 13. The fees and costs including GST that the Fund is liable for (will be allocated on a Member/Conforming Mortgage Investment specific basis and, will be deducted from the interest income derived from bank accounts and Conforming Mortgage Investments.

12.4.6 In specific circumstances, the Fund may be entitled either to full input tax credits or reduced input tax credits (equivalent to 75% or 55% of the GST incurred) on relevant costs of operating the Fund. Please refer to section 13.3 for further detail.

12.4.7 Further to section 12.4.1, Applicants should consider seeking professional advice specifically in relation to their entitlement to claim full input tax credits and/or reduced input tax credits on relevant costs of investing in the Fund.

We note that while the Fund Management Costs included in section 13 are not charged to the Applicants, but instead reduce the returns that the Applicants would otherwise receive, the Applicants may have additional external costs relating to their investment in the Fund.

12.5 PRIVACY AND PERSONAL INFORMATION

12.5.1 If you complete an Application Form, you will be providing your personal information to the Fund Manager. The Fund Manager will collect, hold and use that information to assess your Application, service your needs as a Member, facilitate distribution payments (if made), send corporate communications to you as a Member and carry out administration. This information will also be disclosed to the Trustee and Custodian to enable it to administer the Fund's compliance regime effectively.

12.5.2 The information may also be used from time to time and disclosed to persons inspecting the register, bidders for the Fund Manager or Trustee in the context of a trade sale, regulatory bodies including the Australian Taxation Office and ASIC, your financial advisor, print service providers, mail houses and the registry provider.

12.5.3 The Fund Manager may also use your personal information to tell you about other products and services offered by the Fund Manager or other related bodies corporate.

12.5.4 You can access, correct and update the personal information that the Fund Manager holds about you. Please contact the Fund Manager if you wish to do so at the relevant contact numbers set out in this PDS.

12.5.5 The Fund Manager is committed to respecting the privacy of your personal information. The Fund Manager has adopted a privacy policy, which states how it manages personal information. You can obtain a copy of that policy by written request.

12.5.6 Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 and the Corporations Act. You should note that if you do not provide the information required on the Application Form, the Fund Manager may not be able to accept or process your Application Form.

12.6 COMPLAINTS HANDLING

12.6.1 Members who wish to make a complaint about the Fund should contact the Fund Manager by telephone on (08) 8408 0800 or in writing addressed to:

The Compliance Officer
Eastwood Securities Pty Ltd
Suite 5, 1 Markey Street
Eastwood SA 5063

The Fund Manager has established procedures to ensure all complaints are properly considered and dealt with within 21 days of being notified.

12.6.2 If the Members is not satisfied with the handling of their complaint about the Fund they may contact the Trustee by telephone on 1300 798 790 or in writing addressed to:

The Complaints Officer
Melbourne Securities Corporation Limited
Level 2 Professional Chambers,
120 Collins Street
Melbourne VIC 3000

12.6.3 The Fund Manager and the Trustee are also members of the Australian Financial Complaints Authority Limited ("AFCA") which provides an external complaints resolution scheme.

Complaints that cannot be resolved internally by the Fund Manager or Trustee to the Member's satisfaction can be taken by the Member to the AFCA. Members can contact the AFCA by telephone on

**1800 931 678 (within Australia), or by writing to:
Australian Financial Complaints Authority Limited
GPO Box 3, Melbourne, VIC 3001**

12.7 MATERIAL AGREEMENTS

CUSTODIAN AGREEMENT

The Trustee is party to the Custodian Agreement with the Custodian.

Under the terms of the Custodian Agreement the Custodian:

1. holds the legal title to all Fund Property;
2. is required to act at the lawful direction of the Trustee;
3. is required to hold the Fund Property separately from the property of the Trustee and the Fund Manager; and
4. is required to conduct reconciliation procedures and certify in writing to the Trustee at the expiration of each quarter during the year the outcomes of those procedures.

In addition, the Custodian is authorised to:

5. open and maintain bank accounts;
6. seek advice in relation to its obligations under the Custodian Agreement; and
7. make deductions and payments out of the Fund Property to discharge any properly incurred liabilities.

The Custodian must, at its own cost and expense, effect and maintain insurance cover in connection with the performance of its duties under the Custodian Agreement.

The Trustee has indemnified the Custodian in respect to any claims resulting from the Custodian's lawful performance of its duties under the Custodian Agreement.

The Custodian has indemnified the Trustee in respect of any claims resulting from its own fraud or default.

INVESTMENT MANAGEMENT AGREEMENT

On 22 November 2016 the Fund Manager and the Trustee entered into an Investment Management Agreement setting out their respective roles in managing and administering the Fund.

12.8 DECLARATIONS OF INTERESTS AND BENEFITS

The Fund Manager receives the fees set out in Section 12 of this PDS.

Subject to the Corporations Act, the Fund Manager and its staff may receive a salary as employees of the Fund Manager.

Barrie Willoughby, a director of the Fund Manager, has an indirect beneficial interest in the Fund Manager and will benefit from the fees derived by it.

Peter Schembri, a director of the Fund Manager, has an indirect beneficial interest in the Fund Manager and will benefit from the fees derived by it.

The Fund does not lend to related parties.

12.9 CONSENT OF EXPERTS

Each of Sandhurst Trustees Limited, Grant Thornton Audit Pty Ltd, Moore Stephens Audit (VIC) and LBH Accountants Pty Ltd have given their written consent to act in the position and role set out in the directory. Where applicable, they have consented to the information attributed to them in this PDS in the form and context in which they have been included. Further, none of these parties have withdrawn their consent prior to the date of this PDS.

12.10 STATEMENT REGARDING LABOUR STANDARDS AND ENVIRONMENTAL, SOCIAL AND ETHICAL CONSIDERATIONS

The Fund Manager does not, in the context of making decisions relating to the Fund, take into account labour standards or environmental, social or ethical considerations, except to the extent that the Fund Manager considers these issues have the potential to impact materially on the merits of its decisions in relation to the Fund. This means that if the sustainability or value of the Fund is adversely affected due to unacceptable labour standards or environmental, social or ethical factors, the Fund Manager may choose not to invest further or to dispose of the investment.

12.11 ANTI-MONEY LAUNDERING

In 2006 the Federal Government enacted the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) ("AML/CTF"). The RE is a "reporting entity" under this Act and as such must be "reasonably satisfied" that an Applicant exists and is who they claim to be prior to allowing an Applicant to invest in the Fund. This means that all Applicants to the Fund must provide identification information as set out in the current Application Form.

The Fund Manager and Trustee will hold all identification information collected in a secure manner in accordance with AML/CTF and relevant privacy principles. Information about a Member will only be disclosed where required under Australian law.

12.12 DIRECTORS' AUTHORISATION

The directors of the Trustee state that they have made all reasonable enquiries and have reasonable grounds to believe that all statements in this PDS are true and not misleading.

Each director of the Fund Manager and the Trustee has given and has not, at the date of this PDS, withdrawn their written consent to the issue of this PDS.

This PDS is issued by Melbourne Securities Corporation Limited. Its issue was authorised by a resolution of the directors.

13. FEES AND OTHER COSTS

CONSUMER ADVISORY WARNING

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns.

For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your final return by up to 20% over a 30-year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial advisor.

TO FIND OUT MORE

If you would like to find out more or see the impact of the fees based on your own circumstances, the Australian Securities and Investment Commission (ASIC) website (www.moneySMART.gov.au) has a managed funds fee calculator to help you check out different fee options.

13.1 FEES AND OTHER COSTS

This document shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns of your investment or from the assets of the managed investment scheme as a whole.

Taxation considerations are referred to in Section 12.4 of this PDS.

You should read all of the information about fees and costs because it is important to understand their impact on your investment.

Amounts shown are inclusive of GST net of input tax credits.

Type of fee or cost	Amount	How and when paid
Fees when your money moves in or out of the managed investment product		
Establishment Fee The fee to open your investment.	Nil.	Not applicable.
Contribution Fee The fee on each amount contributed to your investment.	Nil.	Not applicable.
Withdrawal Fee The fee on each amount you take out.	Up to 1.5% of the amount of your Conforming Mortgage Investment that is redeemed (up to \$15 per \$1,000 redeemed), if at your request the Conforming Mortgage Investment is redeemed early.	If a Member requests and is granted an early repayment of their Conforming Mortgage Investment (note the consent of the Fund Manager is required and the Fund Manager is under no obligation to provide its consent), the Fund Manager has the discretion to charge a withdrawal fee of up to 1.5% of the value of Conforming Mortgage Investment amount being redeemed.
Exit Fee The fee to close your investment.	Nil.	Not applicable.
The fees and costs for managing your investment		
Management Fee	A management fee of up to 2.4% per annum of the amount of your Conforming Mortgage Investment; Establishment and compliance fees of up to 2.4% of the amount of your Conforming Mortgage Investment the paid by a Borrower; and Other fees of up to 0.72% of the amount of your Conforming Mortgage Investment	The management fee is payable monthly in arrears by deducting it from interest paid by the Borrower or on early repayment of the Loan amount; and the establishment and compliance fees are determined on a case by case basis but are paid from fees paid by the relevant Borrower into the Fund in relation to the Conforming Mortgage Investment. The other fees are also paid by the Borrower in respect of specific events that may arise during the life of the Loan. ¹
Expense Fee	0.83% per annum of the amount of your Conforming Mortgage Investment (\$8.30 annually per \$1,000 invested).	The expense fee may be claimed on a monthly basis and is deducted from interest paid by the Borrower on a monthly basis.
Indirect costs	A commitment fee of \$440.00	The commitment fee is paid by the borrower on acceptance of their loan application and prior to loan draw-down.
	A valuation fee	The valuation fee is paid by the borrower on acceptance of their loan application and prior to loan draw-down. This fee covers the direct cost of valuing the security asset.

	Default payment fee	The default payment fee is paid by the borrower in the event that monthly interest payments fall into arrears. Default interest is paid at the lower interest rate plus 5.0%pa.
	Early repayment of loan fee	Early repayment fees are paid by the borrower ² .
	Late repayment of loan fee	Late repayment fees are paid by the borrower ³ .

Service fees

Switching fee The fee for changing investment options.	Nil.	Not applicable.
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NOTES

- For information on these other fees, see 'INCOME ADJUSTMENT' under the heading 13.2 ADDITIONAL EXPLANATION OF FEES AND COSTS.
- For information on these other fees, see 'EARLY REPAYMENT LOAN FEE' under the heading 13.2 ADDITIONAL EXPLANATION OF FEES AND COSTS.
- For information on these other fees, see 'LATE REPAYMENT LOAN FEE' under the heading 13.2 ADDITIONAL EXPLANATION OF FEES AND COSTS.

EXAMPLE OF FEES AND COSTS

This table gives an example of how fees and cost can affect your Conforming Mortgage Investment with a 1-year term. You should use this table to compare this product with other managed investment products.

EXAMPLE - Conforming Mortgage Investment with a 1- year term		BALANCE OF \$50,000 WITH A CONTRIBUTION OF \$5,000 DURING YEAR
Contribution Fees	Nil	For every additional \$5,000 you put in, you will be charged \$0
PLUS Management Costs	6.4% p.a. ¹	and, for every \$50,000 you have in the Fund you will be charged \$3,195 each year.
EQUALS Cost of Conforming Mortgage Investment with a 1- year term.		If you had an investment of \$50 000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees of: \$3,520 What it costs you will depend on the investment option you choose and the fees you negotiate.

NOTE:

- This is the maximum amount of fee that could be applied as Management costs relating to your Investment. (This amount is made up of the following: Establishment & Compliance fee 2.2%, Expense Fee 0.75%, Management Fee 2.2%, Loan Review Fee 0.66% and additional management fee representing input tax credits of 0.58% totalling 6.4% including GST)

13.2 ADDITIONAL EXPLANATION OF FEES AND COSTS

The management fee and the expense fee are not deducted directly from your account but they reduce the returns you would otherwise receive as they are deducted from interest income and/or fees paid by the Borrowers on the Loans. The Management Fee and Expense Fee are fees payable to the Fund Manager under the Management Agreement. All amounts are inclusive of GST net if input tax credits.

MANAGEMENT FEE

Management fees are charged by the Fund Manager to the Fund in order to manage the Conforming Mortgage Investments. This fee covers administration costs as they relate to the Fund, insurance costs, IT costs, consulting fees, disclosure documents and regulatory charges etc.

The Management Fee is made out of two components:

1. a component paid out of interest paid by the Borrower: This is a base amount of 1.2% and an additional amount of up to 1.2% which is determined on a case by case basis. The additional fee depends on the complexity of the Loan and the extent of ongoing management and supervision required. This fee will be disclosed in the SPDS.
2. a component paid out of the fees paid by the Borrower. This includes a Loan establishment and compliance fee paid by Borrowers into the Fund on the commencement of the Loan of 2.4% of the Loan amount as well as other fees paid by the Borrower into the Fund in relation to applying for a Loan, drawing down a Loan, managing a Loan, to increase a Loan amount, roll over a Loan, make an early or partial repayment or to substitute or discharge the security property of up to 0.83% of the Loan amount. The exact amount of these fees cannot be ascertained as they will vary from Loan to Loan and are reliant on a future event occurring.

Under the Constitution the Fund Manager charges an additional fee to the Fund representing the net input tax credits (ie net of any GST amounts remitted to the ATO by the Fund) received by the Fund in relation to expenses paid by it, grossed up by an amount to capture input tax credits arising on the fee itself. This fee is charged on a quarterly basis only. This fee does not directly affect Members and is taken into account in the amounts described above and the Expense Fee.

EXPENSE FEE

Expense Fee represents a fee charged by the Fund Manager to the Fund representing re-imbursement for costs incurred by the Fund Manager in the administration of the Fund and includes custodial fees, accounting and legal advice, audit fees, insurances, consulting fees, costs relating to Member meetings, registry fees and Compliance Committee member fees.

WITHDRAWAL FEE

The withdrawal fee is described in the above table. It is the only fee which may be deducted from the principal amount invested by a Member (as opposed to all other fees which are only ever paid out of interest income). It applies where a Member requests and is granted an early repayment of their Conforming Mortgage Investment upon the discretion of the Fund Manager (note the consent of the Fund Manager is required and the Fund Manager is under no obligation to provide its consent). Where the Fund Manager exercises its discretion to charge the fee, the fee is up to 1.5% of the value of Conforming Mortgage Investment amount being redeemed.

EARLY REPAYMENT OF LOAN FEE

For all Fixed Rate loans, income is payable for the Fixed Term of the loan (the "Term"). Should the Borrower elect to repay the loan during the Term, it must pay the following Fixed Rate Break Costs Fee to the Investor upon written notice by the Borrower of its intention to repay the Loan.

The "Fixed Rate Break Cost Fee" is the amount which the Investment Manager calculates as the Investor's (Lender's) loss arising from the difference between the income the Borrower would have paid between the day the money is repaid and expiry of the fixed rate period and the income the Lender expects to receive by re-investing the money repaid in a similar loan until the end of that period.

When calculating your loss the Investment Manager may assume:

- all payments would have been made when due (regardless of whether or not the payment falls on a business day);
- there will be no change to the income rates during the period between repayment of the relevant money and the end of the Term;
- the Investor will mitigate its loss for the period between repayment of the money and when it can reinvest the money in a similar investment by investing the money repaid early in a term deposit or at call investment account with the Lender's Bankers (whichever has the higher rate for the relevant term) for the lesser of the time the Investment Manager expects it will take to reinvest the money in a similar loan and 30 days; and
- the money repaid will be invested in a similar loan after the time referred to in the previous assumption.

As an example, for a \$250,000 loan, should it take the Investment Manager thirty (30) days to procure an alternate loan for the Investor and during that time the Investor obtains 4% per annum by placing the funds in a suitable term deposit and the loan was previously earning an income rate of 10% per annum prior to the loan being repaid during the term, the Investor would be entitled to:

- $\$250,000 \times 10\%$ less 4% for a period of 30 days, calculated as
- $\$250,000 \times 6\% / 365 \times 30 = \$1,232$ in fixed rate break fees.

LATE REPAYMENT OF LOAN FEE

In the event that the loan principal is not repaid on or before the expiration of the loan term Interest on the overdue amount can be charged at the default rate until the loan is repaid.

In the event that the loan principal is not repaid on or before the expiration of the loan term and the Borrower is continuing to meet all interest payments the Investment Manager may allow the loan to continue for a further term of up to 6 months pending, at the Investors discretion, to;

- a) Formally renew the loan on new agreed conditions
- b) Allow continuation of the loan for a further term on the original loan terms and conditions,

commence default proceedings to take possession of the security and recover outstanding Loan principal, interest and associated costs

As an example, for a \$250,000 loan, should it take the Investment Manager one hundred and eighty (180) days to undertake full recovery of principal and income for the Investor and during that time the Investor is entitled to default income of 13% per annum (Normal income of 10% pa plus additional 3% default income equals 13% pa.) The Investor would be entitled to:

- $\$250,000 \times 13\%$ for a period of 180 days, calculated as
- $(\$250,000 \times 13\% / 365) \times 180 = \$16,027$ in total income.

TRANSACTIONAL AND OPERATIONAL COSTS

There are no additional transactional and operational costs borne by the Fund. Any transactional and operational costs not recovered from the fees referred to above are paid by the Fund Manager.

INCOME ADJUSTMENT

In the event that a Loan is discharged by the Borrower prior to its agreed term, the Fund Manager will calculate an adjustment to income for the Member (the Income Adjustment). The Income Adjustment will be based on the pro rata interest income payable for the proportion of the term that the Member's funds were employed in the Fund. This is not a fee or cost and is therefore not included in the management costs calculations above but is an economic loss to the investor.

13.3 PAYMENTS BY THE FUND MANAGER TO THIRD PARTIES

The Fund Manager may outsource its administration and marketing. The Fund Manager will pay for these services out of the fees it charges for managing the Fund or otherwise out of its own assets.

The Fund Manager may pay fees to a lending broker out of its own assets.

13.4 COMMISSIONS

The Fund does not pay commissions. However, the Fund Manager may pay third party commissions from its own funds and if so, such commissions will be disclosed in the SPDS.

13.5 CHANGES TO FEES

The Fund Manager does not expect management costs (as disclosed above) to increase materially during the next 12 months. If the management costs increase, the Fund Manager will provide Members with 30 days' written notice before these costs are deducted.

GLOSSARY

14. GLOSSARY

Applicant

means an applicant under this PDS (including the relevant SPDS).

Application

means an application to participate in the Fund and invest in a particular Conforming Mortgage Investment in accordance with this PDS and the relevant SPDS, as applicable.

Application Form

means the application form attached to or accompanying this PDS, being either the 'ESMF Application Form' or the 'SPDS Application Form' or both, as the context requires.

Approved Security Property

means the property securing a Conforming Mortgage Investment as determined by the Investment Committee.

ASIC

means the Australian Securities and Investments Commission.

Borrower

means a borrower or borrowers under a Loan.

Business Day

means a day other than Saturday or a Sunday on which banks are open for general business in Melbourne, Victoria.

Code

means the National Credit Code set out under the National Consumer Credit Protection Act 2009 (Cth). A 'Code Loan' is one that is not for commercial purposes and is secured by residential property.

Compliance Committee

means the independent compliance committee appointed by the Trustee in connection with the Fund from time to time.

Compliance Plan

means the compliance plan for the Fund as amended from time to time.

Conforming Mortgage Investment

means the making of a Loan which is secured by a mortgage over real property, as defined in the Constitution.

Constitution

means the constitution of the Fund including any supplementary or replacement constitution.

Contributory Mortgage

means where a Conforming Mortgage Investment is registered in the name of two or more Members as lenders and mortgagees or for a Code Loan that is held on trust for two or more Members.

Corporations Act

means the Corporations Act 2001 (Cth).

Custodian

means Sandhurst Trustees Limited (ACN 004 030 737).

Custodian Agreement

means the agreement entered into between the Custodian and the Trustee dated 27 September 2013.

Direct Mortgage

means where a Conforming Mortgage Investment is registered in the name of one Member as the lender and mortgagee, or for a Code Loan is held on trust for one Member.

Eastwood Securities

means Eastwood Securities Pty Ltd (ACN 143 030 540, Australian Credit Licence number 385467) the trustee of Eastwood Securities Unit Trust (ABN 28 554 409 241) and the fund manager for the Fund

Existing Member

means a person or company who is a Member of the Fund at the date of this PDS.

Expenses

means costs incurred by the Fund Manager in administration of the Fund and includes but is not limited to custodial fees, accounting and legal advice, audit fees, insurances, consulting fees, costs relating to investor meetings, registry fees, and Compliance Committee member fees.

Financial Year

means a financial year ending on 30 June.

Fund

means the Eastwood Securities Mortgage Fund ARSN 146 451 792.

Fund Manager

means the Eastwood Securities Pty Ltd ACN143 030 540

Income Adjustment

means the adjustment to income for a Member calculated by the Fund Manager should a Loan be discharged by the Borrower prior to its agreed term, as detailed in Section 12.7 of this PDS.

Income Entitlement

a member's Income Entitlement for a month is calculated as follows:

- the amount of interest paid by a Borrower in that month in relation to the Loan made by that Member the subject of a specific Conforming Mortgage Investment;
- plus: any other interest received by the Fund in that month from bank accounts referable to that Member (if any);
- less: the costs of the Fund in that month (including the fees paid to the Fund Manager, except the fee referred to in clause 13. FEES AND OTHER COSTS) referable to that Member;
- less: any other deductions entitled to be made under the Constitution, in that month.

Investment Committee

means the investment committee of the Fund Manager.

Investment Criteria

means the investment criteria of the Fund as referred to in Section 8.2 of this PDS.

Investment Management Agreement

means the agreement appointing Eastwood Securities as the fund manager of the Fund amended from time to time.

Loan

means a loan made by or on behalf of a Member/Members to a Borrower, which may be secured by one or more registered mortgages over real estate, one or more security agreements and/or one or more guarantees.

LVR

means loan-to-value ratio.

Management Fee

means the amount paid to the Fund Manager as referred to in Section 13 of this PDS.

Member

means a member of the Fund, and, in particular as the context requires, a member of the Fund that has an interest in a Conforming Mortgage Investment.

Mortgage Security

means a mortgage secured over an interest in real property registered in the name of or on trust for the Member in relation to a Conforming Mortgage Investment.

MSC

means Melbourne Securities Corporation Limited (ACN 160 326 545).

Offer

means the offer made by this PDS and any subsequent SPDS to participate in the Fund and invest in a Conforming Mortgage Investment.

PDS

means this document, and the relevant SPDS, where the context requires.

Responsible Entity

means Melbourne Securities Corporation Limited ACN 160 326 545.

Roll Over

means the extension of an existing investment in a Conforming Mortgage Investment for a further term on the terms contained in the Roll Over Notice.

Roll Over Notice

means the written notice sent to Members in respect of a Roll Over which contains the terms of the Conforming Mortgage Investment upon being rolled over.

SPDS

means a subsequent Supplementary Product Disclosure Statement provided to an Applicant describing a specific Conforming Mortgage Investment, as described in Section 1.4 of this PDS.

Trustee

means Melbourne Securities Corporation Limited (ACN 160 326 545, Australian financial services licence 428289)

Valuation

means a valuation carried out in accordance with Section 9 of this PDS.

Valuer

means a registered valuer approved by the Fund Manager and appointed to conduct a Valuation.

You, Your

means a reference to an Applicant, or a member, or both of them, as the context requires.

14. DIRECTORY

TRUSTEE & PRODUCT ISSUER

Melbourne Securities Corporation Limited
ACN 160 326 545
AFS Licence No. 428289
Level 2 Professional Chambers,
120 Collins Street
Melbourne Victoria 3000
Phone: 1300 798 790

FUND MANAGER

Eastwood Securities Pty Ltd
ACN 143 030 540
Suite 5, 1 Markey Street
Eastwood South Australia 5063
Phone: +61 (0)8 8408 0800
Fax: +61 (0)8 8377 7433

Directors of the Fund Manager

Mr. Peter Schembri
Mr. Barrie Willoughby

CUSTODIAN

Sandhurst Trustees Limited
ACN 004 030 737
Level 5,120 Harbour Esplanade
Docklands Victoria 3008

ACCOUNTANTS TO THE FUND MANAGER

LBH Accountants Pty Ltd
ACN 007 723 542
294 Payneham Road
Payneham South Australia 5070

AUDITOR OF THE FUND

Grant Thornton Audit Pty Ltd
ACN 130 913 594
Level 3, 170 Frome Street
Adelaide SA 5000

AUDITOR OF THE TRUSTEE

Moore Stephens Audit (VIC)
ABN 16 847 721 257
Level 18, 530 Collins Street
Melbourne VIC 3000

AUDITOR OF THE COMPLIANCE PLAN

Moore Stephens Audit (VIC)
ABN 16 847 721 257
Level 18, 530 Collins Street
Melbourne VIC 3000