

# Msquared Mortgage Income Fund

## Product disclosure statement

Date of issue #[#] 2024

**ARSN #[#]**

**Responsible Entity**

One Managed Investment Funds Limited  
ACN 117 400 987  
AFSL 297042

**Manager**

Msquared Capital Retail Funds Management Pty Ltd  
ACN 679 611 146  
AFS Representative Number #[#] of One Investment Administration Ltd  
ACN 072 899 060 AFSL 225064  
AFS Representative Number #[#] of Msquared Capital Pty Ltd  
ACN 622 507 297 AFSL 520293

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## Important information

This product disclosure statement (PDS) dated #**[insert]** 2024 has been prepared and issued by One Managed Investment Funds Limited ACN 117 400 987 AFSL 297042 (**Responsible Entity, we, us, our**) as the responsible entity of the Msquared Mortgage Income Fund ARSN #**[#]** (**Fund**). The Fund is an Australian managed investment scheme registered with the Australian Securities and Investments Commission (**ASIC**).

The Responsible Entity has appointed Msquared Capital Retail Funds Management Pty Ltd ACN 679 611 146 (**Manager**) to provide investment and other services to the Fund pursuant to an Investment Management Agreement. The Manager is a corporate authorised representative (no. #**[insert]**) of One Investment Administration Ltd ACN 072 899 060 AFSL 225064 (**OIAL**) in respect of financial services provided to 'retail clients' (as defined in the Corporations Act) (**Retail Clients**) and personal financial product advice provided to the Responsible Entity in its role as investment manager of the Fund. The Manager is also a corporate authorised representative (no. #**[insert]**) of Msquared Capital Pty Ltd ACN 622 507 297 AFSL 520293 (**Msquared Capital**) in respect of financial services (including general financial product advice in relation to the Fund) provided to 'wholesale clients' (as defined in the Corporations Act) (**Wholesale Clients**).

This PDS relates to the offer of three Classes of Units in the Fund, the Ordinary Units, Premium Units, and Platinum Units (**Offer**). The Responsible Entity may from time to time issue further classes of units with different rights and obligations to the Classes of Units under this PDS, at its discretion. Prospective investors in the Fund (**you, your**) should read this PDS before making a decision to invest in the Fund.

### PDS

This PDS has not been lodged with ASIC and is not required by the Corporations Act to be lodged with ASIC. ASIC takes no responsibility for the contents of this PDS or the merits of the investment to which this PDS relates. Units issued under this PDS will be issued by the Responsible Entity on the terms and conditions applicable to the relevant Class as set out in this PDS.

### General information only

This PDS contains general information only and is not financial product advice. It has been prepared without having regard to your investment objectives, financial situation, or specific needs. As a result, before acting on the information, you should read this PDS in its entirety. You should take into account all risk factors referred to in this PDS (including those in Section 0) and consider whether acquiring Units represents an appropriate investment in view of your personal circumstances. You should carefully consider your particular investment objectives, financial circumstances and investment needs (including financial and taxation issues) and you should seek advice from your professional adviser before deciding whether to invest. You should consider the risk factors that could affect the financial performance of the Fund. There is no guarantee that the Units offered under this PDS will provide a return on capital, lead to payment of distributions, or that there will be any increase in the value of the Units.

### Target market determination

You should also carefully consider the target market determination (**TMD**) for the Fund before making an investment decision. The TMD includes a description of the consumer attributes of investors within the target market for the Fund. A copy of the TMD is available on the Fund's Website.

### Authorised information

**Commented [VK1]:** To review if there will be additional wholesale CAR

**Commented [HW2R1]:** Updated on the basis that there will be a wholesale CAR arrangement.

**Commented [TM3R1]:** Just a pedantic point, but you use 'retail clients' as defined in the Corps Act, then Wholesale Clients as a defined term. I suggest defining both of them here, and in the Glossary, then you can use the defined term throughout the rest of the PDS.

**Commented [HW4R1]:** We didn't define retail clients as it isn't used substantially throughout the PDS. It is now used more widely, so we are comfortable with this approach

**Commented [TM5]:** Sarah asked to confirm that this is consistent with ASIC guidance.

**Commented [HW6R5]:** Confirming that we have considered this and determined it does not need to be updated based on ASIC guidance.

**Commented [TM7]:** I wonder if this language is appropriate. Should it say something like "the investment profile and risk tolerance of investors within the target market for the Classes of Unit". We will need to look at the TMD.

**Commented [HW8R7]:** TMD is drafted and will be settled and circulated on 12 November

No person is authorised to give any information or to make any representation in connection with the Offer, which is not contained in this PDS. Neither the Manager nor the Responsible Entity nor their employees, associates, agents or officers, nor any other person associated with the Fund guarantees or warrants the future performance of the Fund, the return on an investment made under this PDS, the repayment of capital, or the payment of distributions on the Units. Any information or representation in relation to the Offer not contained in this PDS may not be relied on as having been authorised in connection with the Offer by the Responsible Entity, the Manager or any other person that may have liability for the content of this PDS.

#### **Restrictions on the distribution of this PDS**

The Offer set out in this PDS is only available to investors in Australia. This PDS does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Units in any jurisdiction outside Australia. The distribution of this PDS outside Australia may be restricted by law and persons who come into possession of this PDS outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law. The Responsible Entity is entitled to refuse an Application for Units under this PDS if it believes an Applicant is not eligible to invest in the Fund.

#### **Currency and rounding**

Unless otherwise indicated, references to \$ are references to the lawful currency of Australia.

#### **Rights and obligations attached to the Units**

Details of the rights and obligations attached to all Units, and the material provisions of the Constitution, are summarised in Section **Error! Reference source not found.** To the extent there are inconsistencies between the Constitution and this PDS, the Constitution will prevail. A copy of the Constitution is available, free of charge, on request from either the Responsible Entity or the Manager.

#### **Electronic and printed PDS**

This PDS will be available and may be viewed online on the Fund's Website. The information on the Website does not form part of this PDS.

Applications for Units may be made via the electronic Application Form attached to the electronic version of this PDS, available on the Fund's Website.

Any person may obtain a paper copy of this PDS and/or the Application Form free of charge by contacting the Manager or Responsible Entity. Please refer to the Directory in Section 11 for the Manager and Responsible Entity's contact details.

#### **Disclaimer**

No person is authorised by the Responsible Entity or the Manager to give any information or make any representation in connection with the Offer that is not contained in this PDS. Any information or representation that is not contained in this PDS may not be relied on as having been authorised by the Responsible Entity, the Manager, their directors, employees or agents or any other person in connection with the Offer. The Fund's business, financial condition, operations and prospects may have changed since the date of this PDS.

#### **Forward looking statements**

**Commented [TM9]:** This should be paper only for wholesale and advised.

**Commented [HW10R9]:** TBC by OIG. Msquared preference is majority of clients come through electronic

Certain statements in this PDS constitute forward looking statements. These forward-looking statements are based on current expectations, estimates, and projections about the Fund's business and the industry in which the Fund invests and the beliefs and assumptions of the Manager and the Responsible Entity. These forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that are in some cases beyond the Responsible Entity's and the Manager's control. As a result, any or all of the forward-looking statements in this PDS may turn out to be inaccurate. Factors that may cause such differences or make such statements inaccurate include, but are not limited to, the risk factors described in Section 0.

#### **Updated information**

The information in this PDS may change from time to time. Where the information in this PDS changes, and such change is not materially adverse to you, we may update the information by publishing an update on the Fund's Website. The Responsible Entity will also provide a copy of the updated information, free of charge to any prospective investor or Unitholder who requests a copy by contacting the Responsible Entity on #[\[insert\]](#) or the Manager at [investor@msqcapital.com.au](mailto:investor@msqcapital.com.au).

In accordance with its obligations under the Corporations Act, the Responsible Entity may issue a supplementary PDS to supplement any relevant information not disclosed in this PDS. You should read any supplementary disclosures made in conjunction with this PDS prior to making any investment decision.

#### **Indirect Investors**

The Responsible Entity authorises the use of this PDS as disclosure to Indirect Investors who access the Fund through an IDPS or IDPS-like scheme (known commonly as a master trust, platform or wrap account) or nominee or custody service (**Portfolio Service**) and those investors may rely on this PDS. Individuals or entities who invest in the Fund through a Portfolio Service do not become Unitholders. The operator or custodian of the Portfolio Service (**IDPS Operator**) will be recorded as the Unitholder in the Unitholder register and will be the person who exercises the rights and receives the benefits as a Unitholder. Reports and documentation relating to the Fund will be sent to the IDPS Operator. Investors using a Portfolio Service should be aware that they may be subject to different conditions from those set out in this PDS, particularly in relation to:

- arrangements for the application for and transfer of Units;
- fees and expenses; and
- application and redemption timing.

Indirect Investors should contact their adviser or IDPS Operator with any queries relating to an investment in the Fund using a Portfolio Service. Reference to 'you' or 'your' in this PDS is generally a reference to a direct investor in the Fund, but may also refer to Indirect Investors as the context requires.

The Responsible Entity and Manager reserves the right to vary certain conditions for Portfolio Services.

#### **Miscellaneous**

Diagrams used in this PDS that do not have descriptions are for illustration only and should not be interpreted to mean that any person in them endorses this PDS or its contents or that the assets shown in them are owned by the Fund. Certain terms and abbreviations in this PDS have defined meanings that are explained in the Glossary in Section 10 of this PDS.

Unless otherwise stated or implied, references to time in this PDS are to Sydney time. Any references to documents included on the Manager or Responsible Entity's website are provided for convenience only, and none of the documents or other information on those websites is incorporated by reference into the PDS.

# 1 Offer summary

The information provided in this section is a summary only of the key terms of the Fund and does not set out full details of the Fund's terms. You should read this PDS in full prior to making a decision to invest in the Fund.

## 1.1 Key details and investment strategy

Topic	Summary	Further information
Fund	Msquared Mortgage Income Fund ARSN #	Section 3
Unit Classes	<p>Investment in the Fund will be offered through different classes of Units. The following classes are currently intended:</p> <ul style="list-style-type: none"> <li>(a) Ordinary Units;</li> <li>(b) Premium Units;</li> <li>(c) Platinum Units; and</li> <li>(d) Platform Units.</li> </ul> <p>The Ordinary Units, Premium Units and Platinum Units for part of the Offer under this PDS. The Responsible Entity intends to offer Platform Units under a separate product disclosure statement.</p> <p>Further information on the Classes is set out throughout this PDS, including sections 1.3 and 1.4.</p>	
Responsible Entity	One Managed Investment Funds Limited ACN 117 400 987 AFSL 297042	Section 0
Manager	Msquared Capital Retail Funds Management Pty Ltd ACN 679 611 146 Corporate Authorised Representative (no. #[insert]) of OIAL and Corporate Authorised Representative (no. #[insert]) of Msquared Capital	Section 2.1
Investment objectives	<p>The investment objective of the Fund is to provide Unitholders with regular income distributions and an opportunity to obtain exposure to Loans secured by Mortgages.</p> <p>The Fund targets a total return of between #[2.25% - 4.25%] above the RBA Cash Rate per annum, pre taxation and net of fees, costs and expenses. The target return will differ between Classes (due to the difference in management fees payable). For further information please refer to section <b>Error! Reference source not found.</b></p> <p>The Fund's target investment return objectives are targets and not forecasts. Return of Unitholders' capital and distributions are not guaranteed.</p>	<p>Sections <b>Error! Reference source not found.</b> and 3.2</p>
Investment strategy	<p>The Fund is a pooled mortgage fund, which seeks to provide Unitholders with regular, stable monthly income with minimal volatility through investment in a diversified range of Loans sourced by the Msquared Group.</p> <p>The Fund does not directly invest in any Loans, but does so through investment structures described [below / in Section [ ]].</p> <p>Loans are made for commercial and business purposes only and primarily for refinance, acquisition, and working capital purposes.</p>	Sections 3.3 and 4

**Commented [TM11]:** I think it would be better to include Classes of Units, or at least a flag to them, as part of the Key Details. It rather looks out of place to describe the Key service providers but not the Units.

**Commented [HW12R11]:** We have updated key details to introduce classes of units

**Commented [HW13]:** Msquared to confirm

**Commented [TM14]:** I am used to seeing the Investment objectives before the Investment strategy. The objective is what you are aiming to achieve, while the strategy is how you aim to achieve it. The order is the other way round in Section 3.

**Commented [HW15R14]:** Amended as suggested

**Commented [TM16]:** See the comment below.

Topic	Summary	Further information
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The Fund will not accept a Loan that is:

- to the Responsible Entity, the Manager or any of their Related Parties;
- a consumer loan under the National Consumer Credit Protection Act;
- for construction purposes;
- to be used for or secured by a development project; or
- secured by vacant land.

Each Loan will be secured by a registered first ranking mortgage over real estate (**Mortgage**). Additional forms of security may also be taken to provide further security for the Loan (**Security Interests**). Whilst the Loans will be secured by first ranking Mortgage, it may be that one or more other lenders (who will generally be a member of the Msquared Group) will have a right to be repaid their respective loan amounts in priority to the Fund.

As the Fund has a pooled investment strategy, you will not have the opportunity to select specific Loan investments. All Loans will be in accordance with the Fund's Lending Guidelines.

See Section 4 for further information about the Loans.

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

**Commented [TM17]:** Consider whether to put this in a separate box for prohibited investments.

**Commented [TM18]:** Does Msquared want to focus on the fact of registration so the PDS always refers to registered Mortgages or first ranking so it focuses on first ranking, or is that to be covered by the definition so the PDS will refer to Mortgages?

**Commented [HW19R18]:** We have amended so it refers only to Mortgages throughout, except where we are explaining that mortgage will be first ranking but our exposure to Loan may be subordinated to another.

**Commented [TM20]:** To be checked. Is Security Interests intended to cover the Mortgage or just other forms of security.

**Commented [HW21R20]:** Have amended to make clear that Security Interests isn't intended to cover Mortgages

## 1.2 History of the Fund

The Fund is a managed investment scheme structured as a unit trust, which was established on 20 June 2022 with Msquared Capital as its first trustee. On 5 November 2024, One Managed Investment Funds Limited replaced Msquared Capital as trustee as part of proposal to register the Fund with ASIC under Chapter 5C of the Corporations Act as a registered managed investment scheme to allow Retail Clients to invest in the Fund. The Fund was registered on #[insert date].

Prior to registration, it operated as an unregistered managed investment scheme open to investment by Wholesale Clients only. From establishment to One Managed Investment Funds Limited's appointment, the Fund advanced [ ] Loans to [ ] Borrowers for total commitments of [ ].

**Commented [HW22]:** H&W to update once registration has occurred

**Commented [HW23]:** Msquared to provide information

## 1.3 Summary of Fund structure

The Fund offers investment in different classes of Units. The terms of each class will differ.

There are currently four classes of Units established for the Fund: Ordinary Units, Premium Units, Platinum Units and Platform Units.

The three Classes offered under this PDS are:

- Ordinary Units: available to all investors, whether Retail Clients or Wholesale Clients;
- Premium Units: available to investors who are Wholesale Clients as well as Retail Clients at the prior invitation of the Manager;
- Platinum Units: available to Wholesale Clients who are prepared to make a minimum investment of \$10,000,000, and only at the prior invitation of the Manager.

**Commented [TM24]:** OIG is happy to make this the Manager only.

**Commented [HW25R24]:** Noted, thank you

**Commented [TM26]:** I think that this is consistent with what we discussed in the TMD meeting.

**Commented [HW27R26]:** confirmed

These Classes differ in the management fee charged by the Manager and frequency in which they can participate in intended withdrawal offers made by the Responsible Entity.

All assets of the Fund will be pooled and applied across each Class on a proportionate basis determined by dividing the number of Units on issue in that Class by the total number of Units on issue in the Fund as a whole. This is referred to as the **Relevant Proportion** for the particular Class.

Platform Units will be issued pursuant to a separate PDS and are designed for investors investing through a platform which requires rolled up pricing (compared to unit days pricing which is used for the Classes available under this PDS).

The Responsible Entity may issue further classes of Units.

#### 1.4 Key terms of Classes

Topic	Summary			Further Information
	Ordinary Units	Premium Units	Platinum Units	
Investor eligibility	Retail Clients and Wholesale Clients	Wholesale Clients, as well as Retail Clients at the invitation of the Responsible Entity or the Manager	Wholesale Clients only (at the prior invitation by the Responsible Entity or the Manager)	
Targeted Return	2.25% - 3.75% per annum above the RBA Cash Rate (net of fees, costs and expenses and pre taxation)	2.5% - 4.00% per annum above the RBA Cash Rate (net of fees, costs and expenses and pre taxation)	2.75%-4.25% per annum above the RBA Cash Rate (net of fees, costs and expenses and pre taxation)	
	The above objectives are target returns and not forecasts. Return of Unitholders' capital and distributions are not guaranteed.			
Management Fee	All fees and costs of the Fund, other than the ongoing management fee, are charged proportionally to the Classes based on the Relevant Proportions of each Class. The Manager is entitled to the following ongoing management fee in respect of each Class:			
	1.79% per annum of the Relevant Proportion of the gross asset value of the Fund	1.54% per annum of the Relevant Proportion of the gross asset value of the Fund	1.28% per annum of the Relevant Proportion of the gross asset value of the Fund	
Minimum initial investment amount	\$10,000	\$10,000	\$10,000,000	
Minimum subsequent investment amount	\$5,000	\$5,000	\$500,000	
Withdrawals	As the Fund will be considered 'illiquid' (as that term is defined in the Corporations Act), withdrawals from the Fund may only be made pursuant to a withdrawal offer from the Responsible Entity. The Responsible Entity intends to make withdrawal offers, generally up to 5% of the net asset value of the Fund monthly. Not all withdrawal offers will be open to all Classes, so the			Sections <b>Error! Reference source not found.</b> and 3.12

**Commented [TM28]:** This was used in the table below, but was not defined in the Glossary. I suggest it be inserted here to lead into the table. I think that can be included here and then just Relevant Proportion used below.

**Commented [HW29R28]:** Agreed, thank you

**Commented [HW30]:** We have amended the wording here based on the understanding that the OIG fee will be calculated based on the gross asset value of the Fund and then divided by the Classes based on Relevant Proportions. If this is not correct, then please let us know.

Topic	Summary			Further Information
	Ordinary Units	Premium Units	Platinum Units	
	<p>frequency that Unitholders will be able to participate in a withdrawal offer will depend on the Class held.</p> <p>Indirect Investors must give withdrawal requests directly to their IDPS Operator.</p>			
Frequency at which withdrawal offers will be open to Class	Monthly	Monthly	Quarterly	

**Commented [HW31]:** The original wording here was used purposefully as we understand the RE will make withdrawal offers monthly (ie the frequency of withdrawal offers for the Fund will always be monthly), whether the withdrawal offer is available/open will depend upon Class. We have sought to further explain this in the expanded wording.

## 1.5 Other key features of the Fund

Topic	Summary	Further Information
Minimum investment term	There is no minimum investment term for an investment into any Class.	
Recommended investment timeframe	The recommended investment timeframe for an investment in the Fund is 3 years.	
Applications	<p>Applications will be accepted on each Business Day. To receive the application price on a specific day, a properly completed Application Form and cleared payment of Application Money must be received before [ ] pm on a Business Day. Units will then be issued within #<b>[insert]</b> Business Days of receipt of the properly completed Application Form and cleared payment of Application Money.</p> <p>Indirect Investors should contact their IDPS Operator for information about how to apply.</p>	Section 12
Unit price	<p>The price for Units both on application and withdrawal will be calculated based on the net asset value for the Class to which the Unit belongs, less any accrued distributions for that Class.</p> <p>The Responsible Entity expects that the Unit price will be \$1.00 per Unit. However, if there is a loss in the value of the Fund's assets (e.g., where the full amount of a Loan is not recovered) then the Unit price for all Classes may be significantly reduced.</p> <p>The current Unit price for each Class is available by contacting the Registry Service Provider.</p>	Section 3.6
Distributions	<p>Distributions for each Class are payable monthly within 14 days from the end of each month.</p> <p>A distribution reinvestment plan is available.</p> <p>Distributions are not guaranteed.</p> <p>Indirect Investors should contact their IDPS Operator for details regarding distributions and distribution reinvestments.</p>	Section 3.8
Fees and costs	As noted above, depending on which Class you invest in, the Manager is entitled to an ongoing management fee of between 1.28% - 1.79% per annum of the Relevant Proportion of the gross asset value of the Fund.	Section 6

**Commented [TM32]:** That is not correct for the Classes under this PDS, right? Only the Platform Units will accrue distributions. I got into the detail of this a bit later in the document.

**Commented [HW33R32]:** As discussed, we are comfortable with this explanation. However, happy to consider alternate wording.

**Commented [TM34]:** Note the strange formatting with the Minimum investment term seeming to sit in middle of a section. When I opened this on Saturday it was in Fees and costs and now on Monday morning it is in Distributions..

**Commented [HW35R34]:** This was because that row was set as a 'heading row' for the table. We have addressed this now in the formatting of the table.

Topic	Summary	Further Information
	<p>The Relevant Proportion for each Class is determined by dividing the number of Units on issue in that Class by the total number of Units on issue in the Fund as a whole.</p> <p><u>Responsible Entity fee</u></p> <p>The Responsible Entity is entitled to an ongoing fee of 0.05% per annum on the first \$150 million of the gross value of the assets of the Fund, plus 0.03% per annum of the gross value of the assets of the Fund above \$150 million, subject to a minimum fee of \$48,000 per annum increasing to \$54,000 per annum from #[insert date - plus 1 year] and \$60,000 per annum from #[insert date - plus 2 years] (indexed by the greater of 4% or CPI on 1 July annually).</p> <p><u>Expenses</u></p> <p>The Responsible Entity and the Manager will also be reimbursed for other fees and expenses associated with the Fund, which will include the fees payable to the Custody Service Provider, the Registry Services Provider and the Administrator and other out of pocket expenses like the audit of the Fund.</p> <p>Indirect Investors should contact their IDPS Operator regarding fees and costs.</p>	
Key risks	<p>Like any investment, there are risks associated with investing in the Fund. There are a number of risk factors that could affect the performance of the Fund and the repayment of Unitholders' capital. Many risk factors fall outside of the Responsible Entity and Manager's control and cannot be completely mitigated.</p> <p>For further information about the specific risks associated with the Fund, please refer to the detailed information in Section 0.</p>	Section 0
Tax	A summary of potential tax implications of investing in Units in the Fund is contained in Section 8. Please obtain your own independent tax advice before investing in the Fund.	Section 8
Key service providers	<p>The key service providers to the Fund are as follows:</p> <ul style="list-style-type: none"> <li>(a) The Custody Service Provider - Perpetual Corporate Trust Limited ACN 000 341 533</li> <li>(b) The Registry Service Provider - One Registry Services Pty Limited ACN 141 757 36</li> <li>(c) The Administrator - Unity Fund Services Pty Limited ACN 146 747 122</li> <li>(d) The Security Trustee - Perpetual Nominees Limited ACN 000 733 700</li> </ul>	Section #
How to invest	To apply to become a Unitholder you should read this PDS in its entirety. Applications can be made online on the Fund's Website. A paper version of the PDS and the Application Form will be made available upon request from the Manager or Responsible Entity.	Section 12
Cooling off	As the Fund is not liquid (as defined in the Corporations Act), no cooling off period is expected to apply to the Fund.	

- Commented [HW36]: Update to include net effect of GST
- Commented [TM37R36]: H&W to update from the minimum fee from the Constitution.
- Commented [HW38R36]: Confirming the minimum fee here is consistent with that from the Constitution
- Commented [TM39]: And a proportion of the fees payable to the Security Trustee?
- Commented [HW40R39]: Our understanding is there will be no fee payable from the assets to the Security Trustee

- Commented [TM41]: This is true, but only for bank accounts and "direct" loans.
- Commented [HW42R41]: This is made clear later in the PDS

- Commented [TM43]: Is it paper only for Wholesale Clients?
- Commented [HW44R43]: TBC

## 2 Management of the Fund

### 2.1 About the Manager

Msquared Capital Retail Funds Management Pty Ltd ACN 679 611 146 is the investment manager of the Fund, and was incorporated on 1 August 2024, with the sole purpose of becoming the investment manager of the Fund.

The Manager is a corporate authorised representative (no. #[insert]) of One Investment Administration Ltd ACN 072 899 060 AFSL 225064 in respect of financial services provided to Retail Clients and personal advice provided to the Responsible Entity in its role as investment manager of the Fund. The Manager is also a corporate authorised representative (no. #[insert]) of Msquared Capital Pty Ltd ACN 622 507 297 AFSL 520293 in respect of financial services (including general financial product advice in relation to the Fund) provided to Wholesale Clients. Accordingly, the Manager is authorised to provide certain financial services to both Retail Clients and Wholesale Clients.

### 2.2 About the Msquared Group

The Manager is part of the Msquared Group. The Msquared Group was established in 2017 and combines the expertise and experience of a team of professionals in the commercial mortgage secured lending industry. The Msquared Group currently operates three managed funds including the Fund, the Msquared High Yield Mortgage Income Fund and the Msquared Contributory Mortgage Income Fund as well as managing other client mandates.

Msquared Group's board of directors, senior management and credit committee bring together more than [100] years of combined funds management, banking, commercial mortgage lending and property investment experience. For further information about the Manager's team, please visit the Manager's website at <https://www.msquaredcapital.com.au/about/>.

### 2.3 The Credit Committee

The Msquared Group has established a Credit Committee, which is responsible for the overall credit risk and investment strategy of the Fund. Details of the role of the Credit Committee are included in section 4.8.

As at the date of this PDS, the members of the Credit Committee are not independent of the Manager.

### 2.4 Manager key personnel

#### Co-Managing Director – Paul Miron

Paul Miron has over 20 years' experience in banking and financial services, with a specialised focus in both commercial structuring and lending. Paul has worked for a number of major banks in senior positions. Throughout his career Paul has gathered considerable expertise in relationship management, funding structures, and complex loan products. Paul has been instrumental in the growth of the mortgage fund by applying a philosophy of robust credit analysis. Paul regularly speaks on topics such as lending, property, superannuation and complex structuring. He also authors a monthly economic newsletter with a growing readership. Paul's strategy involves seeking out dislocation within the lending environment and applying his macroeconomic insight so that investors can benefit from opportunities that possess superior risk-adjusted returns. Paul is a co-founder of Msquared Capital.

#### Co-Managing Director – Paul Myliotis

As at the date of this PDS, Paul Myliotis has over 20 years' experience in banking and finance, with particular proficiency in the fields of commercial and residential finance. After obtaining a Bachelor of Accounting and Finance from the University of New South Wales, Paul commenced his career at

**Commented [TM45]:** Below in Zhanna's CV it says that Msquared Capital was founded in 2018.

**Commented [HW46R45]:** Confirming Msquared Capital Pty Ltd was incorporated in October 2017

**Commented [TM47]:** I am just suggesting removing words that can be hard to verify by objective evidence.

**Commented [TM48]:** Thinking about the EG Msquared fund.

**Commented [TM49]:** To be inserted

**Commented [TM50]:** Consider how this might need to be updated for any supplementary PDS for change in information.

**Commented [HW51R50]:** Given the general nature of this comment (ie 'over 20 year's') rather than being specific (ie '16 years'), we are comfortable with not specifying it as being as at the date of this PDS.

**Commented [TM52]:** Ie, the big four?

**Commented [TM53]:** Verification point as to how to demonstrate via objective information.

**Commented [HW54R53]:** Our general approach to verification to comments of this nature is to obtain a CV from each key personnel and also include it as a Manager comment, which they will certify they have a reasonable basis for making.

**Commented [TM55]:** Again, a verification point. "regularly" speaks and "monthly economic newsletter with a growing readership".

**Commented [HW56R55]:** Again, this can be verified as a Manager comment. Msquared need to be comfortable that it is reasonable to make these claims.

**Commented [TM57]:** Another verification point.

**Commented [HW58R57]:** As above

PricewaterhouseCoopers within the Taxation division. Following a 5-year tenure, Paul founded an award-winning financial services business based in Sydney and Melbourne and is the co-founder of Msquared Capital.

**Commented [TM59]:** Is this Msquared, or an earlier business?

### Chief Financial Officer – Zhanna Miron

As at the date of this PDS, Zhanna has over 17 years of experience in the finance industry. In 2004, Zhanna co-founded Strategic Advisory, an award-winning financial services business and in 2017 co-founded Msquared Capital. Zhanna is a highly effective manager and has been instrumental in developing a strong corporate culture that has allowed both businesses to thrive. As a co-founder and Chief Financial Officer of Msquared Capital, Zhanna is highly involved in the decision making for the investment management of the Fund; serving on both the Credit Committee and the Compliance Committees for several of the Msquared funds. Zhanna is a solutions driven business leader and takes pride in providing a professional, yet personal business approach. Zhanna holds a Bachelor of Commerce, majoring in Accounting from the Australia Catholic University.

**Commented [TM60]:** I can see the reference here to Zhanna co-founding Msquared Capital. I didn't notice who the other co-founders were in the descriptions of either Paul? BTW, will the PDS refer to Msquared, Msquared Capital or Msquared Group?

**Commented [HW61R60]:** Updated to reflect all 3 were co-founders. We have left the reference here to Msquared Capital as it was the first entity within the Msquared Group.

**Commented [TM62]:** There are only 3. Does she not serve on one of them?

**Commented [TM63]:** This is another point that might be difficult to verify using objective evidence.

## 2.5 About the Responsible Entity

One Managed Investment Funds Limited ACN 117 400 987 is the responsible entity of the Fund. One Managed Investment Funds Limited has extensive experience as a professional trustee. One Managed Investment Funds Limited is a member of the One Investment Group (OIG).

OIG is an independent funds management business providing professional fiduciary and administration services to investment managers. OIG operates multiple licensed entities to act as responsible entity and is trustee for registered and unregistered managed investment schemes. They are currently responsible for in excess of 350 funds and more than \$60 billion across a wide range of underlying asset classes.

One Managed Investment Funds Limited is the holder of AFSL 297042. It relies on the Manager to implement the Investment Strategy.

## 2.6 About the service providers

### (a) Custody Service Provider

Perpetual Corporate Trust Limited ACN 000 341 533 (**Custody Service Provider**) is a respected and leading provider of custody services. Perpetual Corporate Trust Limited is a member of the Perpetual Limited group which has provided trustee and custodial services since 1886. Perpetual Limited is an ASX listed company.

The Responsible Entity has appointed the Custody Service Provider under a custody agreement. The Custody Service Provider's role is to hold the most assets in its name and act on the direction of the Responsible Entity to effect cash and investment transactions. The assets held by the Custody Service Provider will generally be limited to holding the bank accounts and the participation interest in Loans (with the Loans being made by the Security Trustee). The Responsible Entity will generally directly hold (ie provide self-custody) for any Loan Products.

**Commented [TM64]:** Suggest that this make it clear that Perpetual is only holding the bank accounts and interests in participations because the Loans are held by the Security Trustee. As noted OMIFL has been asked to hold the Loan Products as self custody assets.

**Commented [HW65R64]:** Updated to seek to clarify

Neither the Custodian nor any member of the Perpetual group of companies makes any representations as to, and does not guarantee the return of, any investment, the maintenance of capital, any tax deduction availability or the performance of the Fund

The fees payable to the Custody Service Provider are included as an expense and are payable from the Fund's assets.

### (b) Registry Service Provider

The Responsible Entity has appointed One Registry Services Pty Limited ACN 141 757 360 (**Registry Service Provider**) to maintain the unit register for the Fund. The Registry Service Provider is also an associated company of the Responsible Entity. The Responsible

Entity has entered into a registry services agreement with the Registry Service Provider, on arm's length terms approved by the Manager, which governs the services that will be provided by the Registry Service Provider.

The fees payable to the Registry Service Provider are included as an expense and are payable from the Fund's assets.

(c) Administrator

The Responsible Entity has appointed Unity Fund Services Pty Ltd ACN 146 747 122 (**Administrator**) to provide administration, taxation and accounting services to the Fund, including keeping financial books and records, unit pricing and calculating the Net Asset Value of the Fund and each Class. The Administrator is an associated company of the Responsible Entity. The Responsible Entity has entered into an administration agreement with the Administrator, on arm's length terms approved by the Manager, which governs the services that will be provided by the Administrator.

The fees payable to the Administrator, as well as the external costs it incurs on behalf of the Fund, are included as an expense and payable from the Fund's assets.

(d) Auditor

#[insert] has been appointed as auditor of the Fund.

**Commented [VK66]:** Msquared is obtaining quotes from KPMG and EY.

(e) Security Trustee

For most Loans in which the Fund is invested (both through participations and Loan Products), Perpetual Nominees Limited ACN 000 730 700 (Security Trustee), has been appointed to be the lender on record and holds the Mortgage and Security Interest granted for the Loan. For further information, please refer to the information in section **Error! Reference source not found..**

**Commented [TM67]:** Is that going to be true on an ongoing basis or are they likely to be through MCMIF? Also, does MCMIF always extend loans vis the Security Trustee?

**Commented [HW68R67]:** Amended to make clear applies to all Loans generally

### 3 About the Fund and the Units

#### The Fund

##### 3.1 Overview of the Fund

The Fund is a managed investment scheme structured as a unit trust established on 20 June 2022 and registered with ASIC under Chapter 5C of the Corporations Act on #[insert date]. Prior to registration, it operated as an unregistered managed investment scheme with Msquared Capital as the trustee and was open to investment by Wholesale Clients only. On 5 November 2024, One Managed Investment Funds Limited replaced Msquared Capital as trustee as a part of the proposal to register the Fund to facilitate investment by Retail Clients.

**Commented [TM69]:** I have suggested some amendments in the earlier section on the Fund to flesh out the Fund's operating history.

From establishment to One Managed Investment Funds Limited's appointment, the Fund advanced [ ] Loans to [ ] Borrowers for total commitments of [ ].

**Commented [HW70]:** Msquared to provide information

The Fund offers you the opportunity to gain exposure to a range of Loans secured by Mortgages and may additionally be secured by other forms of Security Interest. The Fund will do this through Direct Loans or Loan Products as explained in section [ ] below.

Investment in the Fund is governed by the Constitution and the general law of Australia. Please refer to Section **Error! Reference source not found.** of this PDS for a summary of Unitholders' rights and obligations under the Constitution.

#[insert structure chart]

##### 3.2 Investment Objectives

The investment return objectives of the Fund are to provide Unitholders with:

- (a) regular income distributions; and
- (b) the opportunity to gain exposure to Loans secured by Mortgages.
- (c) The Fund targets a total return of between #[2.25% to 4.25%] above the RBA Cash Rate per annum, pre taxation and net of fees, costs and expenses. The target return will differ between Classes (due to the difference in management fees payable).
- (d) At a Class level, the target returns are:
  - (i) **Ordinary Units:** 2.25%-3.75% above the RBA Cash Rate per annum pre taxation and net of fees, costs and expenses.
  - (ii) **Premium Units:** 2.50%-4.00% above the RBA Cash Rate per annum pre taxation and net of fees, costs and expenses.
  - (iii) **Platinum Units:** 2.75%-4.25% above the RBA Cash Rate per annum pre taxation and net of fees, costs and expenses

**Commented [TM71]:** This needs to be consistent with the first disclosure which focused on the Fund level target return and the impact of the fees.

**Commented [HW72R71]:** Updated to reflect this. Msquared would like to retain the class by class disclosure also.

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

##### 3.3 Investment Strategy and the underlying Loans

The Fund is a pooled mortgage fund, which will provide you with the opportunity to be exposed to a range of Loans sourced by the Msquared Group.

As the Fund has a pooled investment strategy, you will not have the opportunity to select specific Loan investments.

Loan proceeds may be used by a Borrower for a range of commercial purposes as described in Section 4.

**Commented [TM73]:** Rather than repeating this, it might be more efficient just to include all of this in section 4 and flag it here. It will cut out repetition and the risk of inconsistency.

The investment by the Fund into Loans may be made by:

- (a) participating in a Loan made to the Borrowers by the Security Trustee, either alone or alongside other lenders, who will generally be members of the Msquared Group (**Direct Loans**); and/or
- (b) investing in financial products (including units or interests in managed investment schemes, or notes or other debt securities) issued by a member of the Msquared Group. The proceeds of any issuance are to be used to (directly or indirectly) make Loans that meet the Investment Strategy and Lending Guidelines of the Fund.

**Commented [TM74]:** This would be a good place to expand this explanation to talk about loan participations, the loans with other Msquared Managed Funds and the role of the Security Trustee.

**Commented [TM75]:** To be considered whether this is required.

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

**Commented [HW76R75]:** We don't consider this is necessary. We have purposely kept the disclosure broad enough to cover off the notes. It would be preferable to be able to make the investment without making wholesale changes to the PDS.

## The Units

### 3.4 Classes of units

As of the date of this PDS, there are four Classes of Units, as follows:

- (a) **Ordinary Units:** available to all investors, whether Retail Clients or Wholesale Clients;
- (b) **Premium Units:** available to investors who are Wholesale Clients as well as Retail Clients at the invitation of the Manager;
- (c) **Platinum Units:** available to Wholesale Clients who are prepared to make a minimum investment of \$10,000,000, and only at the invitation of the Manager; and
- (d) **Platform Units:** available to investors who invest in the Fund through a IDPS or IDPS-like scheme (known commonly as a master trust, platform or wrap account) or nominee or custody service which requires rolled up pricing (compared to unit days pricing which is used for the Classes available under this PDS).

**Commented [TM77]:** See my comments above.

**Commented [HW78R77]:** Updated for consistency

Only Ordinary Units, Premium Units and Platinum Units are offered under this PDS and accordingly only information pertaining to those Classes are contained within this PDS.

All assets, liabilities and fees and expenses (other than the ongoing management fee payable to the Manager) of the Fund will be pooled and applied across each class on issue in the Fund based on the Relevant Property of the class. The Relevant Proportion is calculated by dividing the number of Units on issue in the relevant Class by the total number of Units on issue in the Fund as a whole. For example, if there are 70 million Premium Units on issue out of a total of 100 million Units, the Relevant Proportion for the Premium Units will be 70%.

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

### 3.5 Minimum investment amounts and balance

The minimum investment amounts for the Ordinary Units and Premium Units are as follows:

- (a) Minimum initial investment: \$10,000
- (b) Minimum subsequent investments: \$5,000

- (c) Minimum holding amount: \$5,000

The minimum amounts for the Platinum Units are as follows:

- (a) Minimum initial investment: \$10,000,000
- (b) Minimum subsequent investments: \$500,000
- (c) Minimum holding amount: \$#[insert]

The Responsible Entity may waive these minimum amounts in its absolute discretion.

### 3.6 Investment timeframe

There is no minimum investment term for the Fund.

The minimum suggested timeframe for holding investments in the Fund is 3 years.

### 3.7 Unit pricing

The price of a Unit in a Class is determined in accordance with the Constitution and is calculated each Business Day.

The price of a Unit in a Class offered under this PDS is equal to the Net Asset Value of the relevant Class, less any accrued distributions of that Class, plus any transaction costs (in the case of the application price) and less any transaction costs (in the case of the withdrawal price) divided by the number of Units on issue in that Class. This means that the unit price paid to acquire Units in a Class will not include the distribution that has accrued during the distribution period and will instead receive a distribution calculated based on the number of days the Unit was held during the distribution period. Conversely, the price at which a Unit in a Class can be withdrawn or transferred during a distribution period will not include any distribution that has accrued during the distribution period, so the exiting Unitholder will be entitled to receive a distribution at the end of the distribution period calculated based on the number of days the Unit was held during the distribution period.

**Commented [TM79]:** I believe that this follows the Constitution, but would it be worthwhile explaining that in fact there will not be accrued distributions on the three classes under this PDS as they are day in fund priced.

The Responsible Entity expects that the price per Unit for all Classes will remain at \$1.00; however, as it is based on the net asset value of the Fund. [Therefore, if there is a loss in the value of the Fund's assets (e.g., where a provision is added to a Loan, the full amount of a Loan is not able to be recovered or the fees and expenses of the Fund exceed the income of the Fund) then the Unit price may be reduced. The current Unit price for each Class is available on the Fund's website.

**Commented [TM80]:** I suggest that this be expanded to cover a couple of other examples, such as a provision being added to a Loan.

### 3.8 Application for and Issue of Units

Units will only be issued when the following conditions are satisfied:

- (a) The Responsible Entity receives a properly completed Application Form, including required identification documents, and accept the application for Units; and
- (b) The Responsible Entity or its agent receives the Application Money in cleared funds.

For details on how to invest, see section 12.

Your completed Application Form and Application Money can be submitted to Registry on any Business Day. If a properly completed Application Form, along with cleared Application Money and required identification documents, is received by the Registry Services Provider (and is subsequently accepted):

- (a) before #[insert] on a Business Day the Units will generally be issued based on the application price for that Class calculated for that Business Day; or

- (b) on or after #**[insert]** on a Business Day the Units will generally be issued as at, and based on the application price for that Class calculated for, the following Business Day

Indirect Investors should contact their IDPS Operator for information about how to apply.

### 3.9 Distributions

As Unitholder you are entitled to participate in income generated by the Fund's assets, including interest earned from investments into Loans and cash investments. Distributions are determined at the end of each calendar month and are payable within 14 days of the end of that calendar month.

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

The fees the Manager charges in respect of the Premium Units and the Platinum Units will be lower than the fees it charges in relation to Ordinary Units. As a result, distributions to holders of Premium Units and Platinum Units are expected to be higher than the distributions payable to holders of Ordinary Units.

There is no guarantee distributions will be paid.

Indirect Investors should contact their IDPS Operator for information about distributions.

### 3.10 Distribution reinvestment

Distributions may be reinvested in the Fund. Unitholders have the option of choosing whether or not to participate in the Fund's distribution reinvestment plan (**DRP**) and may reinvest some or all of a distribution for additional Units in the same class as the Unit in respect of which the distribution was paid.

The key features of the **DRP** are as follows:

- (a) A Unitholder may participate in the **DRP** with respect to some or all of its distribution.
- (b) A Unitholder may elect to join or withdraw from the **DRP** at any time. The initial election will be made in the Application Form. If no election is made, then distributions will not be reinvested under the **DRP**.
- (c) **To change an election, a Unitholder must notify the Registry Services Provider in writing by 5.00pm on the last Business Day of the calendar month. If the change of election is received after this time, then it will apply for the following calendar month.**
- (d) Where a Unitholder who has elected to participate in the **DRP** withdraws or transfers all of their Unit holding during a calendar month, their participation in the **DRP** will be cancelled for that calendar month and they will receive any distributions in cash.
- (e) Units issued under the **DRP** will be in the same Class and on the same terms as Units to which the distribution is paid and will be issued at the application price applicable on the same day the relevant distribution is deemed to be applied in payment for the Units.
- (f) The calculation of the allocation of Units under the **DRP** may result in the issue of fractions of Units.

You will receive a statement after the payment of a distribution setting out the details of the distribution amount, the number and Class of Units acquired under the **DRP**, and the applicable application price. The Responsible Entity may discontinue or vary the terms of the **DRP** at its discretion. Any suspension or variation of the **DRP** will be communicated to Unitholders on the Fund's Website.

**Commented [TM81]:** 1. I think that this is better described in the RG45 disclosure: The distributions are determined at the end of each calendar month and are payable within 14 days of the end of that calendar month. The distributions are payable from the income of the Fund, including interest earned on Direct Loans, Loan Products and cash investments.  
2. It should disclose the distribution period (1<sup>st</sup> of the month to end of the month) and the record date for determining who held units in a month. The reason for this is I was wondering about the **DRP** and how it works if there is a transfer, given the distribution is on a days in the fund basis. Presumably, if as at the record date a person is not a unitholder, the **DRP** will not apply to that person even if their election is still current.

**Commented [HW82R81]:** We have updated to be more consistent with RG45 disclosure.  
In relation to point 2, we wouldn't normally be as proscriptive around distribution periods. We have included disclosure below that the **DRP** election of a Unitholder will be cancelled if they have withdrawn or transferred all of their Units during the calendar month.

**Commented [TM83]:** 1. This reads a bit clunky. Maybe have another look at it. Something like: You will need to notify the Registry Services Provider in writing to change your election. Any election received before 5 pm on the last Business Day of the month will apply to the next distribution period.  
2. Also, if the Units are transferred, presumably the **DRP** is switched off. The tax section should include disclosure about the tax implications of participating in the **DRP**.

Indirect Investors should contact their IDPS Operator for information about distribution reinvestment.

### 3.11 Valuation of assets

The assets of the Fund will be valued in accordance with the Constitution and the relevant policies of the Responsible Entity and the Manager. It is not intended that an independent valuation will be undertaken on the Loans.

The Manager will regularly assess valuations, considering factors like occurrence of any events of default under the loan agreement and with reference to general economic and other relevant macro conditions. A write-down is recognised when the Manager reasonably considers the Fund will not be able to recover all amounts owing to it under the Loan and would therefore suffer a loss following enforcement of its securities. Loan Products will be based on the valuation information provided by the issuer of the Loan Product.

**Commented [TM84]:** Does "the Manager" do that, or another member of the Msquared Group, for the participation loans? This did not appear in the Valuation Policy that I could see on a quick read through it. The Lending Policy also didn't seem to cover this in an enforcement scenario.

### 3.12 Withdrawals

The Fund will not be liquid (as that term is defined in the Corporations Act), which means that Unitholders are only able to withdraw Units in response to a withdrawal offer (that is open to the Class to which the Units belong). There is no guarantee that the Responsible Entity will make withdrawal offers and any offer will be subject to liquidity of the Fund. However, the Responsible Entity intends to adopt a withdrawal facility that consists of making a series of withdrawal offers monthly. Not all withdrawal offers will be open to all Classes. This means that whilst the Responsible Entity intends to make monthly withdrawal offers, the frequency that Unitholders will be able to participate in a withdrawal offer will depend on the Class held, as follows:

- (a) **Ordinary Units:** monthly;
- (b) **Premium Units:** monthly; and
- (c) **Platinum Units:** quarterly in March, June, September, and December.

**Commented [HW85R84]:** We will confirm this when Msquared's valuation policy is updated.

Each offer will open from the 7<sup>th</sup> day of each calendar month, other than February, which will open on the 5<sup>th</sup>, and remain open for a period of 21 days. The amount available under each offer is expected to be up to 5% of the Net Asset Value of the Fund as at the last Business Day of the previous calendar month, subject to available liquidity. However, the Responsible Entity may make withdrawal offers for an amount above this cap where additional liquidity becomes available. Cash to satisfy the withdrawal requests will be available cash received from principal repayment of Loans and, potentially, the proceeds of new applications for Units.

To make a withdrawal request in response to a withdrawal offer that is open to the relevant Class to be withdrawn, a withdrawal request form will need to be completed and sent to the Registry Service Provider. The withdrawal request form is available on the Fund's Website.

The properly completed withdrawal form will need to be received by the Registry Service Provider by 5pm on the 28<sup>th</sup> day of the calendar month (except for February, where the offer closes on 26<sup>th</sup>). Withdrawal requests must be for a minimum amount of \$5,000, if a Unitholder's balance is less than \$5,000 or the withdrawal request would result in the Unitholder holding less than the minimum balance of \$5,000 the request will be deemed to be for the full amount of their unitholding in the Fund. Indirect Investors must give withdrawal requests directly to their IDPS Operator in accordance with any instructions from the IDPS Operator.

Where a withdrawal request is accepted (in whole or in part) by the Responsible Entity, withdrawal proceeds will be paid within 21 days of the close of the offer.

Unitholders in each Class will participate equally in each withdrawal offer that is open to them.

If the total amount under withdrawal requests received in response to a withdrawal offer exceeds the amount of cash that is available under that withdrawal offer, the withdrawal requests will be satisfied pro-rata based on the amount requested to be withdrawn (in accordance with the Corporations Act).

Unitholders who wish to redeem the unmet portion of their withdrawal request must re-submit their withdrawal request in response to the next available withdrawal offer.

The Responsible Entity has the right to cancel both the withdrawal facility and, before it opens, any monthly offer at any time in accordance with the terms of the facility (available on the Fund's Website). The Responsible Entity is also obliged to cancel a withdrawal offer before it closes if it is in the best interests of Unitholder to do so. Investors should read the terms of the withdrawal facility when making a decision to invest.

**Commented [TM86]:** Is this the notification of the cancellation on the website?

**Commented [HW87R86]:** The cancellation needs to be in accordance with the terms of the withdrawal facility (in process of drafting). The terms will be available on the website.

### 3.13 Leverage

The Responsible Entity maintains the ability to borrow on behalf of the Fund under the Constitution however, has no intention to borrow as of the date of this PDS.

### 3.14 Reports to Unitholders

The Responsible Entity will provide the following reports and notifications to Unitholders:

**Commented [HW88]:** OIG please note that this section does not include monthly NAV information because NAV is disclosed on the Manager's website, so no need to provide monthly NAV information.

- (a) An investment confirmation upon the issue of Units;
- (b) A six-monthly periodic statement;
- (c) An annual income distribution statement detailing any distributions paid to you, including an annual tax statement detailing information required for inclusion in your annual income tax return which will be provided within 90 days of the end of each financial year - the precise form of statement will be impacted by whether the Fund is an AMIT for the income year, as outlined in section 8); and
- (d) The audited annual financial report of the Fund following the end of each financial year, prepared in accordance with Australian accounting standards.

Indirect Investors will not receive any reports or documentation relating to the Fund from the Responsible Entity.

### 3.15 Transfer of Units

Units may be transferred with the approval of the Responsible Entity. Transfer requests must use the form approved by the Responsible Entity. A transfer is not effective until registered. The Responsible Entity may refuse to record any transfer of Units in the Unit Register where, in the Responsible Entity's opinion, it is not in the interests of the Fund to do so, or if the Unitholder or transferee has not complied with any applicable laws or reasonable requirements of the Responsible Entity (including providing any information required about the transferee (such as identification documents)).

## 4 Loans

### 4.1 Overview

This section sets out the Loan selection process for the Fund, including the assessment, approval and management of Loans.

### 4.2 Guiding principles

The Manager will ensure that at all times the risk / reward profile of each Loan is appropriate having regard to the following factors:

- (a) the character and financial and operating capacity of Borrowers; and
- (b) the quality and value of the Loan, underlying Security Property and the risk analysis process. All Loan investment decisions will be based on risk-adjusted returns over the term of the Loan.

All Loans, Borrowers and Mortgages are assessed under the Lending Guidelines and Lending Policy, which are described below. In addition, each Loan will be properly documented and appropriately secured following an assessment of the purpose, servicing capability of the Borrower, valuation, insurance and management protocols proposed for each Loan.

### 4.3 Lending Guidelines - Key terms

The following table provides a summary of the Lending Guidelines, which are maintained by the Manager. Depending on the Manager's views as to market conditions, property market cycles and various other factors, these parameters may vary from time to time. Such variations may be notified by publishing an update on the Fund's Website or, where the change is materially adverse to you, by updating this PDS (either by supplementary product disclosure statement or a replacement product disclosure statement).

The Manager will assess each Loan against the below.

Topic	Summary
Borrowers	Corporates, trusts and other entities that satisfy the criteria for Borrowers as set out in the Lending Policy. The assessment process against the criteria will consider a Borrower's credit worthiness, character and competency to properly manage their business affairs and the security (i.e., Mortgage and if applicable Security Interest(s)) they can offer in respect of the Loan.
No related party loans	The Fund will not invest in or be exposed to Loans to Related Parties of the Manager or the Responsible Entity.
Maximum LVR	<p>Where the Fund is the only lender for a Loan, the LVR must not exceed 70%.</p> <p>Where the Fund co-invests with other lenders, the LVR of the Loan may be greater than 70% provided that the Fund's investment in the Loan:</p> <ul style="list-style-type: none"> <li>• does not exceed 70% of the value of the Security Property at the time the Loan is approved by the Manager; and</li> <li>• ranks ahead of the other lenders' investment in the Loan.</li> </ul> <p>For example, if the Msquared Group has approved a Loan with an LVR of 80%, then the Fund would invest in the Loan (either through Direct Loan or Loan Products) for an amount up to 70% of the value of the Security</p>

**Commented [TM89]:** In the response to the IMA about the Lending Guidelines, Viktoriya mentioned that the Lending Guidelines are as set out in the PDS. This appears to be the relevant section but is "a summary" of a document "maintained by the Manager".

**Commented [TM90]:** Question to Hall & Wilcox: If these are varied, does that mean that the TMD has to be reassessed? For example if the loan term was increased, the maximum LVR was increased or second mortgages permitted. Would it be a Trigger Event?

**Commented [HW91R90]:** Yes it would. Changes to investment strategy are included as a Trigger Event. As the strategy is to make Loans that comply with the Lending Policy, we consider this would capture changes to the Lending Policy (and note an example in the working paper is that development loans are included as permissible).

**Commented [TM92]:** What other "legal entities" are you contemplating? Individuals? Partnerships? BTW, a "trust" is not a legal entity.

**Commented [HW93R92]:** Could potentially be individuals or partnerships, provided they satisfy the criteria. The reference to legal entity was not supposed to imply that a Trust is a legal entity, rather that any other entity would need to be a legal entity. We understand that a trust is not a legal entity.

**Commented [TM94]:** Is this a reference to the Lending Policy?

**Commented [HW95R94]:** Its a reference to the criteria for Borrowers within the Lending Policy we have updated to make this clear

**Commented [TM96]:** Is this about the competency to manage the security, or is security a separate assessment point?

**Commented [HW97R96]:** Its about the security that can be offered

**Commented [TM98]:** This needs to be defined.

**Commented [TM99]:** Can this be better expressed. It is not about the "investment" but the distribution waterfall on collection.

Topic	Summary
	Property. Another lender (likely a member of the Msquared Group) would provide the additional funding required for the Loan. The Fund would have priority of repayment of interest and principal over the other lender.
Purpose of loans	Loan proceeds may be used for, amongst other things: acquisition of assets (including property and equipment), refinance existing lending facilities, accessing equity in property asset for purposes including payment of tax debt, short-term business cash flow requirements, and bridging finance.
Property sectors	Acceptable property against which the Fund secures Loans may be residential, commercial, retail or industrial.
Excluded borrowers, asset classes and purposes	The Fund will not invest in Loans that are: <ul style="list-style-type: none"> <li>to the Responsible Entity, the Manager or any of their Related Parties;</li> <li>secured by vacant land or development projects;</li> <li>for construction purposes; or</li> <li>for consumer purposes, meaning all loans must be for commercial and business purposes only.</li> </ul>
Geographical location of Security Property	Security Properties against which the Fund advances Loans may be located anywhere in Australia.
Maximum and minimum loan amounts	The minimum amount provided for a Direct Loan will be \$250,000 and for an investment into a Loan Product will be \$100,000, however at the Manager's discretion, these might be for a lesser amount. <p>There is no maximum amount for a Loan. However, the amount invested in any single Loan, single Loan Product or lent to a single Borrower will not:</p> <ul style="list-style-type: none"> <li>where the Net Asset Value of the Fund is less than \$50 million, exceed 15% of the Net Asset Value of the Fund at the time of approved by the Manager; and</li> <li>where the Net Asset Value of the Fund is \$50 million or more, exceed 10% of the Net Asset Value of the Fund at the time of approval of the Loan by the Manager.</li> </ul>
Term	The maximum term of a Loan is anticipated to be 36 months, but may be longer than this. The term of a Loan is not a guarantee of when it will actually be repaid or recovered, particularly in the case of a loan that has to be enforced.
Interest rate	The interest rate of a Loan will be as negotiated between the Msquared Group and the Borrower, based on prevailing market interest rates for Loans of a similar nature, including the risk profile as assessed pursuant to the Lending Policy. The interest rate may be fixed or variable (in which case it will be based on the RBA Cash Rate).
Mortgages	Each Loan in which the Fund is invested will be secured by a registered first ranking Mortgage. <p>It is possible that the Fund will co-lend with other lenders who will generally be members of the Msquared Group and the obligations of the Borrower to each lender will be secured by the same Mortgage. In these circumstances, the structure of the Direct Loan or Loan Product might include arrangements under which the Fund's interest in a Loan is subordinated to other interests in the Loan. In those circumstances, other lenders may be repaid in priority to the Fund. This means if a Loan becomes subject to an enforcement action, and the Security Property is</p>

**Commented [TM100]:** This is question of definition. Is MCMIF an entity within the Msquared Group, or fund managed by a member of the Msquared Group? It is expressed better under Mortgages below. I suggest that it be well explained - say Loan types and then not repeated too often so as not to end up with multiple places to have to check. I have inserted a holding definition in the Glossary for Msquared Managed Fund to try and cover it.

**Commented [HW101R100]:** For simplicity in this document, we have expanded the definition of Msquared Group to include trusts of which a corporation which is a related party of the Manager operate or manage.

**Commented [TM102]:** 1. Who assesses whether it is a "worthwhile purpose"?  
2.I don't think that warehouse lending would obviously fit within these purposes.

**Commented [HW103R102]:** 1. reference to 'worthwhile' removed.  
2.For the warehouse funding, the look through would be to the Loans 'held' within the warehouse. Those loans would need to fit this criteria. Similar to how it works for units in MCMIF, the investment isn't used for this purpose but MCMIF uses it to make a Loan that fits the criteria.

**Commented [TM104]:** 1.I suggest that this be put into the Investment Strategy in the Key details and investment strategy.  
2.I seem to recall that it also said no specialised assets or specialised loan investments.

**Commented [TM105]:** Inserted as agreed with Viktoriya on 4 November.

**Commented [TM106]:** Is there an absolute maximum?

**Commented [HW107R106]:** No.

**Commented [TM108]:** 1.Will it be set having regard to the target return and also the risk assessment of the Loan under the Lending Policy?  
2.Will it always be a flexible rate? The answer would feed into the risks section and also valuation principles I expect.

**Commented [HW109R108]:** Msquared to confirm, however, our understanding is as follows:  
1.It is set based on assessment of the loan, not having regard to target return (however, target return will be assessed in considering which Loans the Fund should invest in).  
2.It may be a fixed or variable rate.

**Commented [TM110]:** This is another question about who negotiates the Loan terms (ie a member of Msquared Group) or "the Manager". I think it is a member of Msquared Group. See again section 4.6.

Topic	Summary
	sold to realise its value, the Fund may be paid behind other co-lenders or investors.
Security interest	<p>The primary security will be a Mortgage. However, in addition to the Mortgages, the Loans may be secured by other forms of security, referred to as Security Interests. These may include, but are not limited to, general security agreements, specific security agreements, personal guarantees or directors' guarantees. In particular, the Manager intends to obtain personal or directors' guarantees where possible.</p> <p>A mortgage or other interest in a property in addition to that over which the primary Mortgage is taken may also form part of the security package. These secondary Mortgages and Security Interests may not comply with the Lending Guidelines and will not be used for LVR calculations.</p>
Fees charged to Borrower	The Borrower may be required to pay certain fees in respect of a Loan, such as commitment fees, establishment fees, loan management fees, loan variation fees, rollover fees, default administration fees, documentations fees, discharge fees, line fees and default management fees. These will be paid by the relevant Borrower to the lender, which will generally be the Security Trustee. The Manager or another member of the Msquared Group may receive payment of these fees (or a portion of the fees where the Fund co-lends) in priority to payments of principal and interest on the Loan.
Other key requirements	Typical representations, warranties, covenants, undertakings and events of default.

**Commented [TM111]:** By the way, a personal guarantee or director's guarantee is not a security interest unless it is secured. Some of the security we have seen in the loan documentation rely on security supporting the personal guarantee. Eg, the company borrowers, the directors guarantee and the Mortgage is over the directors' house.

**Commented [HW112R111]:** We understand from a technical legal perspective that a guarantee is not a security; however, it is generally referred to in association with security and is included here for ease of reference.

**Commented [TM113]:** Msquared Group won't be making Loans.

**Commented [HW114R113]:** Amended to reflect role as originator

**Commented [TM115]:** Actually, it is the trustee for the Beneficiaries. The Lenders are the custodians.

**Commented [HW116R115]:** Amended as we consider disclosure at that level would be confusing for investors.

**Commented [HW117]:** The Master Security Trust Deed doesn't specify the amount the needs to be provided. Does this mean that is someone has 51% of the Loan they get to control it?

**Commented [HW118R117]:** Msquared to confirm

**Commented [TM119]:** In theory that is true, but in reality is it determined by Msquared. Also, does Msquared anticipate that either all of the Msquared IMs or the REs / Trustees will actually "agree". We imagine that Msquared will make enforcement decisions in accordance with the Lending Policy. That document already has an enforcement section which says that the Credit Committee makes enforcement decision. We think that (except in the case of related party loans) that enforcement process should be followed. We included that in the IMA. As we have noted before, the key element is how that fees into valuations and when loans are provisions, impaired for valuation purposes and written off. That should be in the Valuation Policy.

**Commented [HW120R119]:** We have updated to reflect the above

**Commented [TM121]:** Is that realistic?

**Commented [HW122R121]:** In our experience dealing with security trustees, it is not realistic. However, this is consistent with the term of the Master Security Trust Deed which requires the ST to take steps to enforce if agreement isn't reached within 14 days following the default date.

**Commented [TM123]:** See the comments in the summary about loan notes and debt instruments.

**Commented [TM124]:** Same comment as above. Please make this consistent throughout the document.

#### 4.4 Loans will be made through a Security Trust

It is anticipated that for all Loans originated by the Msquared Group following registration of the Fund, a third party, Perpetual Nominees Limited ACN 000 730 700 (**Security Trustee**), will be appointed to be the lender on record and hold security granted for the Loan. This appointment is through a security trustee and participation agreement whereby the Security Trustee enters into the loan and security documents and the fact that the Loan is funded in whole or in part by the Fund will not be disclosed to the Borrower.

Where there are multiple lenders for a Loan, the Security Trustee will be required to act on the instructions of the majority lender, being the lender who has contributed the most to the Loan and is noted in the security trust creation document as the majority lender (**Majority Lender**). It will also be for the Majority Lender to determine that an event of default has occurred. Once an event of default has occurred, then all lenders must agree on whether to enforce a Loan and how that enforcement should occur. Otherwise, the enforcement action will be determined by the Security Trustee.

For Loans where the Fund is the only lender or where all lenders are members of the Msquared Group, any enforcement decisions will be made by the Credit Committee in accordance with the Lending Policy.

Where the Fund co-lends with other lenders, which will generally be entities within the Msquared Group or managed by the Msquared Group, then the rights of the Responsible Entity under this arrangement will be limited, unless it is the Majority Lender.

#### 4.5 Investment in other mortgage funds and financial products

The Fund may also invest in Loans through the acquisition of units or interests in managed investment schemes, loan notes or other debt instruments issued by a member of the Msquared Group (**Loan Products**).

The underlying metrics of the Loans to which the Fund has exposure through the acquisition of Loan Products must meet the Fund's Lending Guidelines and Investment Strategy.

The issuer and/or manager of the Loan Products are related parties of the Manager. The Loan Products issued to the Fund will be on the same terms as Loan Products issued to non-related investors.

Neither the Responsible Entity nor the Manager will monitor the Loan or have enforcement powers for Loans that are invested in through the Loan Products, although they will receive regular reports regarding each Loan.

#### 4.6 Loan selection and allocation policy

All loan opportunities are originated by the Msquared Group. The Credit Committee is responsible approving Loans in accordance with the Lending Policy and then for allocating the Loans to members of the Msquared Group, including the Fund. It will do this on the basis of best fit against the lending guidelines of each member of the Msquared Group, the current construction of each member's portfolio and availability of cash.

For example, a Loan will be allocated to the Fund where the potential Loan is:

- (a) consistent with the Lending Guidelines;
- (b) fits within the current portfolio and does not cause any limits to be breached;
- (c) is likely to deliver an appropriate return for Unitholders; and
- (d) the Fund has sufficient cash.

In the event that the potential loan is not suitable for investment by the Fund, the Loan may be considered by another member of the Msquared Group, but the Fund will not be invested into that Loan through an investment in that member of the Msquared Group.

The Manager (after confirming that the Loan is consistent with the Lending Guidelines) will use the information provided by the Credit Committee in respect of the Loan to make a recommendation to the Responsible Entity.

#### 4.7 Analysis and evaluation

Assessment of a Loan commences when an enquiry and application form and accompanying financial data are received from a proposed Borrower. The Credit Committee will assess the merits of each prospective Borrower and the associated risks in accordance with the Lending Policy. The analysis will take into account a set of criteria including security that may be provided, the precise nature of the Security Property, LVR, evidence of capacity to service the Loan, and the prospective Borrower's creditworthiness and character. The risks can be described in four broad categories as follows:

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

**Commented [TM125]:** This implies that they will for Loans using the Security Trustee. Again, given the range of "Managers", it would be more accurate to make this statement for all Loans.

**Commented [HW126R125]:** Msquared to confirm, but our understanding is that if the Fund is the only funder under a 'Direct Loan' the Manager/RE will be able to provide directions to the custodian/security trustee in respect of enforcement.

**Commented [TM127]:** What does "come through" mean in this case. Are originated, assessed, offered to borrowers and improved for investment?

**Commented [HW128R127]:** Updated.

**Commented [HW129]:** Msquared to confirm this is factually correct.

**Commented [TM130]:** This begs the question. Is the Credit Committee the credit committee of the Fund, the Credit Committee of the Manager or the Credit Committee of the broader Msquared Group. I imagine that it is the latter, in which case this should be made clear.

**Commented [HW131R130]:** Now amended

**Commented [TM132]:** Investment Guidelines, Lending Guidelines or Lending Policy?

**Commented [HW133R132]:** amended

**Commented [TM134]:** Under the Allocation Policy, why would the Fund be allocated into a Loan via a fund rather than a participation in a Loan. This should be explained.

**Commented [HW135R134]:** @Msquared, please provide details here. The allocation policy does not consider this point

**Commented [HW136]:** This is to be confirmed based on the processes agreed.

#### 4.8 The Credit Committee

The Credit Committee's responsibilities include the following:

- (a) assessing and recommending Loan investments for members of the Msquared Group, including the Fund;
- (b) monitoring Loan positions and performance;
- (c) monitoring Borrower compliance with Loan covenants and conditions;
- (d) developing, reviewing, and implementing credit policies and procedures; and
- (e) arrears and default management, and managing any enforcement action in respect of Loans (in conjunction with the Security Trustee).

The Credit Committee decides whether or not to progress each Loan opportunity presented to it, and the terms on which funds should be advanced for any approved opportunity. In doing so, it determines whether or not a Loan opportunity should be pursued and allocates the Loan in accordance with the allocation policy. The Credit Committee will meet regularly and work to achieve the best outcomes in accordance with the Lending Policy.

As of the date of this PDS, the members of the Credit Committee are not independent of the Manager.

#### 4.9 Ongoing management of loans

As noted above, the Credit Committee is responsible for the day-to-day and ongoing management of each Loan. It will provide regular reports to the Manager and Responsible Entity in relation to individual Loan performance, including in respect of payment and collection of interest, compliance with Loan covenants and conditions, and the progress of any legal action commenced against a defaulting Borrower.

#### 4.10 Valuation policy

The Security Property for any Mortgage will generally be independently valued for suitability and market value prior to the making of the Loan. Where an independent valuation is obtained, valuers will generally be on the Msquared panel of valuers, who are required to be independent of the Manager and the Responsible Entity and a member of an appropriate professional body in the jurisdiction in which the relevant property is located. There are certain circumstances where an independent valuation will either not be required or one that does not meet the general requirements will be accepted. For example:

- (a) Generally, at the time of each Loan advance, the valuation of the relevant Security Property will be not older than three months. However, the Manager, or other Msquared Group entity responsible for assessing the Loan, may waive the requirement for a formal valuation where the valuation is not less than [120 days old] or more than [150 days old] and the valuer has provided a letter of no material change to the value, market update and a market value assessment providing current market assessment and recent comparable.
- (b) A valuation may not have been assigned for the benefit of the Fund or the Responsible Entity or Manager or not carried out by a panel valuer, provided it has been approved by the Credit Committee.
- (c) A 'restricted assessment pro forma report' may be accepted where the LVR to which the Fund is exposed is up to [65%], then. This is a valuation that is based on a drive by of the property or a desktop assessment of the property.
- (d) The requirement to obtain a valuation may be waived where:

**Commented [HW137]:** To be confirmed based on updated valuation policy

- (i) The Manager or other Msquared Group member's opinion of the value of the Security Property based on the land value from the latest Land Tax Assessment Notice or the latest Council Rates Notice results in an LVR of [65% or less].
- (ii) The Manager or other Msquared Group member's opinion of the value of the Security Property based on a valuation obtained through RP Data or similar platform results in an LVR of [50% or less].
- (iii) For a subsequent advance where the LVR is less than [65%] and the valuation obtained at the initial advance is less than [18 months] old.

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

#### **4.11 Documentation and settlement of loans and mortgages**

Loan and Mortgage documents will be prepared and reviewed by a legal firm or inhouse legal practitioners experienced in mortgage finance, verification and validation requirements, who will also attend to settlement of the legal documentation. Where documents are prepared by inhouse legal practitioners, they will be reviewed by an external legal firm.

#### **4.12 Loan loss provisioning**

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

Potentially, Loan losses will negatively impact the Net Asset Value of the Fund, which will in turn negatively impact upon the Unit price of all classes of Units in the Fund and affect returns of income and capital to Unitholders.

To seek to mitigate and manage this risk, the Manager has implemented a loan loss provisioning policy, where it assesses each Loan in which the Fund is invested (both Direct Loans and Loan Products) by categorising them, based on risk profiles. In determining the category, the Manager will have regard to risk criteria including but not limited to LVR, purpose of the Loan, performance of the Loan (arrears and default status), past performance of similar Loans, and forward-looking economic indicators and market conditions. The categorisations then determine the recommended amount for loan loss provisioning, in accordance with the loan loss provisioning policy (**Recommended Amount**).

The Manager may determine to increase or decrease the amount allocated to the loan loss provisioning at any time, which may be higher or lower than the Recommended Amount. The amount put towards loan loss provisioning may be held in cash, but will not constitute a separate bank account, and instead will constitute an accounting allocation within the Fund's operating bank account. The Manager intends to review the Fund's holdings in the loan loss provisioning at least once every six months. While the loss provisioning may not affect the Funds NAV or Unit pricing, it may affect distributions as cash is held in the Trust to cover the provision.

This provision will be used for losses, including the payment of costs and expenses associated with enforcement against defaulting Borrowers.

#### **4.13 Arrears and default management**

The Credit Committee is responsible for managing arrears and other defaults in accordance with the Lending Policy and will provide instructions to the Security Trustee. Measures which may be taken include the following:

- (a) Monitoring all due dates for payments, including interest payments.
- (b) Following up overdue payments where appropriate (usually within five Business Days after the due date for payment of interest or repayment of capital) and issuing demand notices to the Borrower. Higher interest may be charged on overdue payments.
- (c) Issuing notices of default if payments remain in arrears.
- (d) Taking possession and selling a Security Property either as mortgagee in possession, appointing an agent for mortgagee in possession or receivers and managers.
- (e) Enforcing the right to collect any rents directly, assuming that rent is then being paid.
- (f) Entering into forbearance arrangements with Borrowers.

Where the Fund is not the majority lender for a Direct Loan, there will be limited ability to control the enforcement process, which will be largely dictated by the majority lender.

The Manager is entitled to a default management fee, where the Fund receives an amount on account of default interest. See section 1.1(a)(v) for details of this fee.

#### 4.14 Enforcement expenses

The enforcement process can involve significant costs, including legal costs receiver's and other adviser's fees. The Fund may hold cash reserves against loan loss provisioning, and will apply them towards these costs and expenses. However, in the event the Fund does not have sufficient cash available to fund these enforcement costs, then these costs may be funded as follows (as may be agreed between the Responsible Entity and the Manager, and listed in order of likelihood):

- (a) They may be paid out of the assets of the Fund. This may result in the non-payment or reduced payment of distributions to Unitholders. Additionally, depending on whether the enforcement costs can ultimately be repaid out of the proceeds from the sale of the relevant Security Property, this may result in a reduction of the NAV and the Unit price and ultimately a capital loss to Unitholders.
- (b) They may be paid by a third party or the Manager from its own funds, in return for the payer being able to recover any amount paid from the proceeds received from the Borrower. In this case the payer would have a right to recover any amount paid in priority to any payments to be made to the Fund. This may also result a reduction of the NAV and the Unit price and ultimately a capital loss to Unitholders.
- (c) By raising additional capital through the issue of further Units. It is likely that any future capital raising undertaken to pay for enforcement costs would be undertaken at an issue price less than the original issue price of Units and may therefore be dilutive to you as a Unitholder, to the extent you do not participate in the same proportions as your unitholding.

**Commented [TM138]:** The PDS should include a reference to the Default Management Fee here. If I were an investor, then I would expect some service or risk for the Default Management Fee. If the Loan is not provisioned so it stays as part of NAV, then the Manager will be getting the Management Fee for the particular Loan for so long as it is held at full value as well as the Default Management Fee.

**Commented [HW139]:** Msquared to confirm how this will work in practice.

**Commented [TM140R139]:** Not reviewed pending Msquared better describing it. We understood that there will not be a cash reserve.

**Commented [TM141]:** Note that 20% of the default interest has already been agreed to be paid to the Manager. Would this be waived in these circumstances?

**Commented [HW142R141]:** As discussed, this is a cost recovery and does not impact payment of default management fee

## 5 ASIC benchmarks and disclosure principles

ASIC has developed eight benchmarks and eight disclosure principles for unlisted mortgage schemes that can help retail investors understand the risk, assess the rewards being offered and decide whether these investments are suitable for them. The benchmarks and disclosure principles are contained in Regulatory Guide 45: *Mortgage schemes: Improving disclosure for retail investors* (Regulatory Guide 45).

As the Fund is an unlisted mortgage scheme, the Responsible Entity is required to disclose against the benchmarks and apply the disclosure principles contained in Regulatory Guide 45.

ASIC benchmark/principle	Response
<p><b>Liquidity - Benchmark 1 and Disclosure Principle</b></p> <p><i>Benchmark:</i> For a pooled mortgage scheme, the responsible entity has cash flow estimates that demonstrate the scheme's capacity to meet its expenses, liabilities and other cash flow needs for the next 12 months, are updated at least every three months reflecting any material change and are approved by the directors of the responsible entity at least every three months.</p> <p><i>Disclosure Principle:</i> This disclosure principle requires the Responsible Entity to disclose information about:</p> <ul style="list-style-type: none"> <li>(a) the current and future prospects of liquidity of the Fund</li> <li>(b) any significant risk factors that may affect the liquidity of the Fund, and</li> <li>(c) the policy of the Fund on balancing the maturity of its assets with the maturity of its liabilities.</li> </ul>	<p>This benchmark is met.</p> <p>The Manager, with oversight by the Responsible Entity, will maintain cashflow estimates that demonstrate the Fund's capacity to meet its expenses, liabilities and cashflow requirements for the next 12 months. As at the date of this PDS, neither the Manager nor the Responsible entity reasonably expect any changes to the Fund's cash flow needs that will affect the current or future liquidity of the Fund, taking into account:</p> <ul style="list-style-type: none"> <li>• anticipated applications and withdrawals</li> <li>• distributions (including under the distribution reinvestment plan)</li> <li>• income received in respect to <b>Direct Loans</b>, Loan Products and cash investments, and</li> <li>• fees and expenses of the Fund.</li> </ul> <p>The Loans are fixed term loans that are typically repayable at maturity. The Manager or a related party (depending on the type of Loan investment) will proactively manage the Loan maturity profiles and the cash reserves required to meet Fund's cashflow requirements.</p>
<p><b>Scheme borrowing - Benchmark 2 and Disclosure Principle</b></p> <p><i>Benchmark:</i> The responsible entity does not have any current borrowings and does not intend to borrow on behalf of the scheme.</p> <p><i>Disclosure Principle:</i> This disclosure principle requires the Responsible Entity to disclose information about the Fund's borrowings.</p>	<p>This benchmark is met.</p> <p>Whilst the Constitution contains the power to borrow, the Responsible Entity does not have any current borrowings for the Fund and does not expect to enter into any borrowing arrangements in the future.</p> <p>The Fund does not use derivatives of any kinds, undertakes all investments in Australian dollars and will not be entering into any foreign currency hedging arrangements.</p>
<p><b>Loan Portfolio &amp; diversification - Benchmark 3 and Disclosure Principle</b></p> <p><i>Benchmark:</i> For a pooled mortgage scheme:</p> <ul style="list-style-type: none"> <li>(a) the scheme holds a portfolio of assets diversified by size, borrower, class of borrower activity and geographic region;</li> <li>(b) the scheme has no single asset or borrower that exceeds 5% of the total fund assets; and</li> </ul>	<p>This benchmark is not met.</p> <p>The benchmark is met in respect of the portfolio being diversified by size, borrower, class of borrower activity and geographic region.</p> <p>The Loans will also be secured by first ranking registered Mortgages; however, there may be tranches of the Loan that are secured by the same Mortgage which means the Fund's right to repayment</p>

Commented [TM143]: Defined term to be updated.

ASIC benchmark/principle	Response
<p>(c) all loans are secured by first mortgages over real property.</p> <p><i>Disclosure Principle:</i> This disclosure principle requires the Responsible Entity to disclose the nature of the Fund's investment portfolio, including number and value of loans by class of activity, geographical region and proportion in default. In addition, the Responsible Entity should disclose its policy on the above matters, on how the Fund will lend funds generally and on investing in other Loan Products.</p>	<p>of its funding of the Loan will rank behind the right of repayment of funding of another Lender.</p> <p>The benchmark is not met in respect of (b) as the maximum exposure to a single asset (through a Direct Loan or a Loan Product) or a single Borrower may be up to 15% whilst the Net Asset Value of the Fund is under \$50 million and up to 10% once the Net Asset Value of the Fund is over \$50 million. The Manager has determined that these exposure limits are appropriate given the risk and target returns of the Fund's investment strategy.</p> <p>The RG 45 Disclosures Report (available on the Fund's Website) provides details of the Loans that have been made by the Fund and covers all matters that are required to be disclosed. Investors should consider this document when deciding on whether to invest in the Fund. Further information as to the Loans invested in by the Fund is set out in section 4 of this PDS.</p>
<p><b>Related party transactions - Benchmark 4 and Disclosure Principle</b></p> <p><i>Benchmark:</i> The responsible entity does not lend to related parties of the responsible entity or to the scheme's investment manager.</p> <p><i>Disclosure Principle:</i> This disclosure principle requires the Responsible Entity to disclose certain information about related party transactions, if it does enter into them.</p>	<p>This benchmark is met.</p> <p>The Fund does not and will not lend to related parties of the Responsible Entity or the Manager.</p> <p>The Responsible Entity and Manager will enter into related party transactions. See section 9.2 for information on the related party transactions that have been entered and how they will be managed.</p>
<p><b>Valuation Policy - Benchmark 5 and Disclosure Principle</b></p> <p><i>Benchmark:</i> In relation to valuations for the scheme's mortgage assets and their Security Property, the board of the Responsible Entity requires the valuer to be a member of an appropriate professional body in the jurisdiction in which the relevant property is located and to be independent. The valuers are required to follow procedures for dealing with any conflict of interest and are rotated and diverse. In relation to Security Property for a loan, an independent valuation is to be obtained:</p> <p>(a) before the issue of a loan and on renewal:</p> <p>(i) for development property, on both an 'as is' and 'as if complete' basis, and</p> <p>(ii) for all other property, on an 'as is' basis, and</p> <p>(b) within two months after the directors form a view that there is a likelihood that a decrease in the value of Security Property may have caused a material breach of a loan covenant.</p> <p><i>Disclosure Principle:</i> This disclosure principle requires the Responsible Entity to disclose:</p> <p>(a) where investors may access the Fund's valuation policy</p>	<p>This benchmark is not met.</p> <p>Whilst valuations for the Security Properties will be obtained for most Loans before issue, there are certain circumstances where an independent valuation will either not be required or one that does not meet the general requirements will be accepted. An independent valuation of the Security Property will be obtained within two months after the directors of the Manager (or Msquared Group member responsible for managing the Loan) form a view that there is a likelihood that a decrease in the value of Security Property may have caused a material breach of a loan covenant.</p> <p>The Fund will not participate in property development loans.</p> <p>The RG 45 Disclosures Report (available on the Fund's Website) provides important information on the Fund's valuation policy.</p> <p>See also section 4.10 for more information on the Fund's valuation policy and how it is applied where a formal valuation is not obtained.</p>

**Commented [TM144]:** Is Hall & Wilcox satisfied that this meets the If not, why not requirements including how the risks will be managed? Alternatively, will that detail be covered in the RG45 statement?

**Commented [HW145R144]:** Further detail will be included in the statement

**Commented [TM147]:** Is Hall & Wilcox satisfied that this meets the If not, why not requirements including how the risks will be managed? Alternatively, will that detail be covered in the RG45 statement?

**Commented [HW146R147]:** Further detail to be included in statement

**Commented [TM146]:** Msquared to check the Valuation Policy / Lending Policy and confirm.

ASIC benchmark/principle	Response
<ul style="list-style-type: none"> <li>(b) the processes that the directors employ to form a view on the value of the Security Property</li> <li>(c) the frequency of valuations of Security Property, and</li> <li>(d) any material inconsistencies between any current valuation over Security Property and the Fund's valuation policy.</li> </ul>	
<b>Lending Principles - Benchmark 6 and Disclosure Principle</b>	<p><i>Benchmark:</i> For non-property development loans directly held by the Fund, the LVR is not more than 80% of the latest market valuation of the property over which security is provided.</p> <p><i>Disclosure Principle:</i> This disclosure principle requires the Responsible Entity to disclose the maximum and weighted average loan-to-valuation ratios for the Fund as at the date of reporting in respect of Direct Loans.</p> <p>This benchmark is met.</p> <p>Where the Fund is the only lender for a Loan, the LVR will not be more than 70%.</p> <p>Where the Fund co-lends with other lenders or invests in a Loan Product, then the LVR of the Loan may be more than 70% (or 80% as per the benchmark) but the Fund's investment in the Loan (including the total investment of the class of Loan Product invested in, where relevant) must be for no more than 70% of the value of the Security Property at the time the Loan is approved by the Manager and the Fund's investment in the Loan ranks ahead of the lenders who provide the additional funding amount.</p> <p>The RG 45 Disclosures Report (available on the Fund's Website) provides details of the maximum and withed average LVR of the Loans.</p>
<b>Distribution Practices - Benchmark 7 and Disclosure Principle</b>	<p><i>Benchmark:</i> The responsible entity will not pay current distributions from scheme borrowings.</p> <p><i>Disclosure Principle:</i> This disclosure principle requires the Responsible Entity to disclose:</p> <ul style="list-style-type: none"> <li>(a) the source of the current and forecast distributions (e.g. from income earned in the relevant distribution period, operating cash flow, financing facility, capital, application money); and</li> <li>(b) when the Responsible Entity will pay distributions and the frequency of payment of distributions.</li> </ul> <p>This benchmark is met.</p> <p>The distributions are determined at the end of each calendar month and are payable within 14 days of the end of that calendar month. The distributions are payable from the income of the Fund, including interest earned on Direct Loans, Loan Products and cash investments.</p> <p>See section 3.9 for further information on distributions.</p>
<b>Withdrawal Arrangements - Benchmark 8 and Disclosure Principle</b>	<p><i>Benchmark:</i> The responsible entity intends to make withdrawal offers to investors at least quarterly.</p> <p><i>Disclosure Principle:</i> This disclosure principle requires the Responsible Entity to disclose detailed information about Unitholder's ability to withdraw from the Fund.</p> <p>This benchmark is met.</p> <p>The Responsible Entity anticipates making monthly withdrawal offers, which will be open to holders of Ordinary Units and Premium Units monthly and holders of Platinum Units quarterly.</p> <p>See section 3.12 for further information on withdrawals and also the detailed information provided in the RG 45 Disclosures Report (available on the Fund's Website).</p>

**Commented [TM149]:** If a Security Property is valued at \$100, and MMIF and MCIF each lend \$35, then the total of the LVR is at 70%, but is MMIF's then at 35% because it is half of the \$70? I don't think that is what is intended by the measure, but would be interested to discuss.

## 6 Fees and other costs

### 6.1 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 investment 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 fees. Ask the fund or your financial adviser.

#### 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 Investments Commission (ASIC) website ([www.moneysmart.gov.au](http://www.moneysmart.gov.au)) has a managed funds fee calculator to help you check out different fee options.

### 6.2 What are the fees and costs of the Fund?

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

A general description of the Taxation consequences for an Australian resident who holds Units in the Fund are set out in section 8.

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

Unless otherwise stated, the fees set out in this section are quoted inclusive of Goods and Services Tax (GST) and net of Input Tax Credits (ITC) and any Reduced Input Tax Credits (RITC). The Fund may not be entitled to claim a full input tax credit in all instances.

#### Fees and costs summary

Msquared Mortgage Income Fund		
Type of fee or cost	Amount	How and when paid
<b>Ongoing annual fees and costs</b>		
<b>Management fees and costs</b> The fees and costs for managing your investment. <sup>2</sup>	<b>Conversion fee:</b> One-off fee of \$6,000	This was paid to the Responsible Entity from the Fund assets on registration of the Fund with ASIC.
	<b>Responsible Entity fee:</b> 0.05% per annum on the first \$150 million of the Fund's gross asset value	The Responsible Entity fee is payable to the Responsible Entity monthly in arrears from the assets of the Fund.

**Commented [TM150]:** Not reviewed in detail as Msquared to complete.

**Commented [HW151R150]:** Noted, Msquared continue to work on this section and an update will be provided shortly

**Commented [HW152]:** Amend to net GST

**Commented [HW153]:** Amend to net GST

Msquared Mortgage Income Fund		
Type of fee or cost	Amount	How and when paid
	<b>Custody fee:</b> 0.025% on the first \$150 million of the Fund's gross asset value.	The custody fee is payable to the Custody Services Provider quarterly in arrears from the asset of the Fund.
	<b>Management fee:</b>  <b>Ordinary Units</b> - 1.79% per annum of the Relevant Proportion of the Fund's gross asset value.  <b>Premium Units</b> - 1.54% per annum of the Relevant Proportion of the Fund's gross asset value.  <b>Platinum Units</b> - 1.28% per annum of the Relevant Proportion of the Fund's gross asset value.	The management fee is payable to the Manager monthly in arrears from the assets of the Fund.
	<b>Default Management Fee:</b>  #[insert] per annum of the Fund's gross asset value.	The default management fee is payable to the Manager from the assets of the within #[10 Business Days] of receipt of default interest by the Fund in respect of a Direct Loan.
	<b>Expenses (excluding Abnormal Expenses) :</b> #[#] % per annum of the Fund's gross asset value.	Expenses are payable when incurred from the assets of the Fund and reflected in the unit price.
	<b>Abnormal expenses:</b> #[#] % per annum of the Fund's gross asset value.	Abnormal expenses are payable when incurred from the assets of the Fund and reflected in the unit price.
	<b>Indirect costs:</b> #[#] % per annum of the Fund's gross asset value.	Indirect costs are payable when incurred from the assets of the Fund or the assets of the interposed vehicles and reflected in the unit price.
<b>Performance fees</b> Amounts deducted from your investment in relation to the performance of the Fund.	Nil	Nil
<b>Transaction costs</b> The costs incurred by the scheme when buying or selling assets.	#[insert] % per annum of the Fund's gross asset value.	These costs are payable when incurred from the assets of the Fund or the assets of the interposed vehicles and reflected in the unit price.
<b>Member activity related fees and costs (fees for services or when your money moves in or out of the Fund)<sup>1</sup></b>		
<b>Establishment fee</b> The fee to open your investment	Nil.	Not applicable.
<b>Contribution fee<sup>2</sup></b> The fee on each amount contributed to your investment	Nil.	Not applicable.
<b>Buy-sell spread</b> An amount deducted from your investment representing costs incurred in transactions by the scheme	Nil.	Not applicable.
<b>Withdrawal fee<sup>2</sup></b>	Nil.	Not applicable.

Commented [HW154]: Amend to net GST

Commented [HW155]: Msquared to calculate this fee such that it is a reasonable expectation of what will be charged as a percentage of gross asset value of the Fund for FY25

Commented [HW156]: Msquared to calculate and provide

Commented [HW157]: Msquared to calculate and provide

Commented [HW158]: Msquared to calculate and provide

Commented [TM159]: How will this apply to MCMIF investments or any investments in notes?

Commented [HW160]: Msquared to calculate and provide

Commented [TM161]: Ditto above.

Msquared Mortgage Income Fund		
Type of fee or cost	Amount	How and when paid
The fee on each amount you take out of your investment		
<b>Exit fee<sup>2</sup></b> The fee to close your investment	Nil.	Not applicable.
<b>Switching fee</b> The fee for changing investment options	Nil.	Not applicable.

1. Fees may be payable to your financial advisor. *#[Removal fees/A removal fee] may also be payable to the Responsible Entity #[or to the Administrator and Registry Service Provider] if #[it/they] are removed as the responsible entity #[or administrator and registry service provider] of the Fund. Such fees are not included in the Fees and costs summary above. For further information see 'Adviser remuneration' and 'Management fees and costs' under the heading 'Additional explanation of fees and costs'.*

**Commented [HW162]:** Please confirm if removal fees are payable to Admin and Registry.

2. The management fees and costs disclosed in this table are based on a reasonable estimate of the costs for FY 2025, adjusted to reflect a 12-month period, and assuming a gross asset value of the Fund of *#[insert]*. The individual components of the management fees and costs are discussed in more detail at 'Management fees and costs' under the heading 'Additional explanation of fees and costs'.

**Commented [HW163]:** Msquared to provide

3. The management fee may be negotiated in certain circumstances. For more information see 'Waiver, deferral or rebate of fees' under the heading 'Additional explanation of fees and costs'.

### 6.3 Example of annual fees and costs

The following table gives an example of how the fees and costs applicable to Units in the Fund can affect your investment over a one-year period. You should use this table to compare this product with other managed investment products.

EXAMPLE		BALANCE OF \$50,000 WITH A CONTRIBUTION OF \$5,000 DURING YEAR
Contribution Fees		For every additional \$5,000 you put in, you will be charged <i>#\$</i>
<b>PLUS</b> Management fees and costs	<i>#[insert]</i> % <sup>1</sup>	<b>And</b> , for every \$50,000 you have in the Fund you will be charged or have deducted from your investment <i>#\$</i> each year
<b>PLUS</b> Performance fees	<i>#[insert]</i> % <sup>1</sup>	<b>And</b> , you will be charged or have deducted from your investment <i>#\$</i> in performance fees each year
<b>PLUS</b> Transaction costs	<i>#[insert]</i> % <sup>1</sup>	<b>And</b> , you will be charged or have deducted from your investment <i>#\$</i> in transaction costs
<b>EQUALS</b> Cost of Fund		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 and costs in the range of: <b><i>#\$ to \$#<sup>2</sup></i></b> <b>What it costs you will depend on the investment option you choose and the fees you negotiate.</b>

1. These amounts represent the ratio of the Fund's estimated management fees and costs and transaction costs for FY 2025, adjusted to reflect a 12-month period, and assuming a gross asset value of the Fund of *#[insert]*.

2. The fees and costs of the Fund will change over time as the costs of managing the Fund and the Fund's investments change. Changes to the fees and costs of the Fund may take the form of a notice on the Fund's website. Further information is included under the heading 'Additional explanation of fees and costs'.

3. Additional fees may apply, such as any additional fees that your financial adviser may charge you and also *#[a removal fee/removal fees] may be payable to the Responsible Entity #[or to the Administrator and Registry Service Provider] if #[it/they] are removed as the responsible entity #[or administrator and registry service provider] of the Fund.*

### 6.4 Additional explanation of fees and costs

Management fees and costs represent the total investment and administration related costs of operating the Fund. The estimated ongoing management fees and costs identified in Section 6.2 are the fees and costs paid for general administration of the Fund. These fees and costs are paid by the Fund and therefore indirectly by you in proportion to your investment in the Fund. A short description of each type of ongoing management fee and cost is set out in this section.

(a) Fees payable to the Responsible Entity

Commented [HW164]: All to be amended net of GST

(i) Conversion fee

The Responsible Entity is entitled to receive a one-off establishment fee of \$6,000 for its work in connection with the conversion of the Fund to a registered managed investment scheme. This fee was payable out of the Fund assets upon the registration of the Fund with ASIC and was paid on [insert date].

(ii) Responsible Entity fee

The Responsible Entity is entitled to a fee for providing its service as trustee and responsible entity of the Fund. This fee is paid monthly and in arrears from the assets of the Fund and is calculated referable to the gross asset value of the Fund as follows:

- (A) 0.05% per annum on the first \$150 million (\$0 - \$150,000,000) of total assets (including the gross value of the assets of any sub entities, adjusted if relevant, based on the proportional direct or indirect ownership of the Fund in the sub entity); and
- (B) 0.03% per annum on total assets above \$150 million (including the gross value of the assets of any sub entities, adjusted if relevant, based on the proportional direct or indirect ownership of the Fund in the sub entity).

The Responsible Entity fee is subject to a minimum fee amount of \$48,000 per annum, increasing to \$54,000 per annum from # October 2025 and increasing to \$60,000 per annum from # October 2026. These amounts are subject to an annual increase on 1 July each year from the registration of the Fund by the greater of 4% and the changes in the CPI.

This fee is calculated and accrues daily and is paid to the Responsible Entity monthly in arrears from the assets of the Fund. Assuming a Fund size of \$#[insert] million, the Responsible Entity would receive a fee of \$#[insert] for the annual period.

Commented [TM165]: To be updated from the Fund Constitution

(iii) Responsible Entity transaction fees

The Responsible Entity is entitled to receive transaction fees for providing services for the Fund as follows:

- (A) \$5,000 for each target market determination (TMD) after the issue of the first TMD.
- (B) \$6,000 for the issue of this PDS.
- (C) \$5,000 for each revised product disclosure statement after the issue of this first PDS.

These fees are payable to the Responsible Entity from the Fund assets within 10 calendar days after the relevant service is provided and are treated as operating costs and expenses (see below).

Commented [HW166R165]: As per comment above, this is consistent with the constitution

(iv) Management fee

The Manager is entitled to a fee for managing and overseeing the investments and operations of the Fund equal to:

- (A) **Ordinary Units:** 1.79% per annum of the Relevant Proportion of the gross value of the assets of the Fund;
- (B) **Premium Units:** 1.54% per annum of the Relevant Proportion of the gross value of the assets of the Fund; and
- (C) **Platinum Units:** 1.28% per annum of the Relevant Proportion of the gross value of the assets of the Fund.

This fee is paid monthly in arrears from the assets of the Fund. For example:

- (A) **Ordinary Units:** \$895 for every \$50,000 of the Relevant Proportion of gross value of the assets of the Fund for Ordinary Units;
- (B) **Premium Units:** \$770 for every \$50,000 of the Relevant Proportion of gross value of the assets of the Fund for Premium Units; and
- (C) **Platinum Units:** \$640 for every \$50,000 of the Relevant Proportion of gross value of the assets of the Fund for Platinum Units.

The Manager will waive its right to collect this fee in respect of Loan Products where a management fee is received by a member of the Msquared Group in respect of those Loan Products. This is to ensure that there is no double management fees payable in respect of the assets of the Fund.

(v) Default management fee

In consideration of the additional work that is performed by the Manager whilst a Direct Loan is in default, the Manager is entitled to a default management fee equal to 20% of any default interest received by the Fund in respect of a Direct Loan. In this case, the default interest is only the difference between the interest payable on the Loan and the default rate of interest that is actually received by the Fund upon enforcement.

(vi) Custody fee

The Responsible Entity is obligated to pay the Custodian a fee for its services in relation to the Fund.

The fee is an amount equal to 0.025% per annum of the gross value of the assets of the Fund up to \$150 million, plus 0.02% of the gross value of the assets of the Fund from \$150 million up to \$300 million, plus 0.015% of the gross value of the assets over \$300 million, subject to a minimum fee of \$20,000 per annum. These amounts are subject to an annual increase on 1 July each year based on the changes in the CPI.

The fee is paid quarterly in arrears from the assets of the Fund.

(vii) Expenses (excluding Abnormal Expenses)

Expenses are generally paid from the Fund's assets when incurred, or reimbursed from the Fund's assets to the Responsible Entity or the Manager (as the case may be), as permitted by the Constitution and the Investment Management Agreement.

It is anticipated that the day to day fees and expenses of the Fund will amount to approximately #% per annum of the gross asset value of the Fund.

On some occasions the Responsible Entity may also incur abnormal or infrequent expenses such as costs association with any meetings of Unitholders, costs of

Commented [HW167]: Amend to net of GST

Commented [HW168]: Msquared to provide

litigation to protect Unitholders' rights, costs to defend claims in relation to the Fund, legal fees, once off or non 'business as usual' fees, and termination and wind up costs. It is anticipated that the abnormal expenses of the Fund will amount to approximately #% per annum of the gross asset value of the Fund.

Commented [HW169]: Msquared to provide

There is no cap put on the amount of Expenses and Abnormal Expenses of the Fund.

(viii) Indirect costs

Indirect costs are fees, costs, expenses and other amounts which the Manager estimates are paid from, or incurred by the Fund, which (directly or indirectly) reduce the return of the Fund. These include amounts incurred in making direct investments and the costs of investing in interposed vehicles.

The Fund's indirect costs are estimated to be #insert% per annum of the Fund's estimated total average Gross Asset Value for the period the Fund is offered in FY25 (adjusted to reflect a twelve-month period). For example, \$#insert for every \$50,000 of the Fund's Gross Asset Value.

Commented [HW170]: Msquared to provide

Commented [HW171]: Msquared to provide

The indirect costs incurred by the Fund depend on the Fund's portfolio composition and are generally disclosed based on amounts paid in the previous financial year. Actual indirect costs for a financial year may therefore differ from the amount disclosed in this PDS. Updated changes to the indirect cost amount will be available on the Fund's Website.

(ix) Responsible Entity retirement or removal fee

The Responsible Entity is entitled to be paid a retirement or removal fee if it is replaced in certain circumstances. This fee equates to the amount of the balance of the Responsible Entity fee it would have received if it had remained the Responsible Entity for two years from the date the first Unit is issued pursuant to this PDS if:

- (A) it is removed as the responsible entity of the Fund, or
- (B) it retires as the responsible entity of the Fund at the request of the Manager in accordance with the Investment Management Agreement.

The fee will not be payable where the removal is because of the Responsible Entity's gross negligence or for a material breach of fiduciary duty to investors which causes them substantial loss or because it is no longer, or it is reasonably likely that it is no longer, able to carry out the role of trustee pursuant to the Constitution and the requirements of the Corporations Act.

The amount of the retirement or removal fee is determined based on the gross value of the Fund's assets at the time the fee becomes payable. If the retirement or removal fee becomes payable, then it will be an expense of the Fund and must be paid out of the Fund assets.

In the following example it is assumed that:

- (A) the retirement or removal fee becomes payable 12 months after November 2024;
- (B) the minimum Responsible Entity fee increased on 1 July 2025; and
- (C) at the time the retirement or removal fee becomes payable, the gross value of the assets of the Fund is \$150,000,000.

Here, the Responsible Entity would be entitled to a retirement or removal fee of \$#insert (pre GST).

Unless stated otherwise, the example above is calculated gross of GST and RITC and is provided for illustrative purposes only and does not represent any actual or prospective retirement or removal fee amount. You should not rely on this example in determining whether to invest in the Fund.

(x) #[Administrator and Registry Service Provider Removal Fee

The appointment of both the Administrator and Registry Service Provider is for a minimum of one year. If the appointment of the Administrator is terminated within one year of commencement, then the Administrator is entitled to be paid a removal fee equal to 2 times the fee paid to the Administrator in the month prior to the termination.

If the Registry Service Provider's appointment is terminated within 12 months of commencement, then the Registry Service Provider is entitled to be paid a removal fee equal to the fees that would have otherwise been payable to the Registry Service Provider if its appointment had continued for the full 12 months.

If the Administrator and/or Registry Service Provider removal fee becomes payable then it will be an expense of the Fund and must be paid for out of the assets of the Fund.]

(b) Transaction costs

Transaction costs are costs incurred by the Fund and for dealing with the Fund's assets. [These costs include brokerage and buy/sell spreads of investments and include the transaction costs of interposed vehicles. The Fund's total gross transaction costs are estimated to be #[less than 0.10%] per annum.]

**Commented [TM172]:** Msquared to provide a worked example.

(c) Member activity related fees and costs

(ii) Buy/sell spread

The buy/sell spread (where applied) is a portion of the transaction costs that is recovered from Investors by the Manager when issuing and redeeming Units. The buy/sell spread affects the issue price and the withdrawal price. The issue price (the price at which a Unit may be acquired) is calculated by adding the applicable buy spread to the prevailing Unit Price. The withdrawal price (the price at which a Unit may be redeemed) is calculated by subtracting the applicable sell spread from the prevailing Unit Price. The difference between the issue price and the withdrawal price is referred to as the buy/sell spread.

The buy/sell spread is set by the Manager and may change as a result of changes in the underlying transaction costs incurred by the Fund.

At the time of this PDS, there is no buy spread or sell spread. The buy/sell spread will be reviewed on a regular basis. The Manager may introduce or vary the buy/sell spread from time to time and prior notice may not be given. The buy/sell spread will not be paid to the Manager but rather retained as an asset of the Fund.

(d) Indirect Investors

Indirect Investors should contact their IPDS Operator regarding fees and costs.

(e) Other fees and costs information

(iii) Fees Payable By Borrowers

Msquared may receive fees directly from Borrowers in relation to individual Loans, such as commitment fees, establishment fees, loan management fees, loan variation fees, line fees, default administration fees, default loan management fees and discharge fees . These fees will be paid for by the relevant Borrower through the Security Trust structure and not from the Fund's assets.

(iv) Adviser remuneration

Neither the Responsible Entity nor the Manager will pay any commission to financial advisers or other intermediaries. Investors are able to direct the Responsible Entity to pay an amount on their behalf to their adviser. To do so, please nominate the payment amount on your Application Form, and this amount will be deducted from your Application Money and corresponding number of issued Units.

(v) Differential fees

The Responsible Entity or the Manager will not ordinarily negotiate fees. However, the Manager may negotiate special fee arrangements with Investors who are Wholesale Clients under which it reduces or rebates fees to those Investors. Such special fee arrangements will not adversely impact upon the fees that are paid by other Investors as set out in this section.

(vi) Fee Changes

The Responsible Entity (in limited circumstances) may change the fees and expenses of the Fund referred to in this PDS. The Responsible Entity will provide Investors at least 30 days' notice of any proposed increase in fees or expense recoveries or introduction of new fees.

The Fund's Constitution allows for a Responsible Entity fee of up to 0.5% per annum of the Fund's Gross Asset Value to be charged by a trustee who is not One Managed Investment Funds Limited, which is higher than the Responsible Entity fee detailed in this section. Otherwise, the maximum fees chargeable by the Responsible Entity as set out in the Constitution #[and the Manager as set out in the Investment Management Agreement] are the same as those outlined in this section.

(vii) Waiver, Deferral or Rebate of Fees

Each of the Responsible Entity and the Manager maintains the discretion to accept lower fees and expenses than they are entitled to receive or may defer payment of those fees and expenses for any time. If payment is deferred, then the fee will accrue until paid.

(viii) Goods and Services Tax

The fees and costs set out at in this section show the total cost to Investors, including the effect of GST (i.e. inclusive of 10% GST less any input tax credits, including RITCs). Where RITCs are available the Fund may be able to claim a RITC of either #[55% or 75%] of the GST paid, depending on the precise nature of the services. In the event that legislative amendments to the current GST regime have the effect of reducing the ability of the Fund to claim input tax credits on the fees and costs described in this section, then fees and costs may increase. If the Responsible Entity or the Manager becomes liable to pay GST on fees or costs not described in this PDS as GST inclusive, they are entitled to be reimbursed out of the assets of the Fund for the amount of GST. Again, the Responsible Entity will give you at least 30 days' written notice of any change to the fees and costs payable.

**Commented [VK173]:** Different fees have different RITC, to verify the fees with Unity

(ix) Tax

For further information about tax, please refer to section 8 of this PDS.

## 7 Risks

**#[HW note: We have included the key risks in this section at this stage. We will also do a further review to confirm all key risks are covered once the content of the PDS is closer to finalised.]**

### 7.1 Overview

An investment in the Fund carries risk. Risks can be categorised as being specific to the Fund, broader risks which affect the Fund and general risks associated with investing in the fixed income market. Many of these risks are outside the control of the Responsible Entity, the Manager and their respective directors and officers. Consequently, the Units offered under this PDS carry no guarantee in respect of profitability, distributions or return of capital. Neither the Responsible Entity, the Manager nor their directors nor any party associated with the preparation of this PDS warrants that the Investment Objective will be achieved.

In addition, to the extent that statements in this PDS constitute forward-looking statements, these statements involve known and unknown risks, uncertainties and other factors that may cause the Fund's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by forward-looking statements. Although the Responsible Entity and the Manager each believe the expectations reflected in any forward-looking statements are reasonable, neither can guarantee future results, levels of activity, performance or achievements, or that historic results will be repeated.

Investors should consider whether the Units offered by this PDS are a suitable investment, having regard to their own individual investment objectives, financial circumstances and the risk factors set out below.

The list below highlights the more significant and material risks; however, the list may not be exhaustive. Other less significant or less probable factors may also impact the Fund's financial performance, financial position or cash flow. Should any or all of these risk factors materialise, the value of Units may be adversely affected.

Investors should read this PDS in its entirety and consider the following risk factors and, if necessary, consult their accountant, financial adviser, lawyer or other professional adviser prior to making an investment in the Fund.

### 7.2 Capital and return risks

The risk to capital is primarily determined by the ability of Borrowers to repay Loans. If a Borrower is unable to repay a Loan, then it may be necessary to take steps to enforce the Mortgage and other Security Interests and sell the Security Property. If that were to occur, then the Fund may not receive all amounts owing to it in relation to the Loan and would therefore suffer a loss. The Manager may, but it is not obliged to, establish a loan loss provision. If the loan loss provision has not been established or its funds are insufficient to cover these losses, then Unitholders may lose some or all of their investment as a result.

The Fund will seek to achieve the Target Return for each Class of Unit. The Fund may not be successful in meeting this objective. This target return is a target only and is not a forecast. The comparison to the RBA Cash Rate is not intended to compare an investment in the Fund to a cash holding. Returns and the return of your capital are not guaranteed.

### 7.3 Loan loss risk

As provided for in section 4.12, the Fund may maintain a specific reserve of cash to meet losses on Loans, should they occur (Loan Loss Provision).

The Manager's provisioning policy may not adequately provide for sufficient funds to be held in the Loan Loss Provision, for example due to an unexpectedly high level of Loan defaults. Accordingly, this means some Loan losses caused as a result of Borrower default or otherwise

**Commented [TM174]:** To be discussed. Does a loss provision in the accounts actually cover a loan? In other words, if cash is held in the Fund, how is that cash used to pay cover the loss of a Loan. Will it be used to cover the payment of income that would have otherwise been paid out on the loan? The answer would impact the following sentence and the following section.

**Commented [HW175R174]:** It is intended that, where there is cash, it would be used to cover the payment of income that otherwise would have been paid, or costs incurred in enforcement. However, Msquared should confirm this.

may have to be met from the Fund's capital, if the Loan Loss Provision cannot cover a full loss position. This may impact upon the Fund's Unit price and may result in reduced distributions and a capital loss being incurred by Unitholders.

#### 7.4 Non-income producing properties

The Fund's Investment Strategy is not to invest in or be exposed to Loans where the Security Property is vacant land. However, the Security Property can be vacant residential, commercial, industrial or retail premises. There are particular risks associated with Loans in respect of non-income producing properties. Where a default occurs under these Loans, there is no income to assist in covering the interest payments or otherwise rectifying the default and the Security Property may have a low sale value.

#### 7.5 Default and credit risk

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

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

If a Borrower fails to meet its interest payment or principal repayment obligations, this could adversely affect the income attributable to the Loan and the recoverability of the principal. If a Borrower ultimately defaults on the Loan, then this may result in the Fund losing money if the Security Property is sold for less than the outstanding Loan amount together with arrears of interest, default interest, enforcement and realisation costs. This may lead to Unitholders losing some or all of their investment as a result.

#### 7.6 Enforcement risk

If a Borrower defaults under a Loan, then the Fund may have to enforce its Mortgage to recover the Loan, any unpaid interest, fees and costs. This may involve incurring enforcement costs (such as the costs of appointing a receiver, legal fees in enforcing against the Borrower, agent's commissions for sale of the Security Property etc.). If funds in the loan loss provisioning are insufficient to meet these costs and expenses then this will most likely lead to a reduction in distributions paid to Unitholders and, depending on whether the enforcement costs can ultimately be repaid out of the proceeds from the sale of the Security Property, may result in Unitholders suffering a loss. It is possible the Responsible Entity will undertake a further capital raising to raise the capital required to pay for the expenses associated with enforcing the Loan. There is therefore a risk that Unitholders may be requested to contribute further capital to the Fund in order to be able to seek to recover the value of the Fund's investment in Loans. It is highly likely that any such future capital raising will be undertaken at a price less than the original issue price for the Units and may therefore dilute the proportional holdings of those Unitholders that decide not to contribute further capital.

A significant proportion of the Loans may be considered to be small business loans within the jurisdiction of the Australian Financial Complaints Authority. If the Borrower makes a complaint to AFCA, this may complicate or delay any enforcement process.

#### 7.7 Concentration risk

There is an increased risk associated with loans that are highly concentrated in terms of particular types of loans, location, activities or Borrowers. The Fund has exposure limits to single Borrowers or assets as specified in section 4.3.

#### 7.8 Documentation risk

A deficiency in documentation could adversely affect the return on a Loan or the ability of the Loan to be enforced. Courts and the Australian Financial Complaints Authority have tended to

**Commented [HW176]:** On further review of this content, we disagree that there is overlap between these risks. Default and credit risk relates to the risk of default and consequent sale of underlying property for a value less than investment causing loss. Enforcement risk refers to another risk altogether which is the risk that the enforcement costs exceed the amount available in the loan loss provisioning account and the risk that further capital contribution may be required. We do not propose to conflate these risks.

**Commented [TM177]:** See earlier comments on the Loan Loss Provisioning Account. Note that this should probably not be capitalised in any event.

favour borrowers and guarantors where there are questions raised about the enforceability of loan agreements, security documents and guarantees. This may make it difficult for the Fund to enforce its Mortgage other Security Interests and guarantees in respect of the Loan and may also affect the ability to recover any amounts owing by the Borrower, including default interest.

#### **7.9 Borrowing risk**

While the Responsible Entity has no current intention to do so, the Responsible Entity may borrow money to fund withdrawals from the Fund. Borrowing comes with risk. In the event that the Fund is unable to service its borrowings, then distributions may be reduced or suspended and the lender may enforce its security over the assets of the Fund. The interest rate expenses for the borrowings will need to be paid from the assets of the Fund prior to distributions of income. There is a risk that unfavourable movements in interest rates may lead to increased interest expenses. This may result in a reduction to the distributions available to Unitholders, or failure by the Fund to meet interest obligations on its borrowings. Where any fixed rate borrowings reach their maturity, interest rates may have increased and the Manager may not be able to extend or refinance those borrowings at the same fixed rates. This would lead to increased interest expenses for the Fund and therefore it may have a negative impact on Unitholders' returns. Furthermore, if a derivative is entered into to hedge interest rate risk, then break fees may apply if the derivative needs to be terminated early.

#### **7.10 Valuation risk**

The valuation of the Security Property for a Loan may be inaccurate or not accurately reflect its true value at the time the valuation is undertaken.

A valuation is a valuer's assessment of what a theoretical buyer and seller will transact the property for in a theoretical set of circumstances. The real value achieved on actual sale will depend on what a buyer is prepared to pay when the property is sold reflecting market dynamics and the property. As the Security Property is likely to be sold on an enforcement situation, it is possible that a distressed sale may lead to a sale price that is less than the valuation.

If the valuation of the Security Property for a Loan is incorrect, then the amount realised on the sale of a Security Property may not cover the amount lent to the Borrower. Valuations will be undertaken in accordance with the Fund's valuation policy. In some instances, valuations from an independent valuer may not be obtained. The Responsible Entity will not usually be the party engaging the independent valuer and may not be able to rely upon the valuation. See section 4.10 for more details of the Fund's valuation policy.

#### **7.11 Due diligence risk**

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

#### **7.12 Building risk**

Property assets naturally deteriorate over time and are subject to disasters, which can damage the structure of the building. There is a risk that the value of a Security Property could diminish if the building on the Security Property deteriorates or is damaged. The amount of any insurance available may not entirely cover the costs of repairing any damage to a building or entirely cover the loss of the building.

#### **7.13 Environmental risk**

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

#### **7.14 Disaster risk**

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

#### **7.15 Responsible Entity and Manager risk**

There is a risk One Managed Investment Funds Limited may be replaced as trustee of the Fund, or that the Manager may be replaced as investment manager of the Fund or that the key personnel of Msquared Group may change. In the event this occurs, there is a possibility that their ability to provide services to the Fund or their performance are adversely impacted.

**Commented [TM178]:** I don't think that there are key personnel that pose a risk to the Fund based on the nature of the REs. The only think I could think of would be in the RMs for OMIFL's licence were to change.

#### **7.16 Manager performance risk**

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

The Fund's performance also depends upon the Manager recommending suitable Loans to the Responsible Entity, conducting regular audits of the performance of the Loans and undertaking enforcement action against defaulting Borrowers. Failure by the Manager to undertake these tasks properly may result in an adverse impact on the Fund and on its performance. If the Manager either becomes insolvent or encounters financial difficulties, which means that it is unable to perform its role under the Investment Management Agreement, then the Responsible Entity will most likely need to terminate the Investment Management Agreement. If that were to occur, then the Responsible Entity would either need to find a replacement investment manager from a group other than Msquared Group or wind up the Fund. A significant proportion of the Fund's assets may be Loan Products issued by or in a member of the Msquared Group. That may make it difficult for the Responsible Entity to appoint a different investment manager.

This could result in Unitholders suffering a loss or a diminished return on their investment in the Fund.

#### **7.17 Manager strategy risk**

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

#### **7.18 Liquidity and withdrawal risk**

Loans and Loan Products are not actively traded and therefore may not be readily convertible to cash other than when the Loans are repaid.

The Fund will be illiquid (as defined in the Corporations Act) and Unitholders are only able to withdraw in response to a withdrawal offer made by the Responsible Entity. The Responsible Entity and Manager's intentions in respect of withdrawal offers are set out in section 3.12. However, there is no guarantee that withdrawal offers will be made. Additionally, the amount available for withdrawal will be subject to a cap. This means that you may be unable to withdraw any or all of your investment when you would like to.

#### **7.19 Market risk**

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

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

#### **7.20 Taxation risk**

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

#### **7.21 Regulatory and economic risk**

There is the risk that the value of an investment may be affected by changes in domestic or international policies, regulations or laws (including taxation laws). There is also a risk that a downturn in domestic or international economic conditions may adversely affect investments. These factors are outside the control of the Responsible Entity and the Manager, but they may have a negative impact upon the operation and performance of the Fund.

#### **7.22 General investment risks**

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

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

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

## 8 Taxation

The taxation information provided below is of a general nature only and is based on Australian tax laws current as of the issue date of this PDS. The taxation information provided applies to Australian resident investors who hold their units on capital account and who are not considered to be carrying on a business of investing, trading in investments or investing for the purpose of profit making by sale. It is important for investors to obtain independent tax advice in relation to the tax treatment of their investment in the Fund.

### 8.1 Attribution Managed Investment Trust (AMIT)

The Fund has elected to become an AMIT from 1 July 2023 onwards **Deloitte note: Please confirm that an election would have been made by the time the PDS is issued**. Broadly, under the AMIT regime, the Fund fully attributes all determined trust components of each particular category or character (i.e. assessable income, exempt income, non-assessable non-exempt income and tax offsets) of the Fund to investors on a fair and reasonable basis in accordance with the Fund's Constitution every year. Income tax should not generally be payable by the Fund itself.

Investors will be taxed on their 'attributed' share of the Fund's taxable 'trust components' for the income year, as if they derived these amounts in their own right and in the same circumstances as the AMIT itself, regardless of whether income and gains are accumulated, or distributed by payment or reinvestment as additional units. The 'attributed' amounts, including the components of such amounts and the cost base of the investor's units in the Fund, will be detailed in an AMIT Member Annual Statement (**AMMA Statement**). Unitholders will pay tax on distributions at their applicable tax rate.

The cost base of an investor's units in a Fund are increased by attributed assessable income (including capital gains) and non-assessable non-exempt income, and decreased by actual payments (including reinvestment as additional units) and attributed tax offsets. The increases or decreases are offset, resulting in either a net cost base increase or decrease to the investor's units in a Fund for each year. If a reduction is greater than the investor's cost base, the excess will be taxable to the investor as a capital gain.

To the extent the Fund incurs revenue losses, the Fund will not be able to distribute tax losses to investors. Any carried forward tax losses incurred by the Fund will be "quarantined" and will only be able to be utilised by the Fund in future years if it satisfies the trust loss rules.

### 8.2 Where the Fund is not an AMIT

If the Fund ceases to qualify as an AMIT for a given income year, the general trust provisions of the tax law will apply.

The Fund will determine its net (taxable) income for the income year, calculated in accordance with section 95(1) of the *Income Tax Assessment Act 1936* (Cth). Investors will generally be taxed on their share of the net income of the Fund provided they are presently entitled to that income for that year, regardless of whether they receive or reinvest a distribution after year end. On the basis that investors are presently entitled to all of the trust income in that year, the Responsible Entity should not generally be taxed on the net (taxable) income of the Fund.

To the extent the Fund incurs revenue losses, the Fund will not be able to distribute tax losses to investors. Any carried forward tax losses incurred by the Fund will be "quarantined" and will only be able to be utilised by the Fund in future years if it satisfies the trust loss rules.

### 8.3 Capital Gains Tax (CGT)

**Commented [VK179]:** This section has been provided by Deloitte as DRAFT

**Commented [TM180R179]:** This seems really generic and doesn't seem to discuss how it applies to a loan fund. The key issue is what happens with enforcement costs and losses. See my comment below. I suggest that the description should also cover the impact of someone electing to participate in the DRP.

**Commented [HW181R179]:** This section is being discussed with Deloitte

**Commented [HW182]:** Should this be 1 July 2024?

**Commented [TM183]:** Is this correct? This seems to be a repeat from below of the standard language about non AMITs not being able to distribute tax losses. I was under the impression that if the Fund is an AMIT the trust components could include losses.

The assessable income for an investor for each year may include net capital gains, comprising of (amongst other things) components of the Fund's net income distributed to investors in the Fund and withdrawal (e.g. redemption of units) of an investor from the Fund.

An Australian resident individual, trust or complying superannuation entity that receives capital gains with respect to their units may be eligible for CGT concessions where they have held those units for at least 12 months. Where the CGT discount applies, the taxable gain may be reduced by one half in the case of an individual or trust, or one third in the case of a complying superannuation entity.

To the extent that any "tax deferred distributions" are made to investors, the amount of "tax deferred distribution" received is effectively taken to reduce the tax cost base of an investor's respective units in the Fund. Should the cost base of the investor's respective units in the Fund be reduced to nil in future income years, any non-taxable distributions received thereafter may give rise to taxable CGT event E4 capital gain. Investors should monitor the cost base of their units in the Fund..

**Commented [TM184]:** Is this likely to arise for a Fund like this one?

#### **8.4 Goods and Services Tax (GST)**

The receipt of distributions from the Fund and the issue and withdrawal of Units will not generally be subject to GST. The Fund may incur 10% GST on fees and costs charged to the Fund, for which the Fund may be eligible to claim Input Tax Credits or Reduced Input Tax Credits (RITC) for GST paid on certain expenses.

#### **8.5 Taxation of financial arrangements**

The taxation of financial arrangements (TOFA) regime broadly contains rules that cover tax timing treatments for financial arrangements. There are a number of exclusions from TOFA. Investors should seek their own advice as to the possible application of the TOFA regime to their investment in the Fund.

#### **8.6 Tax File Number (TFN) and Australian Business Number (ABN)**

Providing a TFN or ABN is not compulsory for investors. However, unless exempt, if an investor does not provide their TFN or ABN, tax will be withheld from income distributions at the highest personal marginal rate, plus the Medicare levy and any other applicable levies. Investors can provide their TFN, ABN, or an appropriate exemption when submitting the application form for an initial investment.

#### **8.7 Duty**

Stamp duty should not be payable on your investment in the Fund, provided the Fund does not hold dutiable property at the time of investment.

## 9 Additional information

### 9.1 Disclosure of interests

Directors, officers and employees of the Responsible Entity or the Manager may hold Units in the Fund. These Units will be issued on the same terms as Units issued to investors not related or associated with the Responsible Entity or the Manager.

### 9.2 Conflicts of interests and related party transactions

The Responsible Entity and the Manager may from time to time face conflicts between their duties to the Fund as the responsible entity or the manager, their duties to other funds they manage (if applicable) and their own interests. The Responsible Entity and the Manager will manage any conflicts in accordance with its conflicts of interest policy, the Constitution, ASIC policy and the law.

The Responsible Entity and Manager each maintains and complies with a written policy on related party transactions, including the assessment and approval processes for such transactions and arrangements to manage conflicts of interest. The policy ensures that any actual or potential conflicts of interest are identified and appropriately dealt with.

The Administrator and Registry Services Provider are related parties of the Responsible Entity. The agreements appointing the Administrator and Registry Services Provider are on arm's length terms.

In addition, it is anticipated that the Fund will invest in Loan Products issued or managed by a member of the Msquared Group. These entities will be related to the Manager. However, any investment made into Loan Products will be made on the same terms as third party investors into the Loan Products.

The Responsible Entity and Manager may from time to time enter into other transactions with related entities.

For example, the Registry Services Provider and the Administrator are both related entities of the Responsible Entity. The Responsible Entity will enter into Loans and security trust related agreements with the operators or managers of Msquared Managed Funds.

All transactions will be effected at or better than market rates or at no charge, and in accordance with the Corporations Act. By investing in the Fund, to the maximum extent permitted by law, you will be deemed to have acknowledged the existence of such actual and potential conflicts of interest and to have waived any claim with respect to the existence of any such conflict of interest.

### 9.3 Material documents

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

#### **Constitution**

The Constitution is the primary document governing the relationship between Unitholders and the Responsible Entity. It contains extensive provisions about the legal obligations of the parties and the rights and powers of each. Subject to the Constitution, a Unitholder has the following rights:

- (a) The right to share in any distributions.
- (b) The right to attend and vote at meetings of Unitholders.

**Commented [TM185]:** Not reviewed at this stage. We will rely on Hall & Wilcox to verify this.

- (c) The right to participate in the proceeds of winding up of the Fund.

The Responsible Entity can amend the Constitution if it secures a special resolution of Unitholders or may do so without Unitholders' approval if the Responsible Entity reasonably considers the changes will not adversely affect Unitholders' rights or terminate the rights of Unitholders to share in the income and capital of the Fund.

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

#### ***Compliance plan***

The Responsible Entity has a compliance plan for the Fund lodged with ASIC. The compliance plan describes the procedures used by the Responsible Entity to ensure it complies with the Corporations Act and Constitution, in the operation of the Fund.

#### ***Investment Management Agreement***

The Responsible Entity has appointed the Manager to provide investment management services to the Fund pursuant to the Investment Management Agreement. The Investment Management Agreement contains provisions dealing with matters such as the Manager's obligations to report to the Responsible Entity.

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

#### **9.4 Cooling off rights**

As the Fund is not liquid (as defined in the Corporations Act), no cooling off period is expected to apply to the Fund.

#### **9.5 Consents**

Each of the parties referred below has given and not, before issue of this PDS, withdrawn its written consent to the inclusion of the statements in this PDS that are specified below in the form and content in which the statements appear:

- (a) Manager - Msquared Capital Retail Funds Management Pty Ltd.
- (b) Administrator - Unity Fund Services Pty Ltd.
- (c) Registry Service Provider - One Registry Services Pty Limited.
- (d) Custody Service Provider - Perpetual Corporate Trust Limited.
- (e) Security Trustee - Perpetual Nominees Limited.
- (f) Fund Auditor - #[name].
- (g) Legal Advisor - Hall & Wilcox.

Each of the above parties has only been involved in the preparation of that part of the PDS where they are named. Except to the extent indicated above, none of the above parties have authorised or caused the issue of the PDS and takes no responsibility for its contents.

#### **9.6 Environmental, social and ethical considerations**

The Manager operates with strong corporate values and demonstrates its commitment to Environmental, Social and Governance (ESG) principles in its operations and engagement with all stakeholders, including staff, borrowers, investors and suppliers.

The Manager is focused on operating our business with prudent, efficient and ethical management and in compliance with best practice standards. Adherence to ESG principles is manifested through credit assessment of investment opportunities, reducing our environmental impact, corporate culture and fostering growth and diversity across our business.

As part of the credit assessment, each investment opportunity will be considered on its merits having regard to the ESG principles, including Borrower character and purpose of funds.

**Commented [TM186]:** With ASIC's focus on Greenwashing, is it worth including this disclosure. Is there a clear framework in the Lending Policy re ESG and is it applied in practice? Otherwise, please indicate that EGS considerations are not taken into account.

**Commented [HW187R186]:** We have previously raised a similar concern. Msquared, please consider if the appropriate framework is in place and complied with. Evidence of this will need to be able to be provided to ASIC in case of queries.

## 9.7 Complaints handling

You have a right to complain if you are not satisfied with the Responsible Entity's performance as responsible entity of the Fund. The Responsible Entity takes complaints seriously and aims to resolve all complaints as quickly as possible. The Responsible Entity will provide you with a copy of the complaints handling policy on request at no charge.

If you have a complaint, then you should notify the Responsible Entity immediately using the following contact details:

Phone #[\[insert\]](#)

Email [complaints@one.asset.com.au](mailto:complaints@one.asset.com.au)

Post #[\[insert\]](#)

In Person Level 16, Governor Macquarie Tower 1 Farrer Place Sydney NSW 2000

Once the Responsible Entity receives a complaint, the Responsible Entity will acknowledge it within one Business Day and investigate the complaint with a view to resolving it and responding as soon as possible but no more than 30 days after receiving the complaint.

If you are a Retail Client and not satisfied with the Responsible Entity's response, then you can refer your complaint to the Australian Financial Complaints Authority (AFCA), an external complaints handling body of which we are a member. The role of this body is to provide you a free and independent assessment of your complaint. The AFCA can be contacted as follows:

AFCA can be contacted as follows:

**Website:** [www.afca.org.au](http://www.afca.org.au)

**Telephone:** 1800 931 678 (free call)

**Email:** [info@afca.org.au](mailto:info@afca.org.au)

**Mail:** Australian Financial Complaints Authority, GPO Box 3, Melbourne VIC 3001

For the hearing and speech impaired, AFCA can be contacted by either:

**National Relay Service:** [www.relayservice.com.au](http://www.relayservice.com.au)

**TTY/Voice Calls:** 133 677 (local)

**Speak & Listen:** 1300 555 727 (local)

## 9.8 Privacy

By signing the Application Form, you acknowledge and agree that your personal information may be handled by the Responsible Entity and its service providers (including the Manager, the Registry Service Provide and the Administrator) in the manner set out below.

Your completed Application Form will provide personal information about you to the Responsible Entity and its service providers. The Responsible Entity and its service providers collects your personal information to process and administer your investment in the Fund and to provide you with information about your investment in the Fund. Some of this information is required by the Anti-Money Laundering and Counter-Terrorism Financing laws and may be required to be kept on a register in accordance with the Corporations Act. If you do not complete the Application Form in full, the Responsible Entity may not accept your Application Form.

The Responsible Entity and its service providers may disclose your personal information for purposes related to your investment and the publication of unitholder reports, to agents, service providers and government agencies. The Manager may, from time to time, provide you with information about products and services that may be of interest to you. Should you not wish to receive this information (including by mail or electronic communication), you have the right to 'opt out' by advising the Manager.

In order to use and disclose your personal information for the purposes stated above the Responsible Entity and its service providers may be required to transfer your personal information to entities or government agencies located outside Australia where it may not receive the level of protection afforded under Australian law. By signing the Application Form, you consent to your personal information being transferred overseas for these purposes.

The Responsible Entity's privacy policy contains information about how you can access the personal information or complain about a breach of the Australian Privacy Principles and how we will deal with such a complaint. The Responsible Entity's privacy policy is available at [#\[insert\]](#).

The Responsible Entity and the Manager may use your personal information for direct marketing purposes. Please contact us on [#\[insert\]](#) to request not to receive direct marketing communications from the Responsible Entity or the Manager.

## **9.9 Anti-money laundering law and counter terrorism financing (AML/CTF)**

Australia's AML/CTF Laws require the Responsible Entity to adopt and maintain an Anti-Money Laundering and Counter Terrorism Financing program. A fundamental part of the AML/CTF program is that Responsible Entity knows certain information about Unitholders.

To meet this legal requirement, the Responsible Entity is required to collect certain identification information and documentation (KYC Documents) from new investors. Existing Unitholders may also be asked to provide KYC Documents as part of a re-identification process to comply with the AML/CTF Laws. Processing of Applications or withdrawals will be delayed or refused if the KYC Documents are not provided when requested.

Under the AML/CTF Laws, the Responsible Entity may be required to submit reports to AUSTRAC. This may include the disclosure of your personal information. The Responsible Entity may not be able to tell you when this occurs and, as a result, AUSTRAC may require the Responsible Entity to deny you (on a temporary or permanent basis) access to your investment. This could result in loss of the capital invested, or you may experience significant delays when you wish to transact on your investment.

Neither the Responsible Entity nor the Manager is liable for any loss you may suffer because of compliance with the AML/CTF Laws.

## **9.10 Foreign tax compliance disclosure**

The Foreign Account Tax Compliance Act (FATCA) is United States (US) legislation that enables the US Internal Revenue Service to identify and collect tax from US residents that invest in assets through non-US entities. The OECD Common Reporting Standards for Automatic Exchange of Financial Account Information (CRS) is a similar global regime aimed at collecting and reporting

on a Unitholder's tax status. If you are a foreign resident for tax purposes, then you should note the Fund will comply with its FATCA and CRS obligations by collecting, retaining and reporting about certain Unitholders to the ATO.

#### **9.11 Indemnity**

The Responsible Entity is indemnified out of the Fund against all liabilities incurred by it in properly performing or exercising any of its powers in the proper performance of its duties in relation to the Fund. This indemnity includes any liability incurred as a result of any act or omission of a delegate or agent appointed by the Responsible Entity. Subject to the law, the Responsible Entity may retain or pay out from the assets of the Fund any sum necessary to affect such an indemnity.

#### **9.12 Enhanced Disclosure Securities**

Units in the Fund will be ED Securities under the Corporations Act if the Fund has more than 100 Unitholders. If the Units are ED Securities, then the Fund will be a "disclosing entity".

If the Fund is a disclosing entity, it will be subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to the Fund may be obtained from, or inspected at, an ASIC office. Unitholders will be entitled to obtain a copy of the following documents from the [Fund's Website](#) and you can request a paper copy free of charge from your professional adviser or by contacting the Responsible Entity:

- (a) the annual financial report of the Fund most recently lodged with ASIC;
- (b) any half year financial report lodged with ASIC by the Fund after the lodgement of the most recent annual financial report and before the date of the PDS; and
- (c) any continuous disclosure notices given by the Fund after the lodgement of the most recent annual report and before the date of the PDS.

## 10 Glossary

Administrator	Unity Fund Services Pty Ltd ACN 146 747 122.
AFSL	an Australian financial services licence.
AML/CTF	the <i>Anti-Money Laundering and Counter-Terrorism Financing Act (Cth) 2006</i> and other applicable anti-money laundering and counter terrorism laws, regulations, rules and policies which apply to the Responsible Entity.
Applicant	a person who submits a valid Application Form and required Application Amount pursuant to this PDS.
Application	an application for Units under this PDS.
Application Amount or Application Monies	an amount of money submitted by Applicants under the Offer in cleared funds.
Application Form	the Application Form attached to or accompanying or provided with this PDS for investors to apply for Units under the Offer.
ASIC	the Australian Securities and Investments Commission.
ATO	the Australian Taxation Office.
AUSTRAC	the Australian Transaction Reports and Analysis Centre.
Borrower	the borrower of a Loan.
Business Day	a day, other than a Saturday, Sunday or public holiday on which Australian banks are open for business in Sydney, Australia.
Class	a class of Units offered for investment under this PDS, being the Ordinary Units, Premium Units and Platinum Units.
Constitution	the constitution of the Fund as amended from time to time.
Corporations Act	the <i>Corporations Act 2001 (Cth)</i> for the time being in force together with its subordinate legislation and regulations.
Credit Committee	The credit committee established by the Msquared Group as described in section 4.8.
CRS	the Common Reporting Standard.
Direct Loan	a Loan into which the Fund is invested through the Security Trustee.
FATCA	the United States of America income tax law regime under the Foreign Account Tax Compliance Act.
Fund	the Msquared Mortgage Income Fund ARSN #[insert].
GST	Goods and Services Tax.
IDPS Operator	the operator or custodian of the IDPS or IDPS-like scheme (known commonly as a master trust, platform or wrap account) or nominee or custody service.

**Commented [TM188]:** Query whether it is the Manager or another Msquared entity.

**Commented [TM189]:** Are you contemplating the possibility of direct loans, or will they all be via the Security Trustee?

**Commented [TM190]:** To be refined as the language in the PDS is refined.

Indirect Investor	an investor that invests into the Fund through an IDPS or IDPS-like scheme (known commonly as a master trust, platform or wrap account) or nominee or custody service.
Investment Management Agreement	the agreement between the Fund and the Manager, a summary of which is included in Section <b>Error! Reference source not found.</b>
Investment Objective	the objectives that the Fund seeks to achieve through its investments, as set out in Section 3.2.
Investment Strategy	the investment strategy of the Fund, as set out in Section 3.3.
Lending Guidelines	means the guidelines which must be met prior to the Fund making a Loan, as summarised in Section 4.3.
Loans	a loan to which the Fund provides funding, either by way of Direct Loan or acquisition of a Loan Product.
LVR	'loan to value ratio', a measure of the size of the principal outstanding on the Loan relative to the value of the Security Property.
Msquared Capital	Msquared Capital Pty Ltd ACN 622 507 297 AFSL 520293
Msquared Group	the 'Msquared' corporate group consisting of Msquared Capital, its Related Parties.
Manager	Msquared Capital Retail Funds Management Pty Ltd ACN 679 611 146 Corporate Authorised Representative (no. # <b>[insert]</b> ) of OIAL and Corporate Authorised Representative (no. # <b>[insert]</b> ) of Msquared Capital
Net Asset Value	means, the amount calculated in accordance with the Constitution: <ul style="list-style-type: none"> <li>(a) in respect of the Fund, the assets of the Fund less the liabilities of the Fund; and</li> <li>(b) in respect of a Class, the Relevant Proportion of the assets, less all liabilities the Responsible Entity attributes to the Class.</li> </ul>
Offer	the offer of Ordinary Units, Premium Units, and Platinum Units in the Fund under this PDS.
PDS	this product disclosure statement, dated # <b>[ ]</b> November 2024.
RBA Cash Rate	the interest rate which banks pay to borrow funds from other banks in the money market on an overnight basis as published by the Reserve Bank of Australia.
Registry Service Provider	One Registry Services Pty Limited ACN 141 757 360.
Related Party	Has the meaning given to that term in section 228 of the Corporations Act as modified by section 601LA of the Corporations Act but as if references to the responsible entity were instead references to the Manager, and will include any trust which is operated or managed by such a corporation.
Responsible Entity	means One Managed Investment Funds Limited ACN 117 400 987, AFSL 297042.
Retail Client	has the meaning given to that term in section 761G the Corporations Act.
Security Property	The real estate subject to a Mortgage to secure repayment of a Loan.
Security Trustee	Perpetual Nominees Limited ACN 000 730 700.

**Commented [TM191]:** To be capitalised?

**Commented [HW192R191]:** Not capitalising is consistent with the remainder of the PDS

**Commented [TM193]:** Are they as set out in the PDS or somewhere else?

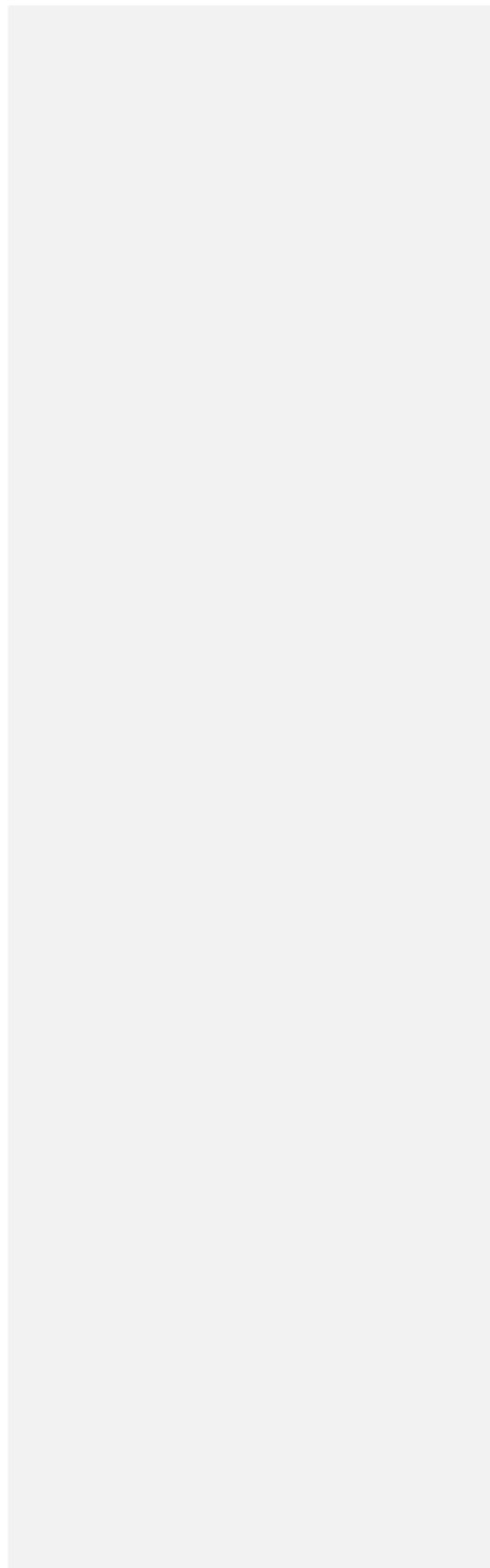
**Commented [TM194]:** As noted above, should this be linked to the Security Property or the Mortgage rather than the broader security?

**Commented [TM195]:** Also CAR of Msquared as per the earlier reference.

**Commented [TM196]:** This can be expanded to align with the IMA.

**Commented [HW197R196]:** Updated for consistency with IMA

TFN	tax file number.
Unit	a unit issued in the Fund.
Unitholder	a registered holder of a Unit.
Website	the Responsible Entity's website at <a href="#">#insert</a> and on Manager's website at <a href="http://www.msquaredcapital.com.au">www.msquaredcapital.com.au</a> .
Wholesale Client	has the meaning given to that term in section 761G(7) the Corporations Act.



## 11 Directory

### Responsible Entity

One Managed Investment Funds Limited  
ACN 117 400 987  
Level 16, Governor Macquarie Tower  
1 Farrer Place  
Sydney NSW 2000  
Telephone: (02) 8277 0000

Email: [msquared@oneinvestment.com.au](mailto:msquared@oneinvestment.com.au)  
Website: [www.oneinvestment.com.au](http://www.oneinvestment.com.au)

### Manager

Msquared Capital Retail Funds Management Pty Ltd  
ACN 679 611 146  
Level 12, 88 Pitt Street  
Sydney NSW 2000  
Telephone: (02) 9157 8608  
Email: [info@msqcapital.com.au](mailto:info@msqcapital.com.au)  
Website: [www.msquaredcapital.com.au](http://www.msquaredcapital.com.au)

### Custody Service Provider

Perpetual Corporate Trust Limited  
ACN 000 341 533  
Level 18, 123 Pitt Street  
Sydney NSW 2000  
Telephone:  
Email: [ccscustody@perpetual.com.au](mailto:ccscustody@perpetual.com.au)  
Website: [www.perpetual.com.au](http://www.perpetual.com.au)

### Administrator

Unity Fund Services Pty Ltd  
ACN 146 747 122  
Level 16, Governor Macquarie Tower  
1 Farrer Place  
Sydney NSW 2000  
Telephone: (02) 8277 0070  
Email: [msquared@unityfundservices.com.au](mailto:msquared@unityfundservices.com.au)  
Website: [www.unityfundservices.com.au](http://www.unityfundservices.com.au)

### Registry Service Provider

One Registry Services Pty Limited  
ACN 141 757 360  
Level 16, Governor Macquarie Tower  
1 Farrer Place  
Sydney NSW 2000  
Telephone: (02) 8188 1510  
Website: [www.oneregistryservices.com.au](http://www.oneregistryservices.com.au)  
Email: [info@oneregistryservices.com.au](mailto:info@oneregistryservices.com.au)

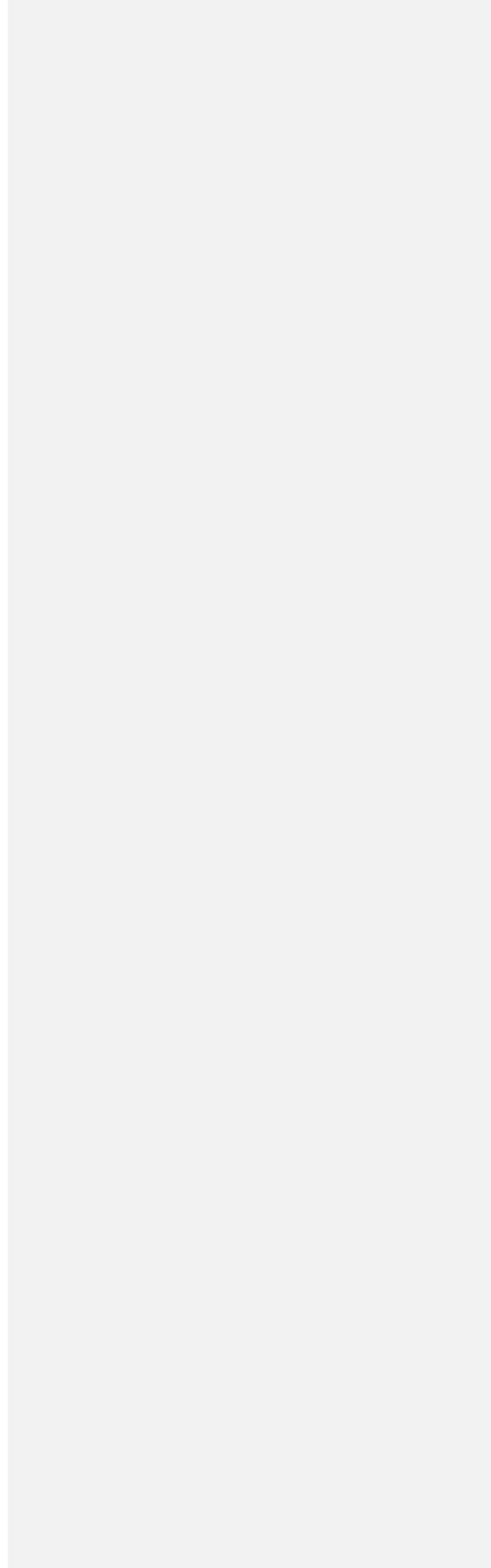
### Fund Auditor

#[name and ACN]  
#[address]

### Legal Advisor

Hall & Wilcox  
Level 18, 240 Queen Street

Brisbane QLD 4000



## 12 How to invest

Please pay particular attention to the risk factors in section 0 of this PDS. The risks should be considered in light of your own investment situation. Where appropriate, you should also consult a financial, taxation or other professional advisor before deciding whether to invest in the Fund.

To invest in the Fund, complete an Application Form using the Fund's Registry Services Provider online service which includes the provision of documentation for identification purposes. By applying online, you can transfer the funds with BPAY or electronic funds transfer (EFT). Cash payments and cheques will not be accepted..

### 12.1 Applications

For your application to be considered, you must complete and return your Application Form and pay the Application Money. The minimum initial investment for all Classes is \$10,000 (or such lower amount as we accept in our discretion), and then in increments of \$5,000 (or such lower amount as we accept in our discretion).

You are requested to provide your Tax File Number (TFN), Australian Business Number (ABN) or exemption code, and failure to quote an ABN or TFN will result in tax being withheld by us on distributions paid to you at the highest marginal tax rate plus Medicare levy. It is not compulsory for you to quote your TFN or ABN. We have the sole discretion whether to accept or reject an application. If your application is rejected, wholly or in part, then we will notify you in writing and arrange for return of your Application Money to you. Interest will not be paid to you on your Application Money. If your application to invest in the Fund is accepted, then interest earned on your Application Money will be retained as an asset of the Fund. If your application to invest in the Fund is not accepted, then your Application Money will be returned to you (without interest). By sending a completed Application Form, you are making an irrevocable offer to become a Unitholder in the Fund and you are agreeing to be legally bound by the Constitution and the terms of the PDS. No cooling-off rights apply to an investment in the Fund.

### 12.2 Application Form instructions

Only legal entities, including natural persons and companies, are allowed to invest in the Fund. Applications must be in the name(s) of natural person(s), companies or other legal entities acceptable to us. At least one full given name and the surname are required for each natural person. The name of the beneficiary or any other non- registrable name may be included by way of an account designation if completed exactly as described in the example of correct forms of registrable title shown below. The Application Form should be signed by the Applicant. If a joint holding, all applicants should sign. If signed by the Applicant's attorney, a certified copy of the power of attorney must be attached to the Application Form. If executed by a company, then the form must be executed in accordance with the Applicant's constitution and the Corporations Act.