



EQUITY-ONE

TM

## MORTGAGE FUND LIMITED

### **Benchmark and Disclosure Principle 1: Liquidity**

#### **Description**

'Liquidity' means a mortgage fund's ability to meet its short-term cash needs.

To meet this benchmark, for a pooled mortgage scheme the Responsible Entity must have cash flow estimates for the Fund that:

- Demonstrate the Fund's capacity to meet its expenses, liabilities and other cash flow needs for the next 12 months;
- Are updated at least every 3 months and reflect any material changes; and
- Are approved by the directors of the Responsible Entity at least every 3 months.

#### **Satisfied?**

Not applicable.

This benchmark does not apply to the Fund as it is a contributory scheme.

### **Benchmark and Disclosure Principle 2: Scheme borrowing**

To meet this benchmark, the Responsible Entity does not have current borrowings and does not intend to borrow on behalf of the Fund

Benchmark satisfied.

The Responsible Entity does not currently have nor does it intend to borrow on behalf of the Fund. If this changes the Responsible Entity will provide an update to Members.

### **Benchmark and Disclosure Principle 3: Loan portfolio and diversification**

To meet this benchmark, for a pooled mortgage scheme:

- The scheme holds a portfolio of assets diversified by size, borrower, class of borrower activity and geographic region;
- The scheme has no single asset in the scheme portfolio that exceeds 5% of the total scheme assets;
- The scheme has no single borrower who exceeds 5% of the scheme assets; and
- All loans made by the scheme are secured by first mortgages over real property (including registered leasehold title).

Not applicable.

This benchmark does not apply to the Fund as it is a contributory scheme.

### **Benchmark and Disclosure Principle 4: Related party transactions**

The Responsible Entity does not lend to related parties of the Responsible Entity.

Benchmark satisfied.

The Responsible Entity does not lend to related parties of the Response Entity.

By way of further disclosure, the Responsible Entity and two of its shareholders, D.D.K. Holdings Pty Ltd and Westlawn Finance Limited, are Members of the Fund. Westlawn Financial Services Limited is a related party of Westlawn Finance Limited and also a Member of the Fund. The terms on which the Responsible Entity, D.D.K. Holdings Pty Ltd, Westlawn Finance Limited and Westlawn Financial

Services Limited are Members are no different to the terms upon which any prospective investors may become Members of the Fund pursuant to the PDS. Some of the funds used by the Responsible Entity to invest in the Fund may be borrowed from its shareholders, on arm's length commercial terms.

The Responsible Entity's officers and employees, and their associated entities, may invest in the Fund on the same terms as other investors.

The Fund has no other lending or investments with related parties.

Should this situation change, whereby the Responsible Entity transacts with related parties, including lending or investing, it will do so on no more favourable terms than those offered to investors or borrowers and clearly disclose to the prospective investor that the proposed investment is to a related party. Any loan to a related party will be subject to the same borrower due diligence, valuation requirements, LVR and default loan management measures applied to non-related party transactions.

Further details are provided in Sections 11.2 and 11.7.

The benchmark is not satisfied.

The benchmark is not satisfied only because the Responsible Entity may not have a valuation by an approved valuer in the case of renewals of Loans where it considers it in the best interests of Members to determine value based on the Capital Improved Value on the most recent Council Rate Notice or Land Information Statement may also be used at the discretion of the Responsible Entity. The Responsible Entity considers this policy avoids incurring valuation delays and expenses on renewals when it would not be reasonable to do so having regard to the Responsible Entity's assessment of the risk.

Other than in that case, the Responsible Entity uses valuers from its Approved Valuer panel, with whom it has developed long standing relationships based on trust and whose service levels and costs are proven and satisfactory. It is the Responsible Entity's policy to use valuers it believes are specialised in various fields.

The Fund does not lend for construction and all its valuations are completed "as is" or on land value only. The 'as is' valuation is an estimate of the market value of the property in its current state.

**Benchmark 5 and Disclosure  
Principle 5:  
Valuation policy**

To meet this benchmark, in relation to valuations for the Fund's Mortgage assets and their security property, the board of the Responsible Entity requires:

- a) a valuer to be a member of an appropriate professional body in the jurisdiction in which the relevant property is located.
- b) a valuer to be independent.
- c) procedures to be followed for dealing with any conflicts of interest.
- d) the rotation and diversity of valuers;
- e) in relation to Security Property for a Loan, an independent valuation to be obtained:
  - i) before the issue of a Loan and on renewal;
  - ii) for development property, on both an 'as is' and 'as if complete' basis; and
  - iii) for all other property, on an 'as is' basis; and
  - iv) 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.

It is the Responsible Entity's policy that valuations must not be more than 4 months old when the Loan is settled. A Sub-scheme may be increased within 12 months of the date of the original valuation at the discretion of the investor. Generally, new valuations are obtained after 3 years from the date of the advance unless the loan term exceeds 3 years, or earlier at the discretion of the Member(s). Please contact the Responsible Entity for a full copy of the valuation policy.

Any proposed Security Property must be valued before being proposed to a Member. Valuations may only be carried out by an Approved Valuer listed on the Responsible Entity's Approved Valuer panel except in certain cases of renewals as noted above.

Approved Valuers making up the Responsible Entity's Approved Valuer panel or who otherwise agree to undertake a valuation on behalf of the Responsible Entity, must:

- be experienced in valuing the relevant type of Security Property;
- have knowledge of the local property market;
- be registered under a State or Territory valuer registration regime; and
- hold appropriate professional indemnity insurance

Benchmark satisfied.

The Fund complies with the LVRs in the Benchmark and does not lend for property development by way of construction loans.

As at 30 June 2022, the maximum LVR for the Fund is 75% and the weighted average LVR for the Fund is 61.61%. It is the Fund's practice that LVRs will not exceed 65% on a First Ranking Mortgage and 75% on a Second Ranking Mortgage. However, if an LVR exceeds these limits (and without any way exceeding the prescribed LVR or 80% as stated in the Constitution of the Fund), the LVR will be disclosed in the Part B PDS provided to the Member detailing the specific details of the Loan the subject of their investment in the Fund.

Benchmark satisfied.

The Responsible Entity will pay interest and return capital invested in a Sub-scheme out of principal and interest payments received from the Borrower.

The specific rate of return for a particular Sub-scheme will be stipulated in the applicable Part B PDS.

The Fund's method of distribution of income is set out in this PDS. Each Sub-

**Benchmark and Disclosure  
Principle 6:  
Lending principles – Loan-to-  
valuation ratios**

The benchmark requires if the Fund directly holds Mortgage assets:

- where the Loan relates to property development – funds are provided to the Borrower in stages based on independent evidence of the progress of the development;
- where the Loan relates to property development – the Fund does not lend more than 70% on the basis of the latest 'as if completed' valuation of the property over which security is provided; and

in all other cases – the Fund does not lend more than 80% on the basis of the latest market valuation of property over which security is provided.

**Benchmark and Disclosure  
Principle 7:  
Distribution practices**

To meet this benchmark, the Responsible Entity must not pay current distributions from Fund borrowings.

scheme stands alone and the distribution comes solely from income received for the particular Sub-scheme during the term of the Loan. Income, in the form of interest payments received from the Borrower (at a fixed interest rate), less the fees and costs of the Responsible Entity, will be electronically transferred to a Member's nominated bank account on a monthly basis, or on such terms stipulated in the applicable Part B PDS.

As outlined in this PDS, there are risks, including that some income payments can be affected by non-performing Loans where a Borrower fails to make a required payment and some of the investment may be lost if a Borrower defaults and the Security Property sells for less than the amount outstanding.

The Benchmark is not applicable as the Fund is a contributory scheme.

Given the nature of the Fund a Member may redeem Cash Moneys provided:

- the Member has given 5 Business Days written notice to the Responsible Entity; and
- the Member has not already completed a Consent Form consenting to the Cash Moneys being allocated to a Sub-scheme by the Responsible Entity.

A Member of the Fund has no right of withdrawal once their money has been allocated to a particular Sub-scheme until the repayment or maturity of the Mortgage in the Sub-scheme in which the Member has invested.

The term of the investment will be disclosed in the Part B PDS provided to the Member. A Member will be repaid their initial investment only on maturity or upon the discharge of the Loan relating to the particular Sub-scheme.

For example, if the term of the Loan is for 12 months, then the Member will be entitled to get their money back shortly thereafter.

There may be a delay in a Member being able to withdraw from the Fund in a situation where the Borrower has defaulted and the Security Property the subject of the Sub-scheme must be sold. The Member may have to wait until the Security Property is sold and the proceeds of sale are available for distribution. There is also a risk that some of the investment may be lost if a Borrower defaults and the Security Property sells for less than the amount outstanding. In such a situation, any loss would be apportioned amongst Members in proportion to their investment.

After repayment or maturity of a Loan, a Member may elect to withdraw or renew

### **Benchmark and Disclosure Principle 8: Withdrawal arrangements**

To meet this benchmark:

For liquid schemes:

- the maximum period allowed for in the Constitution for the payment of withdrawal requests is 90 days or less;
- the Responsible Entity will pay withdrawal requests within the period allowed for in the Constitution; and
- the Responsible Entity only permits Members to withdraw at any time on request if at least 80% (by value) of the scheme property is:
  - money in an account or on deposit with a bank and is available for withdrawal immediately, or otherwise on expiry of a fixed term not exceeding 90 days, during the normal business hours of the bank or
  - assets that the Responsible Entity can reasonably expect to realise for market value within 10 business days.

For non-liquid schemes, the Responsible Entity intends to make withdrawal offers to Members at least quarterly.

(rollover) their investment into the same or another Sub-scheme.

Further details are provided in Section 11.4