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PRODUCT DISCLOSURE STATEMENT

DIOGENES DISABILITY HOUSING FUND

DIOGENES FUNDS MANAGEMENT LTD
AFS LICENCE NO. 557218


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Important Information

Date of information

This Product Disclosure Statement (PDS) is dated 23 December 2024. Unless otherwise stated, information in this PDS is current as at the date of this PDS.

Issuer

The issuer of Units in the Diogenes Disability Housing Fund No. 1 ARSN 682 601 798 (Fund), is Diogenes Funds Management Ltd (**Responsible Entity, Diogenes FM, we, us**). The Responsible Entity holds an AFS Licence (Licence No. 557218).

Fund Manager

The Responsible Entity is a party to an Investment Management Agreement with Diogenes Investing Pty Ltd ABN 90 095 371 433 (**Diogenes Inv**) under which the Responsible Entity has delegated the day-to-day investment management of the Fund to Diogenes Inv.

This document

This PDS relates to the Offer of Units in the Fund. This PDS will be lodged with ASIC. ASIC takes no responsibility for the contents of this PDS.

Currency

Unless otherwise stated, references to $ are references to Australian Dollars.

No performance guarantee

An investment in Units is not an investment in, or a deposit with, or any other type of liability of the Responsible Entity and is subject to investment and other risks, including possible delay in repayment and loss of income and capital invested. None of the Responsible Entity, Diogenes Inv, nor any of their directors, related parties or associates, guarantee the performance or success of the Offer, the repayment of capital or any particular rate of capital or income return. It is not guaranteed that the Fund will achieve its investment objective.

No investment advice or recommendation

Neither the Responsible Entity nor Diogenes Inv are authorised to give any personal financial product advice to retail clients. This PDS contains important general information and does not take into account your investment objectives, financial situation or particular needs. Accordingly, before you invest, you should read this PDS (and any supplementary PDS and website updates) carefully and in its entirety, and, if you consider it necessary or appropriate, obtain independent financial and taxation advice about whether an investment in the Fund is suitable for you.

Forward looking statements

This PDS may contain forward looking statements which are subject to known and unknown risks, uncertainties, and other important factors that could cause the actual results, events, performance or achievements of the Fund to be materially different from those expressed or implied in such statements. Past performance is not a reliable indicator of future performance.

Restrictions on the distribution of this PDS

The Offer under this PDS is available to persons receiving the PDS within Australia. This PDS does not constitute and should not be construed as an offer, invitation or recommendation by the Responsible Entity or Diogenes Inv to apply for Units in any state, country, or jurisdiction where such offer, invitation or recommendation may not be lawfully made.

Information

No one is authorised to provide any information or to make any representation in connection with the Offer, which is not contained in this PDS. No such information or representation may be relied on as having been authorised by us.

Electronic PDS

An electronic version of this PDS is available at **www.diogenesfm.com.au**, or can be obtained by contacting the Responsible Entity by email info@diogenesfm.com.au or by telephone 1300 728 773.

The information in this PDS is current as at the date of issue, unless otherwise stated. Certain information in this PDS is subject to change. We will notify investors in writing of any changes that have a materially adverse impact or other significant events that affect the information in this PDS. Any updated information which is not materially adverse may be obtained from your financial advisor or on our website.

Risks

There are risks associated with investing in the Fund. See Section 8 of this PDS for more information.

Target Market Determination

The Target Market Determination for the Fund is available free of charge on request by emailing info@diogenesfm.com.au. The Target Market Determination is prepared under Part 7.8A of the Corporations Act and, among other things, describes the type of investor that comprises the target market for the Fund. The Target Market Determination should be read carefully by regulated persons that engage, or intend to engage, in retail product distribution conduct in respect of the Fund. Potential investors may wish to refer to the Target Market Determination to assist in deciding whether to apply for, or acquire, an interest in the Fund.

Defined terms

Throughout this PDS, certain defined terms are used. Terms are defined in the Glossary in Section 11 of this PDS.

Glossary and photographs

Photographs and illustrations contained in this PDS that do not have accompanying descriptions are intended for illustrative purposes only. They should not be interpreted as an endorsement of this PDS or its contents by any person shown in these images nor an indication of the investments that may be made by the Fund.

Introduction

Diogenes Investing Pty Ltd (Diogenes Inv) was created in 2021 with a specific focus on the development and management of disability housing. Since inception, Diogenes Inv has created over $255 million of disability housing investments for clients.

Diogenes Funds Management Ltd (Diogenes FM) was formed in 2024 to offer investment opportunities in unlisted funds. Diogenes Disability Housing Fund No. 1 is an open ended unlisted property fund, intended to appeal to investors who are seeking exposure to the disability housing sector via a professionally managed diversified portfolio of assets.

Diogenes FM has identified the disability housing sector as having attractive investment fundamentals, including favourable yields largely funded by occupiers' National Disability Insurance Scheme (NDIS) payments, and demand currently outweighing supply in many localities.

A profile of Diogenes FM together with details on the directors and key senior management, can be found in section 6 of this PDS or at www.diogenesfm.com.au.

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Letter to Investors

Dear Investor,

Diogenes FM is pleased to offer you the opportunity to invest in Diogenes Disability Housing Fund No. 1 (the **Fund**), with the primary objective of investing in Specialist Disability Accommodation (SDA) real estate.

We are seeking to raise a minimum amount of $3 million as part of a total initial equity raise of $33 million to acquire a $50+ million diversified portfolio of Specialist Disability Accommodation (SDA) properties (**Properties**).

Whilst the SDA scheme, as part of the Federal Government's National Disability Insurance Scheme (NDIS), has been in existence since 2016, there remains a significant unfulfilled demand for SDA housing.

Diogenes FM is well placed to offer the Fund to retail investors, with its related entity and Investment Manager Diogenes Investing (**Diogenes Inv**) having been active in the SDA housing space for over 3 years, with a strong track record of sourcing and delivering over $275 million worth of SDA properties for individual investors.

We believe the outlook for the disability housing sector is positive based on sound property fundamentals and continued growth of the Australian economy. The sector is currently characterised by significant unmet occupier demand, moderate but steady rental growth and attractive property yields.

The Fund is registered with ASIC and will have an open ended term. Diogenes FM intends to source a portfolio of investment grade disability housing properties to be acquired by the Fund. The objective is to initially acquire approximately 35 to 40 properties in two tranches so as to provide investors with a level of tenant and geographic diversity. Following the acquisition, development and leasing of the first tranche (the **Initial Portfolio**) of approximately 25 properties, the Fund intends to borrow to acquire further properties. Ongoing equity raising is expected to follow once the initial raising has been successfully completed, enabling the Fund to continually expand and further diversify its portfolio of properties.

The Properties are likely to be located in major Australian population centres, including South East Queensland, greater metropolitan Perth and Melbourne. Properties are likely to be new purpose built dwellings for the most part, designed specifically as specialist disability housing and positioned close to key amenities and transport infrastructure. The focus on development of properties is in part due to new properties attracting more favourable NDIS funding rates than existing properties.

We will initially focus on purchasing properties with a capital value of between $800,000 and $1,800,000 per property with the purchase prices for the Properties expected to reflect a high gross yield once fully occupied, though the Fund may target properties at price levels outside this range where market circumstances suggest it may be beneficial to the Fund.

The Fund has been designed to provide Investors with income distributions and the potential for capital growth, via a portfolio of quality properties and a structure that is easy to understand.

Once monies from the initial capital raising are deployed and the Initial Portfolio of properties has been built and leased, the Fund intends to seek to secure a debt facility of approximately $18.5 million to further grow the Fund to over $50m of gross assets.

Distributions over the first two years will be nil or nominal as the Fund acquires and builds the Initial Portfolio, with regular distributions expected to be established from the start of the third year of the Fund, or earlier if circumstances allow.

Investors will not have a right to withdraw their investment before 30 June 2030. However the Fund will have a liquidity mechanism which will involve the Responsible Entity making a Withdrawal Offer every 5 years (with the first such Withdrawal Offer being made shortly following 30 June 2030) and Annual Withdrawal Offers in each other year, subject to the Fund's liquidity. Further information on Withdrawal Offers and Annual Withdrawal Offers can be found in Section 5.11 of this PDS.

Further details on Fund strategy, investment criteria and our investment process can be found in Section 3.

Like all investments, an investment in the Fund carries risk. These risks are summarised in Section 1 "Key Features" and Section 8 "Risks". The key risks include a) the fact that the Fund will likely, in the current interest rate environment, have to hold significant amounts of cash until the Fund is fully invested in property assets, b) the risk that investors may have limited opportunity to redeem their investment in the Fund, and c) the risks associated with owning and managing SDA property.

In considering an investment in the Fund, please read this PDS carefully and consult your financial and taxation consultants to determine if it is appropriate for your objectives, financial situation and needs.

On behalf of the directors, we look forward to welcoming you as an Investor in the Fund.

Dan Carton
Chairman
Diogenes Funds Management Ltd

Doug Auchterlonie
CEO
Diogenes Funds Management Ltd

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IMPORTANT DATES

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Important Dates

Total Initial Offer Amount	$33 million
Minimum Initial Offer Amount	$3 million
Minimum Application Amount	$50,000 (then in multiples of $1,000)
Offer Opening Date	1 January 2025
First Close Date	31 January 2025
Initial Offer Close Date	Earlier of reaching the Total Initial Offer Amount or 12 months from the Offer Opening Date
Ongoing Allotments	Monthly from the First Close Date

These dates are indicative and are subject to our right to close the Offer earlier.

Key Contacts

Responsible Entity

Diogenes Funds Management Ltd
ABN 73 674 121 352
AFSL 557218
Level 19, 10 Eagle Street, Brisbane QLD 4000
Phone: 1300 728 773
Web: www.diogenesfm.com.au
Email: info@diogenesfm.com.au

Investment Manager

Diogenes Investing Pty Ltd
ABN 90 095 371 433
Level 19, 10 Eagle Street, Brisbane QLD 4000

Unit Registrar / Fund Accountant

Ascent Fund Services (Australia) Pty Ltd
ABN: 69 649 470 253
Suite 246, Level 2, 60 Martin Place, Sydney NSW 2000

Custodian

Equity Trustees Limited
ABN: 46 004 031 298
Level 1, 575 Bourke Street, Melbourne VIC 3000

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KEY FEATURES

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Key Features

This section provides only a summary of the key features of the Offer. It is not intended to be exhaustive. For more detailed information please refer to the relevant section of the PDS noted in the relevant column below. You should read the whole of this PDS to make an informed decision about whether to invest in the Fund.

Feature	Overview	Refer to
How to invest	Potential investors should read this PDS in its entirety. Applications can be made online at **www.diogenesfm.com.au/apply**.	
Minimum investment	The minimum initial investment in the Fund is $50,000 and the minimum additional investment in the fund is $1,000. The Responsible Entity may vary the minimum investment and the minimum additional investment at its discretion from time to time.	
Responsible Entity	Diogenes Funds Management Ltd (AFS licence no. 557218) (Diogenes FM) is the responsible entity for the Fund.	Section 6.1
Investment Manager	Diogenes Investing Pty Ltd (Diogenes Inv) has been appointed by the Responsible Entity to manage the Fund for and on behalf of Investors.	Section 6.2
Investment Structure	The Fund is an unlisted, open ended property fund.	
Fund portfolio	The Fund will acquire, develop and hold an investment property portfolio consisting of disability housing properties.	Section 4
Investment objective	The Fund has been designed to provide Investors with: ▪ The potential for stable and sustainable income distributions and the potential for capital growth; ▪ Access to a portfolio of quality properties in Australia's major population centres; ▪ A structure that is simple to understand with a level of gearing of up to 70% ; and ▪ A liquidity mechanism to enable withdrawals after 30 June 2030 in response to a program of Withdrawal Offers every five years (with the first such Withdrawal Offer being made shortly following 30 June 2030) and Annual Withdrawal Offers in each other year.	Section 4

Feature	Overview	Refer to
Investment strategy	To progressively acquire, develop and manage a $50+ million diversified portfolio of quality disability housing properties which include the following characteristics: ▪ Properties located in major Australian population centres where there is a proven need for specialist disability housing; ▪ Modern functional dwellings designed specifically as specialist disability housing with primary consideration given to participants' needs and preferences; ▪ Positioned close to key amenities and transport infrastructure; and ▪ Capable of generating a stable and growing income.	Section 4
Expected term of this investment	The term of the investment is expected to be indefinite from the Offer Close Date. Investors may seek to withdraw part or all of their investment after 30 June 2030 in response to a Withdrawal Offer or an Annual Withdrawal Offer, subject to the Fund's liquidity (refer **Withdrawals** section below). Under the Corporations Act, Investors may call a meeting at any time to propose resolutions directing the Responsible Entity to sell the Properties and wind-up the Fund.	Section 5
Borrowing	Following the acquisition, development and leasing of properties in the Initial Portfolio, the Fund intends to borrow to acquire further real property assets. Where possible, the debt funding will be for a minimum of two years. Where it is cost-effective and considered by the Responsible Entity to be in the best interests of Investors (on recommendation from the Investment Manager), some or all of the interest expense may be hedged to protect against interest rate fluctuations. All borrowing will be non-recourse to Investors.	Section 5.11

Feature	Overview	Refer to
Distribution policy	The first distribution is expected to be paid at the start of the third year of the Fund, or earlier as circumstances allow, once most of the initial properties are constructed and tenanted. Distributions are expected to be paid from realised income. It is not intended that the Fund will use any borrowings to pay distributions to Investors. The current intention is that distributions will be paid monthly to Investors, within 15 business days after the end of each calendar month. As at the date of this PDS, there will not be a distribution reinvestment facility.	Sections 5.5, 5.6
Minimum Initial Offer Amount	The minimum amount of equity to be raised from Investors is $3 million through the issue of 3 million Units priced at $1.00 each.	Section 5.2
Total Initial Offer Amount	Diogenes FM is seeking to raise $33 million in equity from Investors. Oversubscriptions may be accepted at the Responsible Entity's discretion.	Section 5.2
Offer period	The Responsible Entity is required to raise the Minimum Initial Offer Amount within nine months of the date of this PDS. Units will be issued to Investors monthly following receipt of their application. If the Minimum Offer Amount is not raised within nine months following the date of this PDS, the Trust will be wound up and proceeds distributed to Investors. The Responsible Entity will seek to raise the Total Initial Offer Amount until the Total Initial Offer Amount is achieved or until the date falling 12 months from the date of this PDS, whichever is the earlier (Offer Close Date).	Section 5.2

Feature	Overview	Refer to
Risks	There are risks associated with investing in the Fund. Distributions are not guaranteed, and neither are any capital returns. Section 8 of this PDS provides more detail in relation to the risks of investing but some of the main risks include: ▪ **Development and construction risk** There are risks associated with possible delays, changes to costs and builder failure in the course of construction. ▪ **Key personnel risk** The success of the Fund is dependent on the Responsible Entity and the Investment Manager retaining key personnel and capabilities. Loss of key personnel may adversely impact Fund performance. ▪ **Government policy** Changes in government policy particularly as it relates to NDIS and SDA funding, could adversely impact Fund performance. ▪ **Leasing and tenant risk** The Fund relies on suitably qualified occupiers (termed “participants” by NDIS) who meet NDIS eligibility criteria to provide a steady and growing income stream. Failure to secure suitably qualified occupiers for Properties, loss or failure of occupiers may adversely impact the Fund’s revenues. ▪ **Failure to secure debt funding** The target returns are based on an anticipated debt facility which may not be obtainable, or not obtainable on terms consistent with the Responsible Entity’s targets. ▪ **Debt covenants** Debt facilities will contain a number of covenants which, if breached, would allow the lender to retain property income and in certain circumstances, force a sale of the Properties. ▪ **Refinancing risk** There is a risk that new finance may not be obtained upon the expiry of the Fund’s debt facilities, or that it may not be obtained on the same or better terms. ▪ **Liquidity risk** Investors will not be able to withdraw from the Fund until after 30 June 2030 (See ‘Expected term of this investment’ below). Whilst after that time, the Responsible Entity will offer a liquidity mechanism, the ability for Investors to withdraw some or all of their investment is not guaranteed.	Section 8

Feature	Overview	Refer to
Tax deferral	On the basis that the Fund is expected to acquire Properties that will generate rental income, it is expected that once Properties have been acquired and leased, some part of the distributions payable by the Fund to Investors will constitute tax deferred income.	Section 9
Fees and costs	There are fees and costs payable by the Fund to the Responsible Entity, and to consultants who have assisted with the Offer. Ongoing annual costs will also be payable in relation to the management and administration of the Fund. These are set out in detail in section 7 and summarised below: The fees payable by the Fund to the Responsible Entity are: ▪ **Fund Establishment Expenses** – approximately $307,500, representing the costs of establishing the Fund and preparing this PDS, including legal, compliance and commercial advisers. ▪ **Acquisition Fee** – 1.5375% of the aggregate cost of each Asset of the Fund upon acquisition of the Asset. ▪ **Development Management Fee** – 1.025% of the cost of developing each Property (excluding land cost and fees), payable monthly. ▪ **Finance Arranging Fee** – 1.025% of the loan amount of debt facilities secured on behalf of the Fund. ▪ **Management Fee** – 1.3325% per annum of the gross value of the consolidated Fund assets from time to time, payable monthly. ▪ **Disposal Fee** – 1.025% of the gross sale price of an Asset of the Fund. ▪ **Revenue and Vacancy Management Fee** – 20.5% of the distribution yield in excess of an 8.0% return on Investor's funds. ▪ **Fund Performance Fee** – 20.5% of the amount by which the Internal Rate of Return (IRR) to Investors exceeds 12% per annum after all other fees, calculated and paid 5 yearly.	Section 7
Tax information	Section 9 of this PDS contains some general information about tax. Before investing, you should obtain your own independent tax advice, taking into account your own circumstances.	Section 9

Feature	Overview	Refer to
Withdrawals	Investors will not have a right to withdraw their investment before 30 June 2030. After 30 June 2030, the Responsible Entity will have a liquidity mechanism which will involve the Responsible Entity making a Withdrawal Offer every 5 years (with the first such Withdrawal Offer being made shortly following 30 June 2030) and Annual Withdrawal Offers in each other year, subject to the Fund's liquidity.	Section 5.10
Cooling-off	Once the Fund acquires its first Property the Fund will be considered illiquid and Investors will not have any cooling-off rights after you invest. Prior to the Fund contracting to acquire the first Property, the Fund will hold uncommitted cash and will therefore be considered liquid which means a 14 day cooling-off period will apply. For more information on cooling-off rights see Section 10 of this PDS.	Section 10.10
Complaints	The Responsible Entity has a procedure for handling any complaints. It is also a member of AFCA, an independent external dispute resolution organisation (See section 10 for further information).	Section 10.3
Superannuation funds	Superannuation funds are able to invest in the Fund, subject to their own investment criteria.	

ASIC Disclosure Principles

ASIC has six disclosure benchmarks and eight disclosure principles for unlisted property funds that are intended to help investors analyse and understand the risks associated with investing in these types of funds and decide whether such investments are suitable for them. Responsible entities of unlisted property funds are required to apply these disclosure benchmarks and principles in their product disclosure statements and in other information they provide to their investors on an ongoing basis (through websites and other forms of communication with investors).

Please refer to Section 5.12 of this PDS for a brief explanation of each ASIC disclosure benchmark and principle, together with a reference to the section of this PDS where more information can be found.

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THE DISABILITY HOUSING SECTOR

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The Disability Housing Sector

This Section 3 comprises a report by global real estate services firm Cushman & Wakefield, as commissioned by the Responsible Entity for this PDS.

Overview of the Specialist Disability Accommodation Sector

The National Disability Insurance Scheme (NDIS) is a Federal Government legislated Australia wide scheme, established in 2016 to support people with permanent and significant disability, and replaces the state and territory specific disability support systems.

As part of the NDIS, the SDA scheme provides government funding for housing for eligible participants with severe functional impairments or high support needs, whether physical or psychological, to live independently with the necessary supports they need to achieve a sustainable quality of life.

Due to demand for SDA compliant homes exceeding supply, the Federal Government has provided incentives for private investors to construct SDA houses for a waiting list of participants. In return for constructing these homes which meet the NDIS / SDA guidelines, eligible NDIS participants may access SDA funding. SDA funding rates are set through a legislative framework to generate appropriate returns for risk. Funding rates are indexed annually. Funding payments do not commence until the participant resides in the SDA dwelling and there is a service agreement in place between the SIL Provider and the participant. It should be noted that the standards for providing this accommodation are stringent and require a higher cost of construction than conventional residential development.

To fully understand the potential of the SDA sector, industry estimates suggest that an investment of A$10 billion to A$12 billion in further housing development will be required. There were 23,092 NDIS participants with SDA funding in their plans as of June 2023. However, NDIA data indicates that only 13,552 of these participants have received SDA payments (Source: Summer Housing Australia, 2023). Additionally, a substantial number of NDIS participants remain in hospitals and over 2,000 people under 65 are residing in residential aged care facilities, many of whom likely qualify for SDA funding. This underscores the significant demand and ongoing need for SDA in Australia.

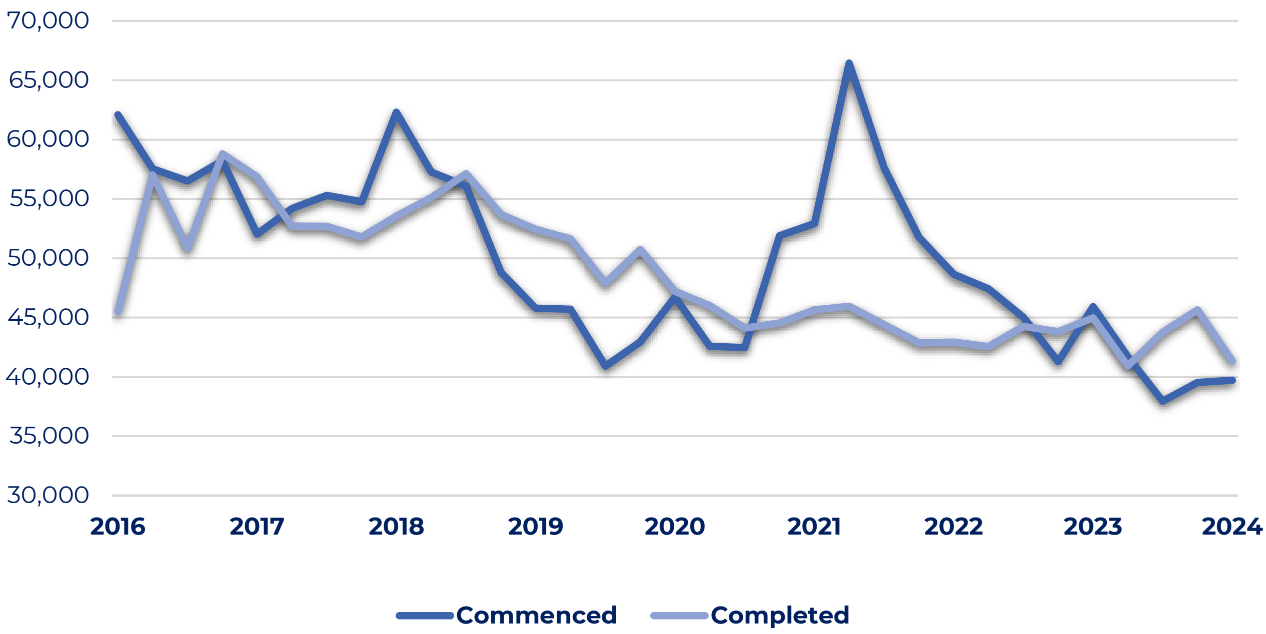
SDA funding is provided by the NDIS under two primary funding mechanisms. The first is the funding for the housing itself, which is determined by factors such as building type, design category, overnight assistance, location, and other allowances. To receive this funding, SDA operators must be registered SDA Providers and comply with various obligations.

The second funding mechanism is Supported Independent Living (SIL). Although SIL Providers are also funded under the NDIS, it is separate from the funding provided for the housing component of SDA. SIL supports individuals in their daily living activities and is crucial for those requiring additional assistance, such as 24-hour care and ensuring the participant has the necessary support services.

The Australian Residential Market

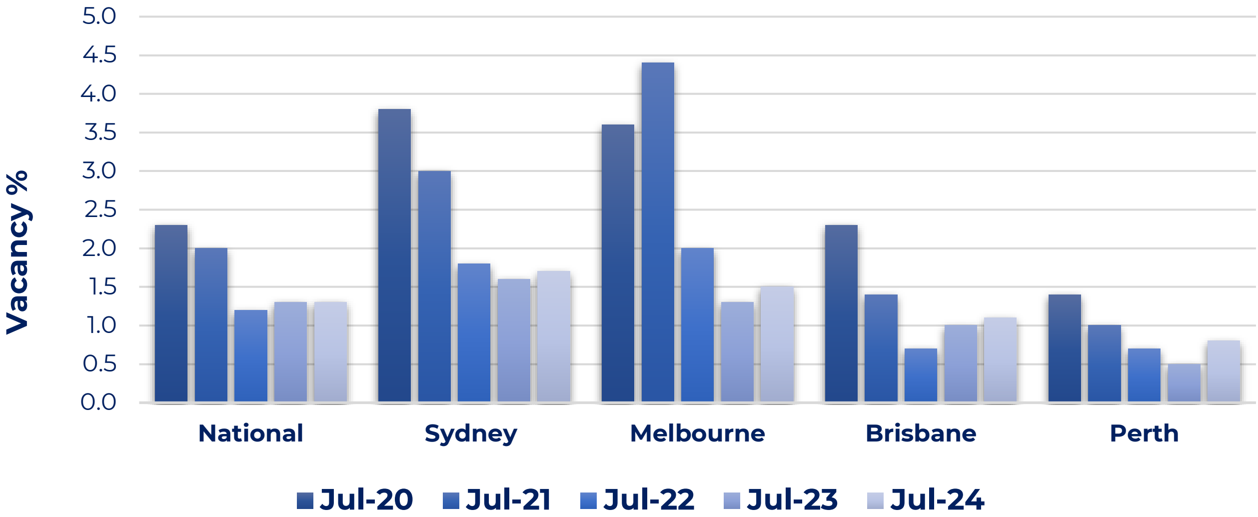
The broader residential market has seen a significant fall in construction of new dwellings, with completions reaching some of their lowest levels in 10 years. According to quarterly ABS estimates, national dwelling completions have dropped by 9% from December 2023 to March 2024, as shown in Figure 1. Additionally, the chart reveals a 40% decrease in total dwelling commencements from June 2021 to March 2024. Although there has been a slight uptick in commencements recently, the overall trend underscores the ongoing challenges in addressing housing supply constraints driven by labour shortages and elevated construction costs.

Figure 1: Total Dwellings Commenced and Completed



Across several Australian capital cities, rental vacancies have continued to tighten, reflecting broader trends in the national market. Over the past four years, cities like Sydney, Melbourne, Brisbane and Perth have experienced consistent declines in vacancy rates. While vacancy rates have shown a slight uptick in some cities over the year to July 2024, they remain near historic lows, emphasising the ongoing pressures in the broader residential market.

Figure 2: National Vacancy Rate



Source: SQM Research

**Data as at August 2024*

Cushman & Wakefield anticipate that vacancy rates will remain low across the broader residential market, driven by ongoing demand and limited new supply coming to market. In particular, areas with strong population growth and high rental demand are expected to experience the tightest vacancies.

Overall, the broader housing market continues to face significant challenges as new residential supply remains constrained, keeping vacancy rates near historic lows. These trends underscore the ongoing pressures within the market, driven by persistently low supply relative to demand. Despite high interest rates, worsening affordability, and low consumer confidence, housing values are being supported by these supply constraints, highlighting the fragility and complexity of the current market environment.

Whilst the SDA housing sector and the broader residential market respond to different influencing factors, the theme of under supply is common to both.

SDA Design Categories

The implementation of the SDA Design Standard commenced in July 2021. Any application for dwelling enrolment must now include certification of compliance with the SDA Design Standard, obtained from an accredited third-party SDA assessor. It is important to note that the SDA Design Standard does not pertain to dwellings seeking enrolment under the existing or legacy SDA category. Additionally, dwellings are enrolled based on the specific design category designated by the registered provider during the enrolment process, as summarised below:

	DESIGN CATEGORY			
	Improved Liveability	**Robust**	**Fully Accessible**	**High Physical Support (HPS)**
Dwelling features	Housing that has been designed to improve 'liveability' by incorporating a reasonable level of physical access and enhanced provision for people with sensory, intellectual or cognitive impairment.	Housing that has been designed to incorporate a high level of physical access provision and be very resilient, while reducing the likelihood of reactive maintenance and reducing the risk to the participant and the community.	Housing that has been designed to incorporate a high level of physical access provision for people with significant physical impairment.	Housing that has been designed to incorporate a high level of physical access provision for people with significant physical impairment and requiring very high levels of support.
Type of residence	Apartment, villa, house	Villa, house	Apartment, villa, house	Apartment, villa, house
Minimum land requirements	Flat block of land with 12.5-metre frontage.	Flat block of land with 12.5-metre frontage.	Must be a flat block of land with 15-metre frontage.	Must be a flat block of land with 15-metre frontage.
Disability types	Sensory disabilities Developmental disabilities Neurological and cognitive disabilities	Neuro development disorders psychosocial Anxiety disorders Mood disorders	Physical disabilities Neurological disorders Chronic health conditions	Neurological disorders Physical disabilities Chronic health conditions
Tenancy mix	Improved liveability tenants only and on-site carer.	Robust or improved liveability tenants only and on-site carer.	Fully accessible or improved liveability tenant only and on-site carer.	High physical support, improved liveability tenant and fully accessible only and on-site carer. In addition, fully accessible can also use a HPS home.

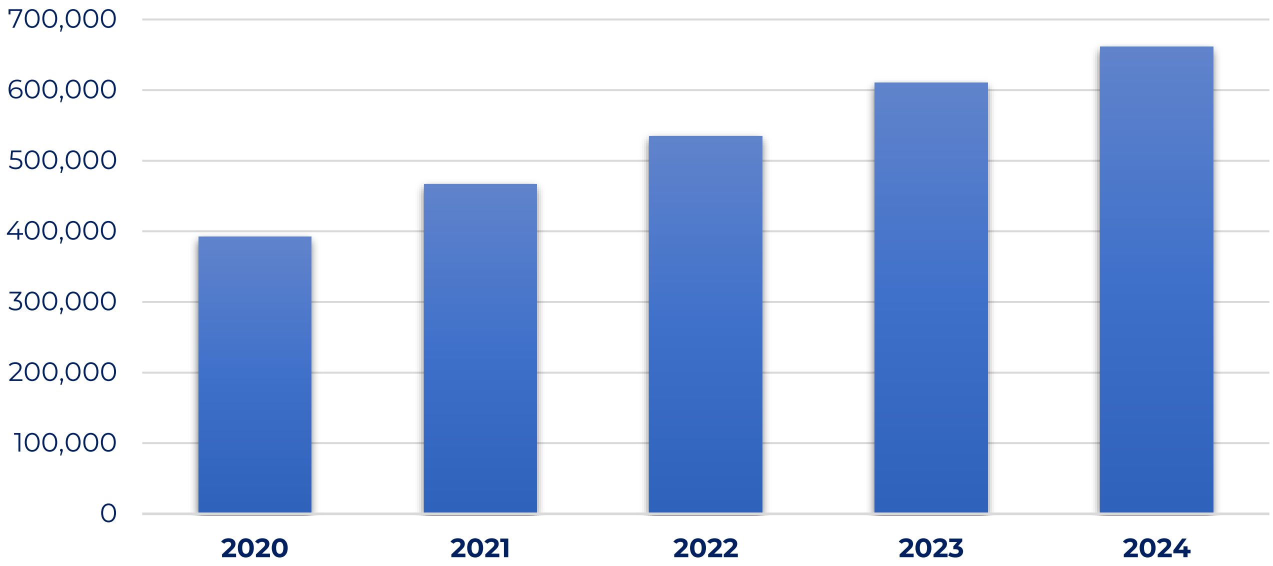
Source: NDIS Property of Australia, NDIS Pricing Arrangements for SDA 2022-23

Demand Drivers

According to the NDIS Quarterly Report (June 2024), the scheme's participant numbers have grown steadily, reaching 661,267—a rise of 8% from 2023. However, the rate at which participants access the NDIS has slowed compared to previous years. Despite this, total Scheme payments have surged, driven by both the increase in participants and higher average costs per participant. Payments for the year ending 30 June 2024 totalled A$41.8 billion, up from A$35.2 billion the previous year, with total Scheme expenses for the period also reaching A$41.8 billion.

In March 2024, new legislation was introduced aimed at reforming the NDIS, and the government has since advanced these significant reforms. The *NDIS Amendment (Getting the NDIS Back on Track No.1) Bill* 2024, approved by Parliament on 22 August 2024, marks a major shift in the scheme's direction. While these changes are intended to enhance fairness, transparency and consistency in the decision-making process, they also reflect a broader government effort to manage the program's long-term sustainability, which may involve scaling back certain aspects of the NDIS.

Figure 3: Number of Participants in NDIS Scheme



Source: Cushman & Wakefield Alternatives Research, NDIS

In addition, several interlinked demand drivers support the long-term investment case for the SDA sector in Australia. Alongside the NDIS, these include:

Chronic illness and mental illness diagnosis - Research undertaken by the ABS in 2018 showed that over the previous decade, the prevalence of Australians with one or more chronic conditions had risen from 42% to 47%. Among chronic illnesses, mental illnesses remain the largest cohort, with over 3.4 million people aged 16 to 85 requiring medical assistance (AIHW 2022). Notably, one in four (24.1%) Australians aged 16 to 34 sought help from healthcare professionals, demonstrating higher demand for support among younger groups. While older individuals sought out mental health specialists, 16.8% of those aged 35-64 years and 7.5% of those aged 65-85 years sought healthcare professionals (ABS 2022).

Declining rental affordability - The affordability of rental housing in Australia has become a significant concern, driven by the growing housing affordability challenges and the current economic environment, such as cost of living pressures. These factors have increasingly made renting, rather than home ownership, a more common reality for many Australians. This shift, influenced by these affordability challenges and evolving lifestyle choices, has resulted in a sharp rise in average weekly rental prices—from a national average of $459 in August 2020 to $694 in August 2024, according to SQM Research. For individuals with disabilities, this increase in costs makes SDA an attractive option, as the cost to NDIS participants is minimal compared to the overall SDA property costs. This underscores the viability and increasing need for additional SDA accommodation.

SDA Funding Overview

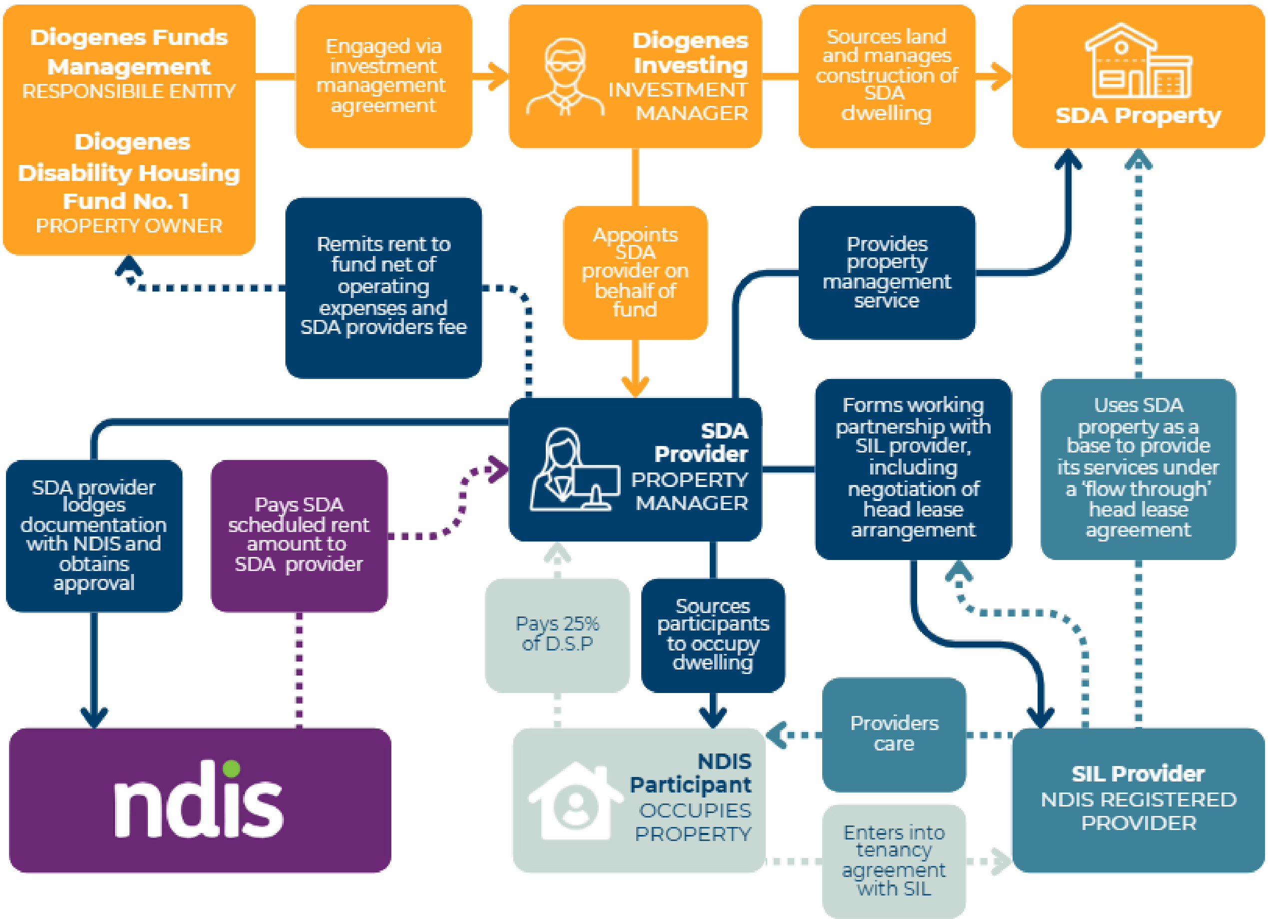
SDA funding is a crucial component of the NDIS, designed to support participants who require specialised housing to reduce their reliance on, or enhance the efficiency of, person-to-person care. SDA funding is allocated only to participants who meet stringent eligibility criteria, specifically those with extreme functional impairments and/or very high support needs.

SDA funding was first established in the 2016-17 pricing methodology, marking the beginning of a structured approach to financing new build properties under the NDIS. According to the SDA Pricing Framework, the National Disability Insurance Agency (NDIA) must review the specific assumptions used to determine SDA funding amounts every five years. The first of these reviews was completed in June 2023, resulting in updated pricing rates.

The NDIA updates pricing to help transition the NDIS into a competitive and open market for disability supports. The agency regularly monitors and reviews the NDIS price control framework and market settings to ensure they are appropriate and reflective of current market conditions. This ongoing process is guided by the Annual Pricing Review (APR), which considers various factors including the Australian economic environment, labour market statistics, and sector-specific trends. Additionally, stakeholder consultations and assessments of legislative changes and market movements ensure that pricing strategies for NDIS supports are evidence-based and responsive to market dynamics.

Funding is provided directly to eligible participants, who can use the funds to seek out and secure accommodation from registered SDA providers. These providers must have dwellings that are enrolled with the NDIA, and compliant with NDIA standards. The funding is included in individual participant plans, giving participants the flexibility to choose a dwelling that best meets their needs.

The following chart provides a summary of the SDA funding process within the NDIS framework:



Regulatory Framework & Legislation

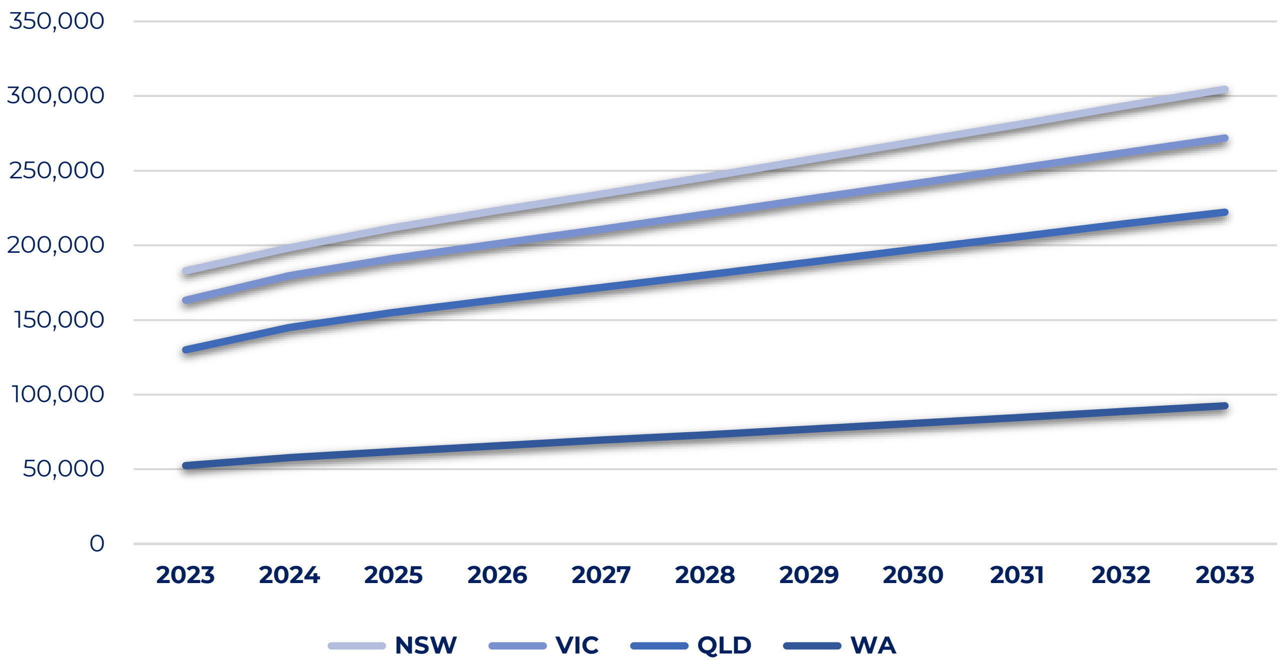
SDA providers must adhere to a comprehensive set of obligations to ensure compliance and eligibility for SDA funding under the NDIS, as mentioned previously. First and foremost, the SDA operator must be a registered provider and is required to establish a written service agreement with the participant. If an agreement cannot be reached, the provider must work collaboratively with the participant to establish one. This agreement must comply with the NDIS terms of business, which outline the essential elements that need to be included. Additionally, the provider must supply a copy of the agreement to the participant and act in accordance with its terms.

Beyond the service agreement, the provider must also comply with all relevant Commonwealth, State, or Territory laws, implementing mechanisms to ensure ongoing adherence, particularly concerning employees, contractors, or other engaged persons. SDA dwellings must be correctly enrolled and meet the necessary requirements for enrolment. Providers are also obligated to maintain up-to-date notifications and verifications with the NDIS, particularly in relation to vacancies, and ensure that the number of residents does not exceed the maximum allowed for the dwelling. For new builds, compliance with density restrictions as specified in the SDA rules and the SDA NDIS Quality and Safeguards Commission rule is essential. By fulfilling these obligations, registered SDA providers become eligible for the complete allocation of SDA funding. Notably, there are no specific criteria regarding the background of the SDA provider, allowing for a diverse range of private investors, family members, and organizations to participate in the provision of SDA. However, the process is becoming more regulated, with a shift towards mandatory registration for all providers. This change is aimed at preventing fraudulent claims and ensuring that only legitimate, verified SDA providers can receive payments, thereby enhancing the integrity of the system.

Supply and Demand

The NDIS is projected to see a substantial increase in participants over the next decade, from 2023 to 2033, reflecting the growing demand for SDA across Australia. A breakdown by state shows a significant number of new SDA dwellings being completed, with New South Wales (NSW), Victoria (VIC), Queensland (QLD), and Western Australia (WA) leading the way in terms of development. However, Western Australia lags behind in terms of the total number of new builds, highlighting regional disparities in the availability of SDA housing.

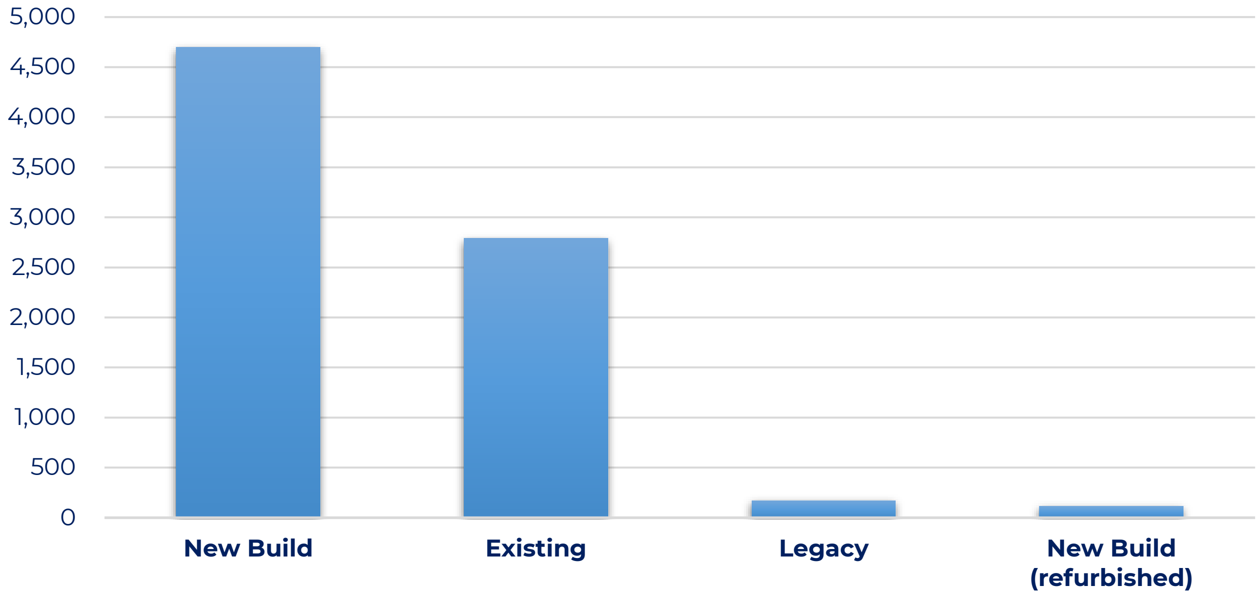
Figure 4: Projected Participants by State 2023 to 2033



Source: Cushman & Wakefield Alternatives Research, NDIS

Figure 5 presents the number of enrolled SDA dwellings, including those that have been brought to market. It is important to note that the NDIS allows for the enrolment of SDA dwellings during construction to facilitate compliance documentation upon completion. In QLD, there is a clear mismatch between the relatively low legacy SDA stock and the influx of new developments.

Figure 5: Enrolled SDA Dwellings by Building Type



Source: Cushman & Wakefield Alternatives Research, NDIS

Existing legacy properties generally do not feature the level of amenity provided by tier-one or premium accommodations, such as assistive technology and private living domains, and therefore are not meeting the evolving requirements of participants. Many participants are still residing in legacy stock that is not fit for purpose, lacking accessibility features, and supports required to meet current market standards of care and independence. The legacy stock in QLD particularly highlights the need for continued investment and strategic planning to ensure SDA availability aligns with the needs of the growing NDIS participant base, particularly given the expected increase in demand over the next decade. Additionally, demand is anticipated to increase due to the rising number of participants requiring more specialised accommodation that offer enhanced support features.

Vacancy and Development Overview

Across Australia, a notable percentage of NDIS participants with SDA funding are not fully utilising it. In states like NSW 32% of participants are not accessing their SDA funding, although the state still has the highest number of participants actively utilising their funds. In QLD, 38% of participants are not using their allocated funding, while VIC has a lower non-utilisation rate of 24%. WA, however, has the highest non-utilisation rate at 79% but also the lowest number of participants that have funding.

The vacancy rates in SDA housing also vary significantly across different accommodation types and locations. According to data compiled by the NDIS (September 2024), which is updated on a regular basis, Group Homes and Houses experience the highest vacancy rates, especially in states like NSW and VIC.

However, it is important to note that some of these properties, while designed to accommodate more than one tenant, are often occupied by a single person. In some cases, a dwelling may have a vacancy, but the landlord and participants may choose not to lease it in order to preserve the 'Tenant Mix' (or 'Participant Mix') of the dwelling. Adding another participant could disrupt the living arrangements or reduce the utility of the home by converting a spare bedroom or living area to meet additional participants' needs.

In QLD, the issue is combined with an oversupply of SDA properties in some localities, many of which are either not adequately tailored to participants' needs or are situated in less suitable areas. This has contributed to higher vacancy rates in the state. More broadly, high vacancy rates are often observed in properties that are poorly designed and have location specific challenges, further underscoring the need for better alignment between location, design and participant requirements.

In contrast, legacy properties along with villas/duplexes have the lowest vacancy rates, indicating that these accommodations may be more aligned with participant preferences and / or located in superior locations with accessible supports and surrounding amenity. This disparity highlights a potential mismatch in the supply and demand of certain SDA housing types and locations, emphasising the need for a more targeted approach with participant led (tenant led) property design in addressing vacancies.

Figure 6: Percentage Vacancy by State and House Type

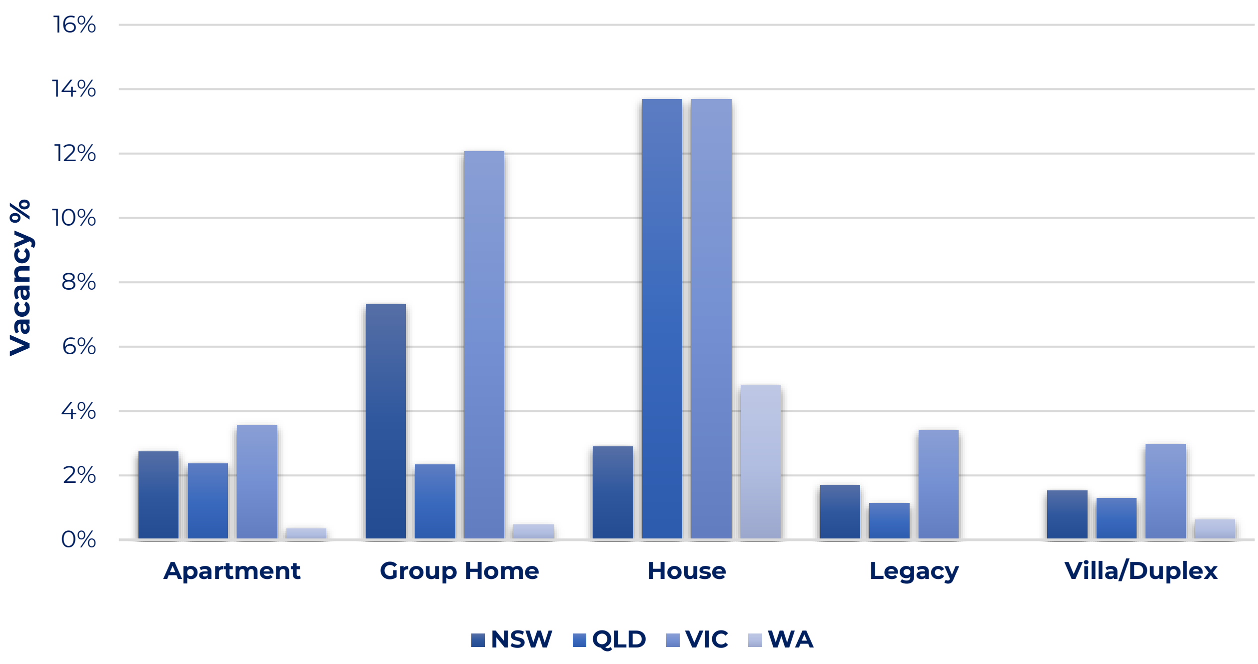
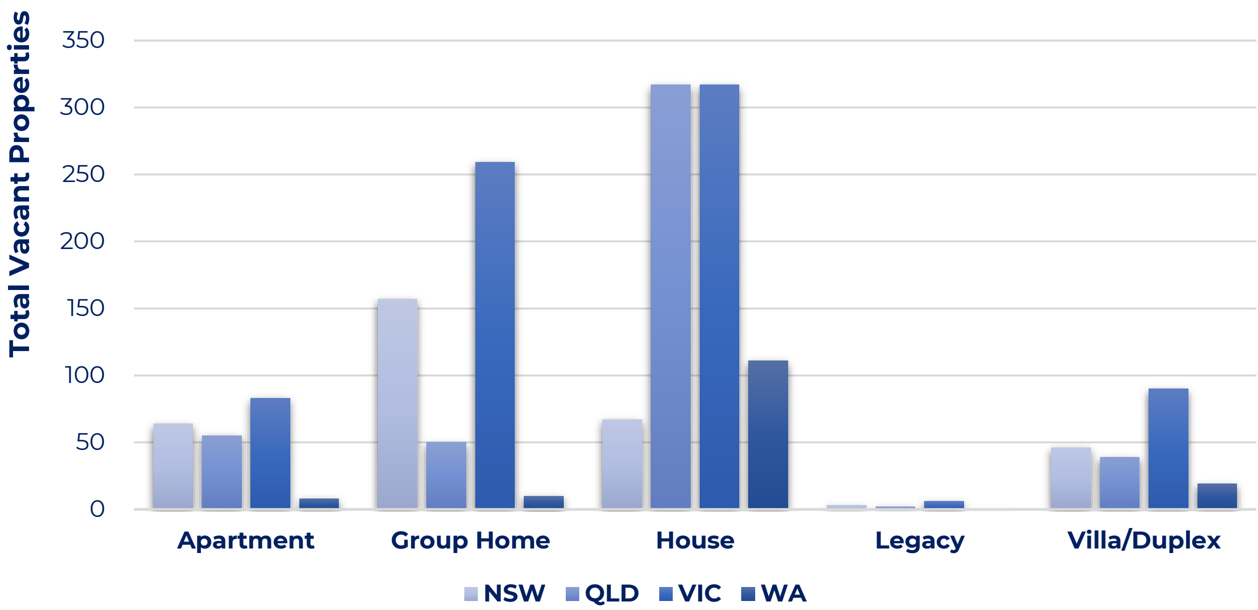


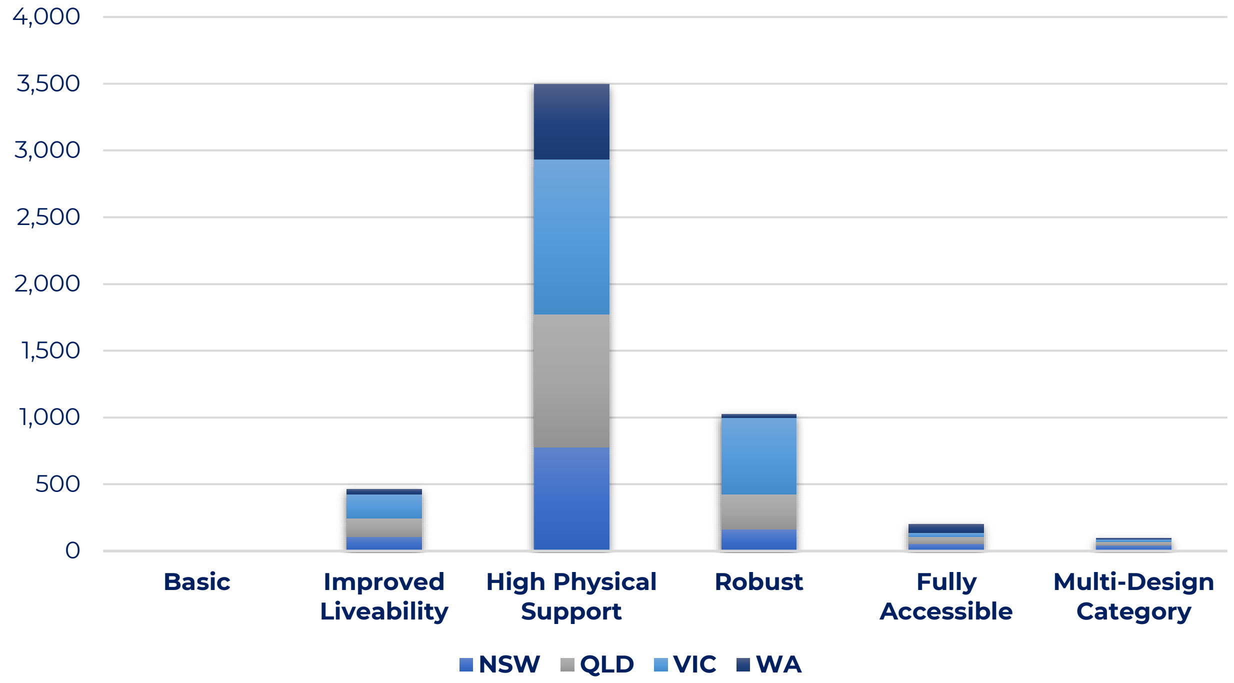
Figure 7: Vacancy by State and House – absolute volumes



Source: Cushman & Wakefield Alternatives Research, NDIS compiled data set as at September 2024

As shown in figure 8, the supply pipeline for SDA dwellings is dominated by those designed for High Physical Support, which highlights the advantage of investing in properties that can accommodate a diverse mix of tenants. Over-specifying properties to meet the needs of a broader range of participants, including those classified as Fully Accessible and Improved Liveability, is a strategic approach that maximizes tenant flexibility and broadens market appeal. This means that despite the high supply of High Physical Support homes, there is still a strong case for building more of these properties to cater to different needs within the participant mix. Conversely, the Basic design category shows no new stock coming to market. The High Physical Support design category permits a diverse participant mix, as the design caters to Fully Accessible and Improved Liveability tenants, albeit at lower rents since they don't receive the same level of support.

Figure 8: Unfinished Dwellings by New SDA Dwellings



Source: Cushman & Wakefield Alternatives Research, NDIS compiled data set as at July 2024

Outlook

Considering the trajectory of the sector thus far, along with the underlying drivers of healthcare demand and the growing interest from a diverse array of investors and stakeholders, the sector is positioned for steady growth over the long term. The increasing recognition of SDA as a critical component of Australia's social infrastructure, coupled with ongoing support and funding under the NDIS to eligible participants, provides a strong foundation for its evolution into a scalable asset class. As awareness for specialised housing continues to rise, Cushman & Wakefield anticipate that the sector will attract further investment and drive further development of new projects.

Vacancy risk remains a concern for the sector, with leasing periods and likely participant funding needing to be forecasted appropriately having regard to building type and design category of the SDA dwelling. To mitigate these risks, SDA designs should be future-proofed and participant-led, ensuring they offer practical utility to occupants while being surrounded by accessible amenities. If the building is located in a highly sought-after area and aligns with participant needs, this can reduce vacancy risks and enhance long-term sustainability.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ABOUT THE FUND

DFM

About The Fund

4.1 Purpose

Diogenes FM's aim, through the Fund, is to provide Investors with:

- An investment in a quality property portfolio diversified in terms of tenants and location;
- Monthly distributions from year 3 or earlier if circumstances allow, paid within 15 business days of the end of each month; and
- Timely and informative communications to you and your advisers.

4.2 Key benefits

- Access to a diversified portfolio of assets selected and managed by experienced specialist disability housing developers and managers.
- Exposure to an asset class characterised by a significant level of unsatisfied occupier demand.
- High distribution yield once portfolio established, linked to SDA funding of eligible participants, with annual indexation.

4.3 Investment criteria

The Fund aims to progressively acquire, develop and manage a $50+ million diversified portfolio of quality disability housing properties which include the following characteristics:

- Desirable locations with a substantial population base and proven unmet demand for disability housing;
- Building designs which are NDIS compliant and meet the needs and preferences of disability housing participants;
- Total acquisition and development costs which enable rental returns to meet or exceed expected returns;
- Known and reputable builder/developer counterparties; and
- Availability of proven providers of disability housing leasing and management services.

4.4 Investment philosophy and process

Diogenes FM's investment philosophy is founded on an active management approach to real estate where relationships are key and value can be added at all stages of the investment process.

Diogenes FM adopts an analytical approach that combines macro level research including interest rates, inflation, residential building approvals, and micro factors including local market supply and demand. This is considered along with a comprehensive bottom-up assessment of each property.

Diogenes FM follows a strict set of investment guidelines in selecting properties for purchase. Properties are sourced by Diogenes Inv, an experienced and capable provider of disability housing investments. This relationship is explained in more detail in Sections 10.8 to 10.10.

4.5 Intensive risk control of investments

A detailed knowledge of the markets and an understanding of key drivers and risks drive long term value. Before committing to any investment opportunity on behalf of the Fund, Diogenes FM will undertake a comprehensive due diligence process. This allows Diogenes FM to identify and analyse any risks attached to the investment and seek to minimise those risks during the term of the investment.

The due diligence process undertaken will typically include but not be limited to the following areas: legal, valuation, demographic, and counter party risk assessment.

The establishment of clearly defined exit strategies and the ability to sell assets at the appropriate time of the investment cycle enables us to maximise equity performance and reduce risk.

4.6 Acquisition and leasing process

The portfolio is expected to largely comprise new dwellings, which will benefit from lower maintenance requirements and higher depreciation benefits, along with superior NDIS funding rates which are structured to incentivise new buildings.

The properties are generally expected to be acquired as vacant land, with the Fund entering into a building contract to construct the dwelling. In some cases, the properties may be acquired as a land and house package, and existing purpose built completed housing may also be considered. Diogenes Inv has facilitated over $255 million of new SDA housing developments and has strong existing relationships with builders who are experienced in construction of disability housing.

Properties will generally either be acquired with all regulatory approvals for construction in place, or the land purchase contracts and building contracts will be conditional upon those approvals being obtained on terms acceptable to Diogenes FM. Building contracts are expected to be generally consistent with the relevant state-specific residential building contracts, which are fixed price agreements with appropriate builder's insurance arrangements in place.

Under the terms of NDIS funding, tenant commitments cannot be secured prior to completion of construction and certification for SDA use. Diogenes Inv has established relationships with SDA providers and SIL providers. Diogenes Inv liaises with these organisations during construction to ensure the post construction certification and leasing is achieved as expeditiously as possible.

Appropriate time and cost allowances for approvals, construction, certification and leasing are discussed further in section 5.6 of this PDS.

4.7 Building design specifications for SDA homes

Most of the SDA homes that Diogenes FM will acquire and/or build will be freestanding and will comprise two to four bedrooms, each with accessible ensuite facilities, and garage parking.

When Diogenes FM enters into a contract for a new SDA home to be built, the design and construction will comply with (but is not limited to) the requirements of:

- Building Code of Australia (BCA) and the Deemed-to-Satisfy provisions;
- Australian Standards (AS and ASNZ) relevant to the work;
- State or Territory, Local Authority and statutory requirements;
- House Building Certification Fund, Owners and Contractors contributions;
- National Code of Practice for the Construction Industry;
- Building and Construction Industry Improvement Act 2005 (where applicable);
- specific estate design guidelines, encumbrances and covenants.

Diogenes FM intends to construct efficient and liveable homes and will require all new homes to meet a minimum six (6) star energy efficiency rating. Where possible, it also requires new housing to comply with the Australian Government's *Liveable Housing Design Guidelines* – Silver Level.

Diogenes FM focuses on five (5) key sustainability areas: energy consumption, water consumption, effective waste management, human wellbeing and the biodiversity of local flora and fauna. These principles are in accordance with the *Environmental Protection and Biodiversity Conservation Act 1999* (Cth).

Diogenes FM's homes comprise quality fixtures and fittings. In terms of amenity, they generally include the following:

- level or near level site;
- two or three participant bedrooms, each with ensuite;
- OOA (On-site Overnight Assistance) bedroom and separate bathroom;
- lounge room and separate dining or meals area;
- separate laundry;
- internal access garage;
- heating and/or air-conditioning; and
- on-grade access to all areas.


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INVESTMENT OVERVIEW

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Investment Overview

5.1 Structure

The Fund is an unlisted unit trust, registered with ASIC as a managed investment scheme. There is no intention to list the Fund on a secondary market such as the ASX.

The Fund was established by a constitution dated 19 November 2024 which regulates the relationship between the Responsible Entity and the Investors. Please also see Section 10.11 of this PDS for information about the Fund's Constitution.

The Responsible Entity has appointed Diogenes Inv as manager of the Fund under the Investment Management Agreement (IMA). This agreement is summarised in Section2 10.8 to 10.10 of this PDS.

5.2 The Offer

This PDS offers investment in the Fund through the holding of Units.

The minimum amount of equity the Responsible Entity is seeking to raise is $3 million (Minimum Initial Offer Amount) and total amount of equity sought is $33 million (Total Initial Offer Amount).

The Responsible Entity may accept oversubscriptions where in its opinion the proceeds can be applied towards the acquisition of further Properties which meet the Fund's investment criteria.

The Responsible Entity is required to raise the Minimum Initial Offer Amount within nine months of the date of this PDS. If the Responsible Entity does not raise this amount during that period then the Offer will not proceed, in which case the Responsible Entity will return your Application Money to you along with any interest earned. If the Responsible Entity does raise the Minimum Initial Offer Amount then the Fund will proceed and the Responsible Entity will continue to raise further equity until the Offer Close Date (or earlier, if the Offer is Closed early).

5.3 Issue price and minimum investment amount

Units under the Offer are priced at $1.00 each at the First Close Date. Thereafter units will be issued at a NAV based price plus an amount which takes into account various transaction costs incurred by the Fund in accordance with the Constitution.

The minimum amount investors must invest is $50,000, and then in increments of $1,000. The Responsible Entity reserves the right to accept applications for lower amounts, at its discretion.

5.4 Units

Investors will be issued Units following the Minimum Initial Offer Amount being met and will initially receive a distribution based on the interest earned by the Fund prior to the acquisition of the Fund's first property.

5.5 Distributions

The Responsible Entity intends to pay monthly distributions from year 3 of the Fund, or earlier if circumstances allow. When new Units are issued (including under any Distribution Reinvestment Plan), they will rank equally for payment of distributions in respect of the first distribution period in which they are issued. With respect to a withdrawal, Units will not rank in the distribution period in which the Units are redeemed. In the event of the winding up of the Fund, all Units will rank equally.

Distributions will be paid into an Investor's bank account by the 15th business day of the following month. The timing of payment distributions from the Fund may be impacted by any delay or timing difference in the Fund receiving distributions in respect of its underlying investments. Such delay may cause a corresponding delay in the Responsible Entity being able to pay distributions to Investors.

The Responsible Entity intends to pay distributions from Funds from Operations (**FFO**), also known as operating income. The Fund's FFO is the net profit of the Fund adjusted for certain non-cash and other items such as unrealised gains or losses, amortisation of tenant incentives, rent straight-lining, and other unrealised one-off items.

The Responsible Entity anticipates that a proportion of distributions will be tax-deferred for Australian tax residents. An advantage of the investment structure is the ability of the Fund to pass on the benefit of taxation allowances, such as building allowances, and plant and equipment depreciation to Australian tax residents. Please refer to Section 9 of this PDS for further information on the tax implications for Australian tax residents investing in the Fund.

5.6 Financial Targets

Based on the Responsible Entity's financial modelling, the targeted distributions and returns are:

Fund year	Targeted distribution
Year 1 (FY25)	0.0 cents per unit or 0.0%
Year 2 (FY26)	0.4 cents per unit or 0.4 %
Year 3 (FY27)	1.9 cents per unit or 1.9 %
Year 4 (FY28)	5.5 cents per unit or 5.5 %
Year 5 (FY29)	10.5 cents per unit or 10.5 %
Year 6 (FY30)	
Target average distribution over first 5 full years of Fund	5.7 cents per unit pa or 5.7 %pa
Target average distribution over first 10 full years of Fund	8.6 cents per unit pa or 8.6 %pa

Targeted 10 year Total Return	
Targeted 10 year IRR to Investors	13.0% - 13.5%

Note 1: Distributions in Years 1 and 2 are expected to be nil or negligible since activity in this period will primarily comprise the acquisition and development of the portfolio.

Note 2: The targeted distributions outlined above do not include unrealised capital gains.

Note 3: The targeted distributions and targeted IRR to Investors are net of fees and costs.

Moving forward, the distribution history of the Fund will be made available on the Fund's website www.diogenesfm.com.au.

Distributions are not guaranteed, and past performance is not a reliable indicator of future performance. Distributions may change (up or down) as the Fund adds more assets to the portfolio.

Due care and attention have been given to the preparation of the Fund's financial targets and these represent the Responsible Entity's best estimate of anticipated future events. While the Responsible Entity considers these assumptions to be appropriate and reasonable at the time of preparing this PDS, Investors should appreciate that many factors which may affect results are outside the control of the Responsible Entity and its Directors. Accordingly, targeted results may not be achieved. Investors are advised to review the assumptions and make their own independent assessment of the future performance and prospects of the Fund.

The projected commencing distribution is based on the following key assumptions:

Assumptions	Comment
The Initial Portfolio size is targeted to be 26 properties, based on a target equity raising of $33m and an average total acquisition cost of $1.26m per property. The Initial Portfolio is targeted to be contracted over a 6 month period following close of the Minimum Offer Amount.	The rate of acquisition will be determined by the rate of equity inflows to the Fund, and the availability of properties which meet the Fund's investment criteria.
Upon completion and leasing of properties in the Initial Portfolio, the Fund seeks to secure a senior debt facility of up to $18.5m, representing a 50% - 56% LVR over the completed Initial Portfolio. This facility is expected to fund the acquisition and development of a further 14 properties. These 14 properties are targeted to be contracted over a 6 month period following completion and leasing of the Initial Portfolio.	The rate of acquisition will be determined by the terms of the debt facility, and the availability of properties which meet the Fund's investment criteria.
An acquisition fee of 1.5375% will be payable by the Fund to the Responsible Entity, upon completion of each property acquisition. Other costs of acquisition include due diligence costs, legal and conveyancing costs and stamp duty.	In accordance with the Constitution. Stamp duty has been calculated in accordance with the Transfer Duty scales in the relevant State.
Build costs are forecast to fall within a range of $2,700 and $3,000 per square metre depending upon the size and complexity of the build (2024 pricing). Properties are assumed to be built to High Physical Support (HPS) standards notwithstanding a more conservative rent rate assumption as noted below.	The Responsible Entity considers this to be a reasonable allowance based on its Investment Manager's experience of developing SDA properties over the past 3 years.
Construction and certification of each property is estimated to require an average time period of 14 months from settlement of land purchase.	The Responsible Entity considers this to be a reasonable estimate based on its Investment Manager's experience over the past 3 years.

Assumptions	Comment
From completion of construction, the properties are estimated to require 4 months leasing up time following completion of construction. Leasing fees payable to a specialist SDA leasing agency amount to between 8% and 16% of the first year's rent.	The Responsible Entity considers these to be reasonable allowances based on Diogenes Inv's experience over the past 3 years. Note lease up is anticipated to be staged where the property provides for 2 or more participants.
The total estimated average time period, from contracting to purchase a property, settlement, construction, certification and leasing is 20 months.	The Responsible Entity considers this to be a reasonable target based on its Investment Manager's experience over the past 3 years.
Estimated commencing rentals are based on SDA scales for Improved Liveability category of dwelling (i.e. a more conservative assumption than the High Physical Support standard of each build).	NDIA publishes the allowable rentals for each category of dwelling and occupant annually, for the year commencing 1 July.
The valuation on completion and leasing of each property is estimated to be 110% of the total cost of the property.	Market value once completed and leased will be determined by a registered valuer prior to the Fund committing to acquire the property in each instance.
Rents are assumed to increase annually in line with CPI.	NDIS rents are re-set every 1 July, and annual increases from 2024 stated by NDIS to be in accordance with CPI.
CPI for the calculation period has been assumed at an average of 3.0% per annum.	The Responsible Entity considers this to be a reasonable target based on historical and projected CPI figures.
Capital values are assumed to increase on average in line with CPI over a medium term investment horizon.	Whilst property values are difficult to forecast in isolation, the Responsible Entity considers this assumption to be reasonable in the context of the assumed growth in rents.
Non recoverable property outgoings (rates, land tax etc) are assumed to increase annually in line with CPI.	The Responsible Entity considers this to be an appropriate assumption in the context of the assumed growth in rents and capital values.
For the purposes of financial modelling, a notional sale is assumed at the end of the 10th year of the Fund, with an appropriate allowance for disposal costs.	This assumption is made primarily to assess the potential fund performance over a set time period. The Fund's investment strategy regarding sale of assets will evolve to reflect market conditions and opportunities and investor redemption requests, amongst other things.

The Responsible Entity will provide Investors with annual and semi-annual reporting on key portfolio metrics which will include portfolio diversification and occupancy data, and the Fund's Net Tangible Asset backing.

5.7 Distribution Reinvestment Plan (DRP)

No Distribution Reinvestment Plan is envisaged by the Responsible Entity as at the date of this PDS. The Responsible Entity will provide further details if this changes at a future time.

5.8 Regular Investment Plan

No Regular Investment Plan is envisaged by the Responsible Entity as at the date of this PDS. The Responsible Entity will provide further details if this changes at a future time.

5.9 Indirect Investors

The above information about withdrawals from the Fund applies to the IDPS Operator and not the Indirect Investor. Indirect Investors should consult their IDPS Operator about withdrawals from the Fund.

5.10 Duration of the Fund

Open ended, meaning that it has no fixed duration or end date.

5.11 Withdrawals

Like many unlisted property schemes, the Fund is an illiquid scheme and Investors may only exit upon a Withdrawal Offer from the Responsible Entity. To provide Investors with a liquidity mechanism, the Responsible Entity will make Withdrawal Offers once every five years, and Annual Withdrawal Offers from the sixth year of the Fund.

Withdrawal Offers

As the Fund invests in real property, it is not a 'liquid' scheme, as defined in the Corporations Act. This means that Investors will have no right to withdraw their investment unless the Responsible Entity makes a Withdrawal Offer to Investors pursuant to the Corporations Act.

The Responsible Entity will, subject to its obligations at law (which includes an obligation to act in the best interests of Investors), make a Withdrawal Offer every 5 years, with the first Withdrawal Offer to occur following the 30 June 2030 financial year end. Each such five year period is referred to in this PDS as a Term.

Other Withdrawal Offers may be made during the life of the Fund, for instance, if a Property is sold midway through a Term.

When making a Withdrawal Offer, the Responsible Entity will communicate with Investors and provide an outline of the terms of the Withdrawal Offer proposed (such as the amounts available for withdrawals as well as the price that Investors will receive if they redeem Units, with the redemption price accounting for any accrued Performance Fee in respect of the withdrawn units). Investors will be provided with a withdrawal form prior to each Withdrawal Offer.

To source funds required for a Withdrawal Offer, the Responsible Entity may:

- sell one or more Properties;
- raise new equity for the Fund;
- make further borrowings on behalf of the Fund; or
- undertake a combination of these measures.

The Responsible Entity will make at least 10% of the Net Asset Value of the Fund available at the first and each subsequent Withdrawal Offer. Beyond this minimum amount, amounts made available for withdrawal are subject to the Responsible Entity's discretion and may depend on various factors which may also be outside of the Responsible Entity's control, including future property market conditions and economic conditions. Where there is insufficient capital to satisfy all withdrawal requests in response to a Withdrawal Offer, the Responsible Entity will apply redemptions on a pro rata basis.

The pro-rating of any redemptions will result in any unmet portion of a withdrawal request being cancelled. In addition, withdrawals may be delayed in some circumstances (if allowed under the Constitution and the Corporations Act), for example, if it is impracticable or not in the best interests of Investors due to the cost of arranging funds for a Withdrawal Offer at particular times.

Annual Withdrawal Offer

The Responsible Entity intends to facilitate 'Annual Withdrawal Offers' on an ongoing basis commencing in the year after the first Withdrawal Offer (i.e. in the sixth year of the Fund). Annual Withdrawal Offers act as a secondary and limited mechanism for Investors to withdraw from the Fund alongside the scheduled Withdrawal Offers. The amount made available for withdrawal during an Annual Withdrawal Offer is at the discretion of the Responsible Entity, but as at the date of this PDS, it is expected that it will not exceed 3% of the Net Asset Value of the Trust at the relevant time. The amount made available under each Annual Withdrawal Offer will be stated in the offer. The redemption price will account for any accrued Performance Fee in respect of the withdrawn units.

Annual Withdrawal Offers will commence on 1 September and close on 30 September each year, unless otherwise advised by the Responsible Entity. The Responsible Entity will not make an Annual Withdrawal Offer in the same year that a Withdrawal Offer is made.

To participate, Investors are required to complete a withdrawal form which will be made available on the website of the Responsible Entity during this period.

To source funds required for an Annual Withdrawal Offer, the Responsible Entity may:

- sell one or more Properties;
- raise new equity for the Fund;
- make further borrowings on behalf of the Fund; or
- undertake a combination of these measures.

Ultimately, the amount made available for withdrawal, and the ability of the Responsible Entity to provide liquidity to meet Investors' withdrawal requests, during an Annual Withdrawal Offer is dependent on various factors which may be outside of the Responsible Entity's control, including future property market conditions and economic conditions. It is important to note that, while the Responsible Entity intends to make Annual Withdrawal Offers on an annual basis, there may be circumstances in which it is not possible to offer withdrawals at all, or to make available less than the 3% of the Net Asset Value referred to above, or to cancel an Annual Withdrawal Offer that has been made. Further, if the amount made available is insufficient to satisfy all requests for withdrawal, this will result in redemptions being met on a pro-rata basis and any unmet portion of a withdrawal request being cancelled.

5.12 Transfer of Units

Investors may transfer their Units to a third party at any time, subject to the transfer provisions in the Constitution and the consent of the Responsible Entity.

5.13 Debt facilities

The Initial Portfolio is expected to be funded from Investor's equity. Once the Initial Portfolio has been acquired, constructed and leased, it is the Fund's intention to obtain borrowings secured against the Initial Portfolio to fund further acquisitions.

It is the Fund's intention to maintain a gearing ratio of not greater than 70% loan to value, and an interest cover ratio of not less than 1.25 times operating income.

To help minimise the negative impact of interest rate fluctuations on the earnings of the Fund, Diogenes FM may, where it considers appropriate, choose to fix the interest rate on some or all of the Fund's borrowings, for periods of time. The terms and ongoing management and disclosure of any debt facilities will be subject to the Fund's Gearing Policy.

It is intended that interest expenses relating to development projects will be capitalised as a development cost in the ordinary course of business, subject to compliance with accounting standards. Interest expenses related to stabilised, income producing assets will not be capitalised.

All borrowings of the Fund will be on a limited recourse basis (so that a lender's recourse is limited to the Fund (or sub-trust, as the case may be) and its assets, rather than to Investors and their personal assets). Investors should, however, note that amounts owing to lenders and other creditors of the Fund rank before an Investor's interest in the Fund.

5.14 ASIC Disclosure Principles

The Australian Securities and Investment Commission (ASIC) has six disclosure benchmarks and eight disclosure principles for unlisted property funds that are intended to help investors analyse and understand the risks associated with investing in these types of funds and decide whether such investments are suitable for them. These benchmarks and principles are set out in ASIC's Regulatory Guide 46 (RG 46).

Responsible entities of unlisted property funds are required to address these disclosure benchmarks and principles in their product disclosure statements and in other information they provide to their investors on an ongoing basis (through websites and other forms of communication with investors).

The table below provides a summary of the disclosure benchmarks and principles set out in RG 46, states whether the Responsible Entity complies with each benchmark, and indicates where further relevant disclosure can be found in the PDS.

Benchmark/Disclosure Principle	Summary	Further information
Benchmark 1 Gearing Policy *The responsible entity maintains and complies with a written policy that governs the level of gearing at an individual credit facility level.*	**YES** The Responsible Entity intends to meet the benchmark. The Responsible Entity maintains and complies with a written policy that governs the level of gearing at an individual credit facility level. The Underlying Fund and each Direct Real Estate Fund also maintain written gearing policies.	Section 5.13
Disclosure Principle 1 Gearing ratio *The gearing ratio gives an indication of the potential risks a managed property fund faces in terms of its level of borrowings due to, for example, an increase in interest rates or a reduction in property values. A higher gearing ratio means a higher reliance on external liabilities to fund assets.*	The gearing ratio indicates the extent to which a fund's investments are funded by debt. The Fund has a maximum gearing ratio (LVR) of 70%.	Section 5.13

Benchmark/Disclosure Principle	Summary	Further information
Benchmark 2 Interest cover policy *The responsible entity maintains and complies with a written policy that governs the level of interest cover at an individual credit facility level.*	**YES** The Responsible Entity has an interest cover policy in relation to the Fund which requires a minimum interest cover of 1.25 times operating income. Interest cover is monitored within established risk management processes and tolerances.	Section 5.13
Disclosure Principle 2 Interest cover ratio *Interest cover refers to the ability of a fund to service interest expense on debt from earnings.* *The higher the ratio, the more easily the fund can meet its interest payments.*	The interest cover ratio gives an indication of a fund's ability to meet the interest payments from earnings.	Section 5.13
Benchmark 3 Interest capitalisation *The interest expense of the scheme is not capitalised*	**NO** It is intended that interest expenses relating to development projects will be capitalised in the ordinary course of business subject to compliance with accounting standards. Interest expenses related to stabilised, income producing assets will not be capitalised.	Section 5.13
Disclosure Principle 3 Scheme Borrowing *Borrowing maturities and credit facility expiry profiles are important information where a fund borrows to invest*	The Fund intends to borrow. Amounts owing to lenders and other creditors by a Fund will rank before the interests of the Underlying Fund.	Section 5.13

Benchmark/Disclosure Principle	Summary	Further information
Benchmark 4 Valuation policy *The Responsible Entity maintains and complies with a written valuation policy that requires:* *(a) a valuer to:* *(i) be registered or licensed in the relevant state, territory or overseas jurisdiction in which the property is located (where a registration or licensing regime exists), or otherwise be a member of an appropriate professional body in that jurisdiction; and* *(ii) be independent;* *(b) procedures to be followed for dealing with any conflicts of interest;* *(c) rotation and diversity of valuers;* *(d) valuations to be obtained in accordance with a set timetable; and* *(e) for each property, an independent valuation to be obtained:* *(i) before the property is purchased:* *(A) for a development property, on an 'as is' and 'as if complete' basis; and* *(B) for all other property, on an 'as is' basis; and* *(ii) within two months after the directors form a view that there is a likelihood that there has been a material change in the value of the property.*	**YES** The Responsible Entity maintains a written valuation policy. Under the policy: All external valuations must be performed by panel valuers, who must be registered in the state or territory in which the property is situated. The external valuer must be independent of the vendor (if applicable), the builder/developer (if applicable), Diogenes FM, and Diogenes Inv, and have no interests that could conflict or appear to conflict with their role as the valuer. No one individual external valuer (as opposed to valuation firm) should carry out more than 3 successive valuation reports for a particular property asset. Every property asset must be externally revalued at least once every 36 months. Diogenes FM may extend this timeframe by not more than 6 months in circumstances where the property asset is being held for sale; or there are lease negotiations or other dealings under way that may have a material impact on the valuation of the property asset. External valuations must be obtained within 2 months after the Board has formed the view that there has been a material change in the nature of the property and/or a material change in the tenancy profile from that outlined in the previous external valuation. An external valuation must be obtained prior to the Fund entering into any binding agreements to acquire a property asset. Valuations for development assets are to be prepared on both an 'as is' and an 'as if complete' basis. Diogenes FM must maintain a register of all external panel valuers. The composition of the panel and the inclusion of each external valuer is subject to annual review.	Section 10.10

Benchmark/Disclosure Principle	Summary	Further information
Disclosure Principle 4 Portfolio Diversification *Generally, the more diversified a portfolio, the lower the risk that an adverse event affecting one property or one lease will have on the overall portfolio.*	The Fund will invest in a range of separate properties.	Sections 4.2, 4.3
Benchmark 5 Related party transactions policy *The responsible entity 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.*	**YES** The Responsible Entity 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.	Section 10.8
Disclosure Principle 5 Related party transactions activity *Related party transactions carry a risk that they could be assessed and monitored less rigorously than arm's length third party transactions. A significant number or value of related party transactions increases the risk of potential conflicts of interest.*	Diogenes Inv, which is a related party of the Responsible Entity, is the Management Company for the Fund. No management fees are charged by Diogenes Inv, but rather the Responsible Entity pays to them their share of the management fee charged by the Fund.	Section 10.9
Benchmark 6 Distribution practices policy *The scheme will only pay distributions from its cash from operations (excluding borrowings) available for distribution.*	**YES** The Responsible Entity intends to meet the benchmark. The Fund will only pay distributions to investors from cash from operations (excluding borrowings) available for distribution.	Section 5.5

Benchmark/Disclosure Principle	Summary	Further information
Disclosure Principle 6 Distribution Practices *Some property funds make distributions partly or wholly from unrealised revaluation gains and/or capital rather than solely from realised income. This may not be commercially sustainable over the longer term, particularly where property values are not increasing.*	The Responsible Entity proposes that distributions will be from operating income. Distributions over the first two years will be nil or minimal as the Fund acquires and builds the initial portfolio. A normal distribution pattern is expected to be established from the start of the third year of the Fund.	Section 5.5
Disclosure Principle 7 Withdrawal arrangements *Unlisted property funds often have limited or no withdrawal rights. This means they are usually difficult to exit.*	Under the Corporations Act, redemptions will only be available if the Responsible Entity issues a withdrawal offer.	Section 5.7
Disclosure Principle 8 Net Tangible Assets *A NTA calculation helps investors understand the value of assets upon which the value of their unit is determined.*	The Fund is an open-ended scheme, and therefore Disclosure Principle 8 does not apply. The Responsible Entity will publish quarterly unit prices, based on the Fund's net asset value, on the Fund's website.	Section 5.6


DFM

6

MANAGEMENT OF THE FUND

Management of the Fund

6.1 Overview of the Responsible Entity

Diogenes Funds Management Ltd is the Responsible Entity of the Fund.

Diogenes Funds Management Ltd is wholly owned by interests associated with the Co-Founder, Mr Andrew Gray, and the Co-Founder and Chairman, Mr Dan Carton.

Diogenes Funds Management Ltd was formed in 2024 in order to offer investment opportunities in unlisted funds, commencing with the Diogenes Disability Housing Fund No.1 which is the subject of this PDS.

6.2 Overview of the Investment Manager

Diogenes Investing Pty Ltd (Diogenes Inv) is the appointed Investment Manager of the Fund.

Diogenes Inv is a property investment services business established in 2021. The business is focused on the creation and management of property investments in the disability housing market across Australia's major markets.

Since 2021, Diogenes Inv has offered investment opportunities in Specialist Disability Accommodation (SDA), focusing on detached dwellings within the community rather than high-rise and large group home properties. This strategy seeks to address the most significant un-met SDA demand.

To date, Diogenes Inv has facilitated over $275 million worth of disability housing investment, with $130 million successfully delivered through collaboration with SDA Providers or SIL Providers. Diogenes Inv prioritises building high-quality homes in preferred locations to minimize vacancy risks and enhance liveability for clients.

Diogenes Inv's approach involves close cooperation with all stakeholders involved in SDA investment - investors, disability service providers, builders, and SDA participants. Diogenes Inv strategically identifies areas with the highest demand, offering housing investment packages that align with the needs and preferences of SDA participants.

The properties delivered cover various SDA categories such as Robust, High Physical Support, and Independent Living. The majority of the projects to date have been in South East Queensland, followed by Western Australia, New South Wales, and Victoria. Expansion plans into the Australian Capital Territory, South Australia, the Northern Territory and Tasmania are currently being explored.

Diogenes Inv has partnered with over a dozen SILs and SDA Providers nationwide, maintaining a client-centred approach that balances the need to reduce vacancy risks with the urgency to deliver essential housing solutions.

6.3 Compliance Committee

The Responsible Entity's compliance committee will meet on a quarterly basis and comprises the required proportion of external compliance committee members.

6.4 Investment Committee

The Responsible Entity's investment committee will meet on a quarterly basis and periodically ('out of session') as required in relation to proposed investment decisions.

6.5 Board and Senior Executives

The key executives and stakeholders of the business have significant experience and expertise in the property and finance industries in Australia.

DAN CARTON

CO-FOUNDER

CHAIRMAN

INVESTMENT COMMITTEE CHAIR

COMPLIANCE COMMITTEE MEMBER

Dan is Co-Founder and Chairman of Diogenes Funds Management. Dan is also Chair of the Investment Committee, member of the Compliance Committee, and a Responsible Manager of Diogenes Funds Management.

Dan was Chairman of Havelock Housing Limited, the largest community housing provider of disability housing in the Australia Capital Territory. Prior to this, Dan was the Head of Sales & Portfolio Management and Chief Economist at Defence Housing Australia (DHA). He was a Responsible Manager and key member of the team that established DHA's funds management business in 2013 when they launched their first managed investment scheme.

Dan holds a Bachelor of Economics and a Bachelor of Commerce from the Australian National University and holds an Advanced Diploma in Financial Licensing Management from the Australian Financial Markets Association. Dan is also a graduate member of the Australian Institute of Company Directors.

ANDREW GRAY

CO-FOUNDER

Andrew is Co-Founder, Director and a Responsible Manager of Diogenes Funds Management. He is also Co-Founder and the CEO of Investment Manager, Diogenes Investing Pty Ltd.

Andrew is the Co-Founder and CEO of Diogenes Investing Pty Ltd which since 2021 has sold over $275m of Specialist Disability Accommodation to individual investors across Australia. Diogenes Investing has built and manages an extensive network of tenanting partners and residential builders across the country to deliver great outcomes for SDA clients and for investors. Diogenes Investing is the Investment Manager of Diogenes Funds Management Limited.

Andrew has over 25 years of extensive experience researching and marketing Australian residential property investments for retail and sophisticated investors.

Andrew holds a Bachelor of Arts with a Diploma of Education from Macquarie University.

VITO MOLLICA

NON EXECUTIVE DIRECTOR

INVESTMENT COMMITTEE MEMBER

Vito is a Non-Executive Director of Diogenes Funds Management.

Vito is an industry engaged academic whose research centres on market design, FinTech, and residential property price dynamics. Vito is the former Head of Assets and Investments at Rismark International. He was a key member of the team that established the RP Data/ Rismark House Price Indices and EFM shared equity mortgage product.

Vito holds a Doctor of Philosophy (Finance) and Bachelor of Commerce (Hons) from the University of Sydney.

DOUG AUCHTERLONIE

CHIEF EXECUTIVE OFFICER

INVESTMENT COMMITTEE MEMBER

Doug is Chief Executive Officer of Diogenes Funds Management and sits on the Investment Committee of Diogenes Funds Management.

Doug has over 17 years' experience in property investment management, including portfolio and general management in unlisted real estate funds management organisations, and various senior roles in public listed REIT environments including CIO and CEO roles in ING's global real estate businesses. Doug has spent over 10 years in advisory roles with wide range of clients including private sector corporations, private investors, and public sector and not-for-profit organisations; most recently as Managing Director of Woodland Advisory, a Sydney based property consultancy business.

Doug holds a Bachelor of Property Administration and a post graduate Diploma in Business Administration and is an Associate of the Australian Property Institute and a Licenced Real Estate Agent (NSW).

VALERIE TAM

CHIEF FINANCIAL OFFICER

Valerie is Chief Financial Officer (CFO) of Diogenes Funds Management and is Co-Founder and the CFO of Investment Manager, Diogenes Investing Pty Ltd.

Prior to founding Diogenes Investing, Valerie was CFO at both Queensland Theatre Company and Opera Queensland. Valerie has previous experience in the financial services sector, and significant experience in financial and business management, with a strong track record of delivering strategic outcomes and building financial sustainability in companies.

Valerie is currently a Board member of the National Portrait Gallery of Australia and sits on their Investment and Audit & Risk Committees. She is also a Board member of the Australian Festival of Chamber Music and Chairs their Compliance, Audit & Risk Committee.

Valerie holds a Bachelor of Commerce and a Bachelor of Arts from the Australian National University. She is a member of CPA Australia and a graduate member of the Australian Institute of Company Directors.

GRAEME MACLAREN

KEY PERSON RESPONSIBLE MANAGER

Graeme is the Key Person Responsible Manager for the Diogenes Funds Management Australian Financial Services License.

With 30+ years in banking and financial services, he has held senior roles at Commonwealth Bank, covering audit, property investment, finance, operations, and compliance.

Graeme is a director of Solutions in Business Pty Ltd, a company that specialises in providing advice to the funds management industry. Graeme also currently acts as an independent director and as an external member on a number of compliance committees.

He holds a Bachelor of Business, Postgraduate Diploma in Banking Management, and MBA from Macquarie. Graeme is a CPA member and Fellow of the Financial Services Institute of Australasia.

ROBERT HENMAN

COMPLIANCE OFFICER

Robert Henman is the Compliance Officer of Diogenes Funds Management.

Robert has worked in both private and public entities at a state and federal level which included roles in treasury, financial management, investment management, financial markets, risk management and corporate governance. He led the team that established DHA's funds management business in 2013 when they launched what was at the time, the largest unlisted residential property fund in Australia. He was the Compliance Officer and a Responsible Manager.

Robert holds a Bachelor of Business, is a CPA and a GAICD. He has completed an Advanced Diploma in Financial Licensing Management from the Australian Financial Markets Association.

HUGH TREWEEKE

COMPLIANCE COMMITTEE CHAIR

Hugh is Chair of the Diogenes Funds Management Compliance Committee.

Hugh has over 27 years' experience in the financial services industry gained working in and with asset management, trustee, superannuation and custody businesses.

Hugh has held senior business leadership positions in the industry focused on driving business growth, developing and maintaining strong client relationships, leading high performing teams whilst maintaining a strong commercial acumen and balancing risk and compliance obligations. Hugh has held senior positions at Perpetual, State Street, Wellington Management Company and Royal Bank of Canada.

Hugh has a detailed understanding of the Responsible Entity requirements and obligations, and applies a practitioner's mindset to deliver business solutions.

Hugh holds a Bachelor of Agricultural Economics degree from the University of Sydney.

SAM BRYCE

COMPLIANCE COMMITTEE MEMBER

Sam is a Member of the Diogenes Funds Management Compliance Committee

Sam is a seasoned legal professional with 20+ years of experience in financial services and legal sectors. She specializes in complex transactions, regulatory compliance, and corporate governance. Sam's roles include Head of Legal at Laguna Bay Pastoral Company, leading legal strategy, managing transactions, and advising on governance. She also served as Corporate Counsel and Company Secretary at Olam Australia, handling compliance, governance, and multi-jurisdictional M&A.

Sam served 12 years as Director and Deputy Chair of Footprints Community, supporting mental health services.

Sam holds a Bachelor of Laws (Honours) and a Bachelor of Arts from Griffith University and is a graduate of the Australian Institute of Company Directors.

7

FEES AND OTHER COSTS

DFM

Fees and other costs

Government regulations require us to include the following standard consumer advisory warning. The information in the consumer advisory warning is standardised across all product disclosure statements and is not specific to information on fees and costs in relation to this Fund.

Consumer advisory warning

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

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

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

You may be able to negotiate to pay lower fees where applicable. 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) Moneysmart website (www.moneysmart.gov.au) has a managed funds fee calculator to help you check out different fee options.

7.1 Fees and other costs

This section shows fees and other costs that may be charged. These fees and costs are paid from your money, from the returns on your investment or from the assets of the managed investment scheme as a whole.

Taxes are set out in another part of this document.

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

Fees and costs summary

DIOGENES DISABILITY HOUSING FUND NO. 1		
TYPE OF FEE OR COST	**AMOUNT[1]**	**HOW AND WHEN PAID**
	Ongoing annual fees and costs	
Management fees and costs The fees and costs for managing your investment [2]	1.3325% per annum of the Fund's Gross Asset Value	The management fee accrues daily and is payable monthly in arrears to Diogenes FM from the assets of the Fund.
	Expense recovery of 0.10% per annum of the Fund's Gross Asset Value [2]	Operating expenses are reimbursable to Diogenes Inv (manager) or Responsible Entity.
Performance fees Amounts deducted from your investment in relation to the performance of the product	0.00% per annum of the Fund's Gross Asset Value [3]	20% of the amount by which the IRR to Investors exceeds 12% per annum, after all other fees, calculated 5-yearly. [2] Payable out of the Fund's assets. A performance fee is also payable from Fund assets if Diogenes FM is removed as manager of the Fund, calculated on an accrued basis (based on the value of the Properties at the relevant time).
Transaction costs The costs incurred by the scheme when buying or selling assets	1.90% per annum of the Fund's Gross Asset Value [4]	Transaction costs are variable and deducted from the Fund's assets as they are incurred and reflected in the unit price. These are disclosed net of amounts recovered by the buy-sell spread charged on investor initiated transactions.
	Member activity related fees and costs (fees for services or when your money moves in or out of the product)	
Establishment fee The fee to open your investment	Nil	Not applicable
Contribution fee The fee on each amount contributed to your investment	Nil	Not applicable

DIOGENES DISABILITY HOUSING FUND NO. 1		
TYPE OF FEE OR COST	**AMOUNT[1]**	**HOW AND WHEN PAID**
Buy-sell spread An amount deducted from your investment representing the costs incurred in transactions by the scheme	Buy up to 5% of application monies Sell up to 5% of redemption money	These costs are an additional cost to the investor but are incorporated into the unit price and arise when investing application monies and funding withdrawals from the Fund and are not separately charged to the Investor. The Buy-Sell spread is retained by the Fund and not separately charged to the Investor. The Buy-Sell spread is retained by the Fund when, respectively, an application or redemption transaction is processed.
Withdrawal fee The fee on each amount you take out of your investment	Nil	Not applicable
Exit fee The fee to close your investment	Nil	Not applicable
Switching fee The fee for changing investment options	Not applicable	Not applicable

1. Unless otherwise stated, all fees and costs are inclusive of GST and net of any input tax credits.
2. See 'expense recovery' under section 7.3 – 'Additional explanation of fees and costs'. Expense recovery is expected to be minimal during FY25, as the Fund is sourcing and acquiring assets. Management costs and fees (including expenses) over a 5 year period are expected to average 4.34% of gross assets per annum.
3. See 'performance fees' under section 7.3 – 'Additional explanation of fees and costs'. Performance fees accruing to FY25 are expected to be nil, as the Fund is sourcing and acquiring assets. Performance fees over a 5 year period are expected to average 0.71% of gross assets per annum.
4. See 'transaction costs' under section 7.3 – 'Additional explanation of fees and costs'. Transaction costs over a 5 year period are expected to average 1.21% of gross assets per annum.

7.2 Example of annual fees and costs for the Fund

This table gives an example of how the ongoing annual fees and costs in the Fund can affect your investment over a 1-year period. You should use this table to compare this product with other products offered by managed investment schemes.

EXAMPLE – DIOGENES DISABILITY HOUSING FUND		BALANCE OF $50,000* WITH A CONTRIBUTION OF $5,000 DURING THE YEAR
Contribution fees	Nil	For every additional $5,000 you put in, you will be charged **$0**.
PLUS Management fees and costs	4.34%	**And**, for every $50,000 you have in the Fund you will be charged or have deducted from your investment **$2,280** each year
PLUS Performance fees	0.71%	**And**, you will be charged or have deducted from your investment **$370** in performance fees each year.
PLUS Transaction costs	1.21%	**And**, you will be charged or have deducted from your investment **$635** in transaction costs
EQUALS		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 of: **$3,285** **What it costs you will depend on the fees you negotiate**

7.3 Additional explanation of fees and costs

Management fee

The Responsible Entity is entitled to an annual management fee of 1.3325% of gross assets per annum (Responsible Entity Fee). The Responsible Entity has agreed to waive its entitlement to the Management Fee to the extent the assets of the Fund are held in cash. Once the first property is acquired the Management Fee will commence.

Expense Recovery

The Responsible Entity and Diogenes Inv are entitled to be paid or reimbursed for expenses associated with the operation of the Fund, such as the costs associated with the administration or distribution of income, and other expenses properly incurred in connection with performing their duties and obligations in the day to day operation of the Fund such as legal fees, valuation fees, audit and accounting fees and Unit registry fees.

The Responsible Entity and Diogenes Inv are also entitled to be paid or reimbursed for costs and expenses associated with the Offer (estimated to be $307,500).

The Custodian is entitled to a fee for holding the title to the assets of the Fund which is 0.015375% of gross assets per annum with an establishment fee of $2,050 and a minimum annual fee of $15,375 per annum.

The Administrator is entitled to fees paid by the Responsible Entity out of its Management Fee.

A property management fee of up to 15.0% of gross rents per annum is payable to the SDA Provider who acts as property manager for each asset.

These expense recoveries and the Responsible Entity's fees are paid as they are incurred by the Fund.

Performance fees

Revenue and Vacancy Management Fee

Diogenes FM will be entitled to a Revenue and Vacancy Management fee, provided the distribution yield in any given Fund financial year exceeds 8% on the initial Unit price of $1.00.

The Revenue and Vacancy Performance fee will amount to 20.5% of the amount by which distributions to Investors exceed 8% per annum and are payable annually after the end of the each financial year.

Performance fee

The Responsible Entity is entitled to a performance fee (**Performance Fee**) of 20.5% of the Fund's outperformance above the 12% benchmark described below (**Benchmark**), as determined on a per unit basis set out below.

The Performance Fee, in respect of each series of Units (on issue at the time the Performance Fee is calculated), is equal to 20% of the difference between the Unit Return and the Benchmark (where this difference is determined by subtracting the Benchmark from the Unit Return) in relation to Units in that series, calculated and accrued daily and payable in arrears:

- within 30 days of the end of each Five Year Term;
- within 30 days of any change of Responsible Entity or Investment Manager;
- upon termination of the Trust,

provided that, if the accrued Performance Fee as at the date on which the Performance Fee is due to be paid is a negative amount, then no Performance Fee will be paid.

Five Year Term means:

(a) initially, a period of five years commencing on the date that Units are first issued in the Trust and ending on 30 June 2030, and

(b) each successive five year period.

For the avoidance of doubt, where a distribution of capital is made in respect of a series of Units, the Benchmark after that date will be calculated based on the reduced Net Unit Value immediately following that distribution of capital.

'Unit Return' on a date, in respect of a series of Units, is an amount equal to:

- the change in the Net Unit Value of a series of Units (after taking into account all liabilities for accrued fees except the Performance Fee the subject of the calculation); plus
- any distributions paid or payable to the Holders of the series of Units,

since the last time a Performance Fee was payable following the end of a Term or in the case of the first calculation period or for a series of Units issued during a calculation period since the issue of that series of Units.

The 'Benchmark' is, in respect of each series of Units, calculated at the same time as the Unit Return is equal to 12% per annum (a 12% IRR) applied against the opening Net Unit Value of that Series or end of the most recent Term (whichever is later).

The performance fee will be paid from Fund assets.

Diogenes FM will also be entitled to the Performance Fee if steps are taken to remove it as Responsible Entity of the Fund, on an accrued basis (that is, based on the value of the Fund assets at the relevant time and using that value to work out what the IRR to Investors would be if the Fund assets were sold for that value at that point in time).

Transaction Costs

Transaction costs are costs incurred by the Fund for, among other things, buying and selling direct property. Transaction costs include brokerage, stamp duty, legal and tax advice and property settlement costs. These costs are additional to the management fees and costs.

The transaction costs shown in the fees and costs summary at Section 7.1 and 7.2 are net of any amount recovered in the buy/sell spread and are an additional cost to Investors.

The Fund's transaction costs are entirely dependent on the investment mix and activity of the Fund. Actual transaction costs for a financial year may therefore differ from the amount disclosed in this PDS. Updated changes to the transaction costs amount will be available on the Fund's Website.

Transaction costs incurred by the Fund include the following:

Acquisition Fee

An acquisition fee of 1.5375% of the value of each Property is payable to Diogenes FM as consideration for the work performed in acquiring the Properties (as applicable). The acquisition fee is payable upon completion of each acquisition.

Finance Arranging Fee

A finance arranging fee of 1.025% of the facility limit of each Loan Facility is payable to Diogenes FM as consideration for the work performed in negotiating and securing Loan Facilities for the Fund. The finance arranging fee is payable upon the Fund entering into loan facility agreements.

Development Management Fee

A development management fee of 1.025% of the aggregate cost of all development projects (excluding land) is payable to Diogenes FM as consideration for the work performed in managing development projects for the Fund. The development management fee is payable monthly in arrears as development expenditure is incurred.

Disposal Fee

A disposal fee of 1.025% of the gross sale price of each Property is payable to Diogenes FM as consideration for the work performed in managing the disposition of Properties (as applicable). The disposal fee is payable upon completion of each sale.

Other costs

Property acquisitions and dispositions incur a range of other costs. Acquisition related costs, due diligence costs, valuation and legal expenses, and stamp duty on the acquisition of property. Disposition related costs include real estate broker's sale commissions, marketing costs and legal and conveyancing expenses.

Goods and services tax

All the fees in this Section 7 are inclusive of the net effect of GST (i.e. includes GST net of input tax credits and any available reduced input tax credits). The Fund may not be entitled to claim a reduced input tax credit in all instances. More information on tax (including GST) is set out in Section 9.

Allocation of fees

The fees and costs disclosed above will be met by the assets attributable to Ordinary Units.

Waiver or deferral of fees

Diogenes FM may, in its discretion, accept lower fees and expenses than it is 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.

Wholesale Investors

Diogenes FM may negotiate with 'wholesale clients' (as defined in the Corporations Act), on an individual basis, in relation to rebates on its fees in circumstances permitted by the Corporations Act or applicable relief granted by ASIC. In the event rebates are offered, they will be paid by Diogenes FM and therefore will not affect the fees paid by, or any distributions to, other Investors.

IDPS fees

Indirect Investors should be aware that in addition to the fees and charges described above, they will also be liable to pay fees for those services as described in the offer document or guide for their Investor Directed Portfolio Service (IDPS).

8

RISKS

Risks

As with all investments, an investment in the Fund is subject to risks which can lead to no or lower than expected returns, or loss of part or all of your capital. This section identifies some of the key risks associated with an investment in the Fund, and in property investments generally.

The key risks, in the Responsible Entity's view, include:

- general investment risks;
- property investment risks; and
- specific Fund risks.

The above risks are detailed further below. These comments are intended as a guide only and are not exhaustive. Investors should read this PDS in full before investing in the Fund to understand more fully the risks of investing in the Fund. The Responsible Entity recommends you seek advice from a professional adviser prior to investing in the Fund to ensure you understand the risks.

8.1 General investment risks

The risks below are general in nature and relevant to most investments.

Economic and regulatory risk

Changes in laws and regulations may impact the performance of the Fund and the value of the Properties. Changes in Federal, State and local government laws, regulations and policies may impact the value of the Properties and/or their ability to attract tenants, which may result in a decline in rental income to the Fund.

Economic and market conditions

Changes in the economy and market conditions may affect asset returns and values which, in turn, may result in a decrease in the portfolio's value or the Fund's returns. These changes may include movements in interest rates, exchange rates, securities markets, inflation, consumer spending, employment and the performance of the economy.

There can be no guarantee that investor confidence in property, cash-style or mortgage investments will not change in a manner adverse to investors in the Fund. The general economic, health, social and political climates in which the Fund operates or other like events are outside the control of the Responsible Entity.

Bound by the Responsible Entity

The Responsible Entity has broad discretion and rights to manage the Fund. This power includes the decision to dispose of Fund assets if the Responsible Entity deems the sale to be in the best interest of all Unitholders. The value of the Properties over time (and therefore the value of the Units) will also be affected by decisions of the Responsible Entity in relation to the Properties and the Fund.

Solvency/liquidity of the Responsible Entity

The management and value of the Properties and the Fund would likely be negatively affected by the insolvency of the Responsible Entity. (In the event that the Responsible Entity becomes insolvent, a majority of Unitholders could vote to replace the responsible entity of the Fund if a replacement can be identified).

Responsible Entity and Investment Manager key person risk

The strategic management of the Responsible Entity and Investment Manager depends on its key personnel. The death or incapacitation of any of them may affect the management of the Fund and the Properties in the short term.

Counterparties

The Fund may enter into legal agreements regarding aspects of the Fund's operations. For example, a counterparty may be responsible for property management, property development or tenancy arrangements, but may fail to perform adequately.

Litigation

The Fund may be involved in disputes or possible litigation. It is possible that a material dispute could affect the value of the assets or expected income of the Fund.

Taxation

Changes to taxation laws or policies that the Responsible Entity or the Fund is, or later becomes, subject to may impact Investors' returns from the Fund. The Responsible Entity recommends that you seek professional advice prior to investing in the Trust to ensure you understand the risks.

8.2 General property investment risks

Property market risk

The nature of this investment is similar to a direct investment in disability housing property. Accordingly, risks commonly associated with investing directly in disability housing property apply equally to an investment in the Fund and Investors should be aware these risks are different to those of investing in other types of property such as commercial or industrial property. For example, property market factors that may affect the returns generated from a disability housing property include:

- lack of demand for the type of property including the area in which it is located, which may affect the ability to sell a property, but also may limit the ability to lease a property quickly;
- competition from new developments and refurbishments to other properties that potentially reduce the demand for the property and thus its value; and
- vacancy arising on the expiry of a lease or where an occupier fails to perform its obligations under the lease or occupancy licence.

Valuation risk

The value of real property assets can be volatile, for some of the reasons stated above, and there is a risk that values from time to time may fluctuate. Should a lender under a finance facility require an updated valuation during the term of the loan, a lower valuation may be ascribed to the value of one or more of the Properties. A significant fall in valuation will mean an increase in gearing ratio and may trigger a breach of loan covenants and may impact the net asset backing of Units and the Unit Price.

The Responsible Entity mitigates this risk by seeking independent valuations of Properties in accordance with its valuation policy and disclosing to Investors if it believes there is a material adverse change in the values relied upon. The Responsible Entity's gearing policy that governs the gearing within the Fund at the individual facility level is intended to avoid a breach of loan covenants.

Leasing risk

While leases impose legally enforceable obligations on tenants, it is possible for tenants to default on their obligations and for associated costs to be incurred in enforcement proceedings and, if necessary, the re-leasing of the tenancy. With a vacancy arising, the Fund could incur costs in re-leasing the premises, such as time delays in securing a replacement tenant, incentive payments and agents' leasing commissions. These leasing costs could diminish the income available to the Fund.

Capital expenditure risk

The Fund may be required to pay for any structural repairs or maintenance work required. If structural maintenance work is greater than the amounts assumed or estimated as stated in this PDS, it may affect the returns of the Fund. Alternatively, if structural repairs and maintenance work is less than the amount available that has been set aside, surplus funds may be retained in the Fund.

Refinance risk

When interest rates are variable there is a risk that rates may fluctuate and if rates increase, there is a risk that distributions to investors may decrease. There is a risk that when the stipulated term of a Finance Facility expires, finance may not be available on similar terms or as favourable terms (including as to the terms as may be renegotiated). This may result in an impact on the returns from the Fund. Additionally, if the Responsible Entity is unable to refinance a loan from any source, then one or more Properties may need to be sold.

Borrowings and interest rates

Rising interest rates impact the distributable income of the Fund. If interest rates increase, then there is a risk that distributions paid to Investors may be reduced.

Gearing risk

Gearing has the effect of amplifying potential gains and losses. Where there is a fall in the value of any one individual Property, the net asset value of the Fund may fall. Alternatively, where there is a rise in the value of any one individual Property, the net asset value of the Fund may increase. As the Fund will utilise borrowing facilities provided by financiers, the Fund is subject to the terms and conditions, otherwise known as 'covenants', of the borrowing facilities. When these terms and conditions are breached, a financier may have the ability to take action against the Fund. For example, if there are not sufficient funds to meet interest payments on any borrowing facility, the financier may want to enforce its security over the Property in the portfolio.

However, the financier will not require Investors to contribute any more cash than their original total investment.

Because the financier does not participate in capital gains, the effect of this is to increase the potential of capital gain for Investors. However, this also increases any capital loss for Investors if the value of any one of the Properties falls in value, as the financier must be repaid the principal amount outstanding on the loan and outstanding interest or costs before distributions are made to Investors. Any rise or fall in the value of a Property has a corresponding, disproportionate effect on equity held by Investors.

Occupier risk

The Fund relies on securing eligible participants or occupiers to generate its revenues. If an occupier is affected by financial difficulties, the occupier may default on their rental or other contractual obligations which may result in loss of rental income or losses to the value of the Fund's Properties or both. Once a Property becomes vacant, the time required to secure a replacement occupier will also impact the Fund's performance. This risk also applies to SDA Providers and SIL Providers associated with the provision of services to the Fund's Properties.

Building and construction risk

The development of new Properties could lead to adverse effects on the returns of the Fund, or the project costs could be more than the projected project costs. This risk could impact on the net asset value and the returns of the Fund. Investors should be aware that during the term of their investment in the Fund, there is a risk that unexpected capital expenditure may be incurred, and this may impact returns and further debt or equity may be sought to assist with such costs.

Property insurance risk

Damage to any one of the Properties as a result of fire, storm, flood, cyclone, malicious damage, earthquake etc. will be covered by insurance, where applicable.

The full extent of the insurance coverage available is subject to the specific terms and conditions of the applicable insurance policy. In unusual circumstances, insurance may not cover some or all of a particular loss, thus resulting in a loss to Investors. There may be events for which there is no insurance cover available, the Fund has not taken out insurance cover for this particular event or additional costs apply because of the location or nature of a Property. Should an event occur for which the Fund has no cover, this could impact the net asset value of the Fund and Investors may incur a capital loss. Events that are unaccounted for may include natural disasters, social upheaval, events of terrorism or war involving Australia, or events causing global disruption, or failure of the insurer itself.

Environmental contamination risk

Property can be impact by risks associated with environmental contamination. There is a risk that a Property may be found to contain environmental contamination. In such a case, costs including remediation costs and potential increases to insurance premiums may be incurred by the Fund thus impacting Investors' returns. Further, there is the risk that the discovery of environmental contamination may adversely affect the value of the Property. Such risks may occur irrespective of whether the cause of the contamination occurred during the Fund's ownership or not.

8.3 Specific Fund risks

There are also other risks that are specific to the Fund and its structure. For example, investments in the Fund are not capital guaranteed. Investors may not receive any return on their investment and may lose some or all of the capital invested. Again, whilst not exhaustive, the following details some of the risks that could affect your investment.

Economic and regulatory risk

Changes in laws and regulations specific to the NDIS and SDA funding may impact the value of the Properties and/or their ability to attract tenants, which may result in a decline in rental income to the Fund.

Settlement risk

While the Responsible Entity aims to raise sufficient capital to purchase Properties, there is a risk that a Property will not be purchased for that or some other reason. Hence, the Fund may not benefit from increased diversification by geography.

Development and construction risk

When procuring construction services, the Fund is exposed to risks relating to building construction and property development. This may include risks of increases in costs of materials and/or labour during the life of the project, supply chain issues, and delays such as those caused by building contractors and trades, council development and town planning approvals, costs associated with latent conditions underlying or adjacent to the development site or abnormal weather events. These factors can increase costs beyond the contingency amount normally allowed in a construction agreement.

Additionally, the risk of failure to complete a project may arise because the appointed contractors and trades may become insolvent. In this case the development partner and the Fund will have to source other contractors or trades to complete works which may result in an increase in costs of the project.

Risks in this type of project include the risk that:

- the value of the asset will decline in value during the development period;
- the cost of the development will be greater than budgeted;
- delays in the development may add to interest and other costs that the Fund may or may not have to bear.

The Responsible Entity and Investment Manager will work together with any construction partner it engages, including any project manager, to ensure risks above are mitigated in this expanded investment strategy and construction and development works are delivered within the agreed timeframe.

Liquidity of the Fund may also be adversely affected in the case of any construction or development borrowings where there may be insufficient funds available to meet the ongoing development and construction costs. The Responsible Entity will mitigate this by continuing to monitor the ongoing cashflow requirements of the Fund and where necessary make adjustments at the portfolio level either by selling one or more properties, or using existing cash to meet the cashflow requirements of the Fund.

The Responsible Entity will update Investors on any development works that are undertaken by the Fund from time to time and the details of any such development works.

Unplanned capital expenditure

There is a risk that a material issue arises within the building over the course of ownership by the Fund, which may result in unbudgeted capital expenditure by the Fund. Any of these factors may result in a requirement for the Fund to raise additional equity or temporarily halt distributions to fund the replacement of capital items and/or unforeseen capital expenditure beyond general repairs and maintenance.

Financial Targets

Financial targets set out in this PDS are not intended to be a forecast. It is only an indication of what the Fund strategy aims to achieve over the medium to long term, assuming financial conditions remain relatively stable during that time and are based on a series of assumptions across many different aspects of the ownership and operation of the Properties. While such forward looking financial information is based on the best estimates of the Responsible Entity, the Responsible Entity gives no guarantee that such events will occur and potential investors should be clear that the actual financial performance of the Fund may be different from that set out in this PDS.

Taxation risk

Although it is the Responsible Entity's intention to develop and hold the Properties primarily for the purpose of earning income returns during the Fund term, it is possible that if circumstances arise which cause the Fund to sell one or more Properties soon after completion that the Fund may be considered a development vehicle. This could result in any value increase in the Properties being treated as an income return rather than a capital gain, and/or in the Fund being subject to income tax. Should either of these occur, the after-tax return to Unit holders may be reduced.

Insurance risk

Insurance premiums may be impacted by numerous factors. There is a possibility that not all risks will be covered by insurance.

Failure to secure debt funding

The Responsible Entity intends to secure a debt facility once the Initial Portfolio has been acquired, constructed and leased. It is possible that a debt facility cannot be secured, or the final terms of the facility are materially disadvantageous to Unitholders (taken as a whole) compared with the indicative key debt terms summarised in this PDS, or that the Responsible Entity is unable to satisfy the conditions precedent for such finance. This may limit or prevent the acquisition of further properties and may result in a decrease in the Fund's returns.

Breach of debt facility covenants leading to default

There is a risk that the Trust could breach its debt LVR (loan to value ratio) covenant due to an adverse revaluation of the Properties, leading to an event of default under the terms of the debt facility. This might be caused by a number of factors, including the loss of an existing occupier, inability to attract new occupiers to any vacant space and/or adverse market leasing conditions.

The inability of occupiers to meet their lease obligations to the Fund or failure to attract new occupiers as and when required may cause the Fund to breach its interest coverage ratio covenant and/or may render the Fund unable to meet interest payments. Both breaches outlined above would be Events of Default under the facility, in addition to other standard events of default.

Interest rate risk

Despite the intention to enter into interest rate swap arrangements for a portion of the Term of the Fund, increases in prevailing interest rates prior to completion or during the holding period of the Property will increase the Fund's financing costs and impact investor returns.

Failure to extend or refinance debt at maturity

In the event the Responsible Entity is unable to extend or refinance the debt facility at maturity, there will likely be adverse effects on Fund distributions (once they commence). In this scenario it is likely the Responsible Entity will seek to immediately sell the Properties and wind up the Fund. A sale in those circumstances may result in a below market sale price being achieved.

Illiquidity

Investors will not be able to withdraw from the Fund prior to 30 June 2030. Following 30 June 2030, the Responsible Entity will offer a liquidity mechanism described in section 5.11 of this PDS, however the ability for Investors to withdraw some or all of their investment is not guaranteed. While Unitholders are entitled to transfer their Units in accordance with the Fund Constitution, there may not be a ready secondary market for Units.

Consultancy services

Diogenes FM, as Responsible Entity of the Fund is dependent upon its consultants (e.g., an independent qualified valuer, technical due diligence, and a technical legal review) to provide quality and timely consultancy services. The ability of the consultants to do this and the accuracy of their advice cannot be guaranteed by Diogenes FM and may be affected by factors completely outside its control.

Operational Risk

Operational risk relevant to the Fund and the Responsible Entity includes system failures, the risk of errors, fraud or other criminal activity, and events that might disrupt the normal course of operating the Fund. These events may lead to delays, or at worst, failures in respect of functions on which Investors rely. This includes any such failures by the Responsible Entity in its capacity as the Responsible Entity, its related service providers and third parties. Operational risk extends to the risk associated with the Responsible Entity's reliance on the effective operation and security of some computing and systems processes. It manages these risks by having appropriate systems and controls in place and by utilising experienced external service providers.

Responsible Entity and related party risk

Diogenes FM is the Responsible Entity of the Fund. In this capacity, there is the risk that Diogenes FM may be removed as the Responsible Entity of the Fund or that a change of key personnel or key service providers, such as the Property Manager, may adversely affect the way in which the Fund is managed. Related parties and conflicts of interest risk are addressed by Diogenes FM in accordance with its conflicts of interest policy and related party policies.

Diversification risk

While the Fund is still in a growth stage, the Responsible Entity expects the Fund to continue to be exposed to diversification risk in the medium term as there will be fewer asset holdings than when the Fund achieves greater scale. Diversification risk can lead to exposure to geographical risk, losses or lower returns because of an investment portfolio lacking diversity. Additionally, there is uncertainty around further acquisitions and capital inflows. The investment objective of the Fund is to provide Investors with a regular income stream with the potential for capital growth through building an investment in a diverse disability housing property portfolio which has the opportunity to value-add. The Investment Manager will continue to actively seek opportunities to further diversify and grow the Fund however this is also dependent on raising additional equity and/ or borrowings to fund such acquisitions.

Conclusion

The preceding list of risk factors is not to be taken as being comprehensive or inclusive of all the risks that may be attributable to an investment in the Fund. These risks, as well as other risks which have not been specifically identified, may in the future affect the financial performance of the Fund. Investors should note that, while the general economic and political climate in which the Fund operates or other like events are outside the control of the Responsible Entity, it will use best endeavours to mitigate risk wherever possible.

9

TAXATION INFORMATION

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Taxation Information

9.1 General Information

This section provides a summary of the Australian income tax, capital gains tax (**CGT**) and goods and services tax (**GST**) of acquiring and disposing of interests in the Fund. The stamp duty implications relevant to holding Units in the Fund are not outlined. The information in this section is based on the law that is current in Australia as at the date of this PDS. It does not account for any changes in the tax law or future judicial interpretations of the law after this time.

This taxation summary is general in nature. The comments in this section deal only with the Australian tax implications of investing in the Fund where the investor is an Australian resident for income tax purposes and holds the Units on capital account. The comments are not intended to apply where the investor is not an Australian resident for income tax purposes, or holds the Units as revenue assets or trading stock in relation to the Units.

The taxation implications of an investment in the Fund will vary depending upon your particular circumstances. It is strongly recommended that each investor seeks independent professional tax advice applicable to their own circumstances before concluding on the taxation treatment that will apply.

The Responsible Entity does not purport to offer any taxation advice. The Responsible Entity and Diogenes Inv and its officers, employees, taxation or other advisers do not accept any liability or responsibility in respect of any statement concerning taxation consequences, or in respect of the taxation consequences.

This taxation summary does not constitute financial product advice as defined in the Corporations Act. This summary is confined to taxation issues and is only one of the matters you need to consider when making a decision about your investments. You should consider taking advice from a licensed adviser, before making a decision about your investments.

9.2 The Fund

The Fund is an open-ended unlisted property fund with the primary objective of investing in SDA real estate which will generate rental income.

The Fund should not be subject to tax on the net taxable income of the Fund for the relevant financial year. Rather, the investors should be assessed on their share of the net taxable income of the Fund for the relevant year. Subject to the Attribution Managed Investment Trust (**AMIT**) rules outlined below, the share will be determined based on the attribution of the different income characters by the Fund to the investors. This is the case even where cash distributions are reinvested into the Fund, where no cash distributions are made by the Fund to investors, or where the cash distributions differ to the aggregate attribution of the different characters from the Fund. At the date of this PDS there will not be a distribution reinvestment facility.

Any net tax loss or net capital loss generated by the Fund cannot be distributed to investors. However, the net tax losses and net capital losses are carried forward where specific requirements are satisfied (e.g. any applicable loss utilisation rules), and the Fund may be eligible to offset losses to reduce any income or capital gains for the relevant period.

The Responsible Entity intends that the Fund qualifies as a 'managed investment trust' (**MIT**) for both income tax and withholding tax purposes as defined in the tax law, and that an election be made to apply the AMIT taxation regime.

The AMIT regime will apply to investors in the Fund for a particular income year if the Fund satisfies the requirements to qualify as an AMIT for that year. It is intended for the Fund to continue to qualify as a MIT and an AMIT each year, however, the Responsible Entity does not guarantee that the Fund will meet the requirements to be a MIT and AMIT.

If the AMIT regime applies for an income year, then the tax outcomes for investors should be as follows:

- The taxable income of the Fund will be attributed to investors on a fair and reasonable basis and in accordance with the Fund's Trust Deed and this PDS.
- The amounts attributed to investors from the Fund each year will be disclosed in an AMIT Member Annual Statement (**AMMA Statement**), which will be provided to investors no later than three months after the end of the relevant income year.
- The amounts attributable to Investors should be taken into account in their taxable income calculation for the relevant year of income.
- The amounts attributed to investors from the Fund should retain the character they had in the Fund for income tax purposes.
- Investors may be entitled to concessional rates of tax that may apply to certain forms of taxable income such as capital gains.
- Investors will be subject to a tax cost base adjustment mechanism, which may result in increases or decreases to the tax cost base of their Units in the Fund. Broadly this may occur where there is a difference between the cash amount distributed by the Fund and the taxable amounts attributed to Investors for an income year. Details of these tax cost base adjustments will be shown in the AMMA Statement.
- Taxable amounts may be attributed to Investors by the Fund at the time of any redemption or cancellation of Units in the Fund on a fair and reasonable basis.

If the AMIT regime is not applicable to the Fund for a particular income year, then investors should be subject to tax on their proportionate share of the net taxable income of the Fund for that year, based on their present entitlement to the income of the Fund for that year.

It is recommended that investors obtain independent tax advice on the application of the AMIT regime to them in respect of their investment in the Fund.

9.3 Tax Deferred Distributions

Distributions from the Fund may include assessable components, (for example, net rental income), and non-assessable components. The non-assessable portion of a distribution may arise where the cash being distributed is greater than the taxable income of the trust. These amounts are referred to as being “tax deferred”.

This can occur due to timing differences between how amounts are treated for tax purposes than for accounting purposes. For example, depreciation rates may differ for tax and accounting; the Fund may also incur some expenses that must be amortised over time for tax purposes but can be immediately expensed for accounting purposes or vice versa.

Tax deferred amounts are received by an investor but are not assessable immediately for income tax. The tax liability on a tax-deferred distribution is generally deferred until the Units in the Fund are disposed.

A tax deferred distribution reduces the cost base of the Unit on which the distribution is made. Broadly, the cost base of a Unit includes the initial amount invested into the Fund (adjusted for any additional investments or redemptions, and any tax deferred distributions). Where a tax deferred distribution on a Unit exceeds the cost base of that Unit, the cost base is reduced to zero and the excess amount is regarded as a discountable capital gain for the investor (depending on the ability of the investor to access the CGT discount).

Note that the reference to a tax deferred amount excludes capital gains made by the Fund on the sale of the property investments (discussed below).

9.4 Taxation of Capital Gains

Under the AMIT regime, the disposal of an asset (i.e. one of the properties) by the Fund will be taxed under the capital gains tax provisions of the tax law. Where the Fund disposes of an investment it has held for at least 12 months, it will be eligible to apply the 50% CGT discount, after the application of any capital losses.

Therefore, a distribution from the Fund may include capital gains that have been subject to a CGT discount amount.

The net capital gain will form part of the net (tax) income of the Fund and the CGT discount amount is regarded as a separate non-assessable amount. The capital gains and CGT discount amounts will be identified in the AMMA Statement or annual tax statement to assist investors in calculating their net capital gain for the relevant income year. While MITs and AMITs are not eligible for the CGT concession, the CGT concession is still available to eligible investors in a MIT or AMIT.

The Fund will choose to apply the CGT provisions as the primary code for taxing gains and losses on the disposal of certain passive investments (including land). Making this choice means that, should the Fund dispose of a property such that the disposal would be on revenue account, the disposal will be treated as a CGT event and taxed accordingly.

9.5 Redemption, Disposal, or Cancellation of Units

The disposal or redemption of units in the Fund is a taxable event for CGT purposes. An investor may realise a capital gain or capital loss on disposal that should be included in an Australian resident investor's net capital gain calculation for the relevant income year.

The cost base of your investment, which is relevant when calculating any such capital gains or losses, may change over the duration of holding your investment. The cost base of your interest in the Fund may increase or decrease if the taxable income attributed to you differs to the amounts that you have received as a cash distribution.

Certain investors are eligible to apply a CGT discount on a capital gain where the investment has been held for at least 12 months (excluding the acquisition and disposal dates). For an individual or trust this discount is 50% and for a complying superannuation fund the discount is 33.33%.

9.6 Goods and Services Tax

The acquisition or disposal of the Units will be classified as a financial supply for Australian GST purposes. Accordingly, Australian GST will not be payable in respect of amounts paid for the acquisition or disposal of the Units. No GST should be payable in respect of distributions paid to investors.

An investor may not be entitled to claim any input tax credits (**ITC**), including reduced input tax credits (**RITC**), for GST that it pays on acquisitions that an investor makes in connection with their investment in the units in the Fund, such as, for example, the acquisition of third-party services. The availability of credits will depend on whether the investor is registered for GST, and in connection with the enterprise that is registered, has acquired the service in the course of that enterprise, and whether the service qualifies for RITC.

The Fund itself will be providing input tax supplies in the form of residential rent. The Fund will incur expenditure that is subject to GST at 10% however, will be required to determine the extent to which (if any) GST can be claimed on the expenses.

9.7 Tax File Numbers and Australian Business Numbers

Investors are not required to quote their tax file number (**TFN**) or, if they have one, an Australian Business Number (**ABN**) or claim an exemption from providing a TFN. However, if a TFN or ABN is not provided or an exemption is not claimed, the Responsible Entity is required by law to deduct tax from most distributions at the highest marginal tax rate (plus any applicable levies).

If an investor is making this investment on behalf of a business or enterprise they carry on, they may quote their ABN instead of a TFN.

9.8 Stamp Duty

Each Australian State and Territory has its own rules that impose stamp duty on the acquisition of units in a unit trust that directly or indirectly owns land assets (and, in some States, other assets) located in that State or Territory.

You will be required to pay, and the Fund will not reimburse you, for any stamp duty payable on acquiring an interest in the Fund.

You must take your own independent professional stamp duty advice regarding to your investment in the Fund to take into account your individual circumstances.

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ADDITIONAL INFORMATION

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Additional Information

This section does not purport to be an exhaustive statement of additional information relating to the operation of the Fund, or all of the provisions contained in the documents described. In particular, the provisions of the Corporations Act can affect the construction and operation of the Fund and Diogenes FM's obligations. Please contact the Responsible Entity by email info@diogenesfm.com.au or telephone 1300 728 773 for further information.

10.1 Series of Units

The Responsible Entity has the right to issue different classes of units in the Fund. This includes the right to issue units in a series.

The Fund uses series accounting to ensure that the allocation of performance fees against Units is equitable. Unless the Responsible Entity decides otherwise, there may be up to 60 different series of Units created in each Term – that is, a new Unit series may be created each calendar month. This allows the Responsible Entity to charge a performance fee based on the particular issue price of Units of each series.

Units in a series are treated as a separate class. The Trustee may undertake a roll up of series of units into one series following the end of each Term.

The price at which units are acquired is determined in accordance with the Constitution. The application price is, in general terms $1.00 per Unit for Units in the first series or class. The application price for Units in each subsequent series or class is equal to the net asset value ("NAV") of the Fund divided by the number of Units on issue in the Fund (ignoring any accrued performance fee in relation to Units in any other series or class) plus any Buy Spread.

10.2 Buy-Sell Spread

The Responsible Entity retains a discretion to apply a Buy Spread of up to 5% of application monies and a Sell Spread of up to 5% of redemption monies. These amounts become assets of the Fund and are not paid to the Responsible Entity or the Investment Manager. The Buy-Sell Spread is a reasonable estimate of expenses incurred when buying or selling assets of the Fund. These costs are an additional cost to the investor but are incorporated as an adjustment to the unit price and are not separately charged to the investor. The Buy-Sell Spread can be altered by the Responsible Entity at any time. The amount is paid so as to mitigate any unfairness from an application or redemption affecting other investors.

10.3 Continuous disclosure and other updates

The Fund is a disclosing entity pursuant to the Corporations Act. As such, the Responsible Entity must lodge half-yearly as well as annual financial reports of the Fund with ASIC, and notices of material information and events as they happen. This information may be inspected at or obtained from ASIC or the registered office of the Responsible Entity. If you wish to receive a copy of the latest audited accounts of the Fund, please contact the Responsible Entity by email info@diogenesfm.com.au or telephone 1300 728 773.

The Responsible Entity intends to follow ASIC good practice guidance contained in *Regulatory Guide 198 – Unlisted disclosing entities: Continuous disclosure obligations to meet its continuous disclosure obligations*. This means Diogenes FM has elected, as a disclosing entity, to update Investors by posting continuous disclosure notices on its website at **www.diogenesfm.com.au**. This information is likely to be:

- information that Investors and their professional advisers reasonably require to make an informed investment decision; and
- information that might reasonably be expected to have a material influence on the investment decision of a reasonable person, as a retail client.

Any updated information about the Fund that is considered not materially adverse to investors will also be made available at **www.diogenesfm.com.au**. In accordance with its obligations under the Corporations Act, the Responsible Entity may issue a supplementary PDS to supplement or amend 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.

10.4 Investor reporting

Upon becoming a member of the Fund, investors will be provided with an acknowledgement letter confirming receipt of Application Money and the number of Units issued. Other reporting, including continuous disclosure reporting obligations as set out in Section 5, will generally be made available on the website, or by email regarding Investor statements, and will include the following:

- monthly distribution statements;
- an annual statement of taxable income, providing a summary of distributions earned for inclusion in the Investor's income tax return (AMIT Member Annual Statement);
- annual periodic statement, which details all transactions on each Investor's account, together with balances on the number of Units held in the Fund;
- annual financial report of the Fund in accordance with regulatory requirements, if requested; and
- bi-annual RG 46 updates on the website.

If you do not have an email address or access to the internet to receive this information, then please contact the Responsible Entity by email info@diogenesfm.com.au or by telephone 1300 728 773 to update your communication preferences.

10.5 Complaints

The Responsible Entity's complaints handling process is based on the Australian Standard AS ISO10002-2014 'Customer Satisfaction – Guideline for Complaints Handling in Organisations'. The Fund's Constitution and Compliance Plan also contain provisions governing how complaints must be dealt with. A copy of our Complaints Handling Policy is on the Responsible Entity's website at **www.diogenesfm.com.au**. Indirect Investors who are retail clients may lodge complaints in relation to the Fund or the complaints handling process by contacting the Responsible Entity by email info@diogenesfm.com.au or by telephone 1300 728 773.

Upon receipt of a complaint, the Responsible Entity acknowledges the complaint by the close of the next business day. The Responsible Entity aims to resolve a complaint as quickly as possible and, unless it has been resolved within 5 business days, will provide you with a written "Internal Dispute Resolution (IDR) response" setting out the final outcome. Other than in limited circumstances, including where the complaint is particularly complex, the Responsible Entity will provide the IDR response within 30 calendar days after receipt of the complaint. If there is to be a delay, the Responsible Entity will advise you of the reasons for the delay and your further rights. If an issue has not been resolved to your satisfaction, you can lodge a complaint with the Australian Financial Complaints Authority (AFCA). AFCA provides fair and independent financial services complaint resolution that is free to consumers.

Website:	www.afca.org.au
Email:	info@afca.org.au
Telephone:	1800 931 678 (free call)
In writing to:	Australian Financial Complaints Authority, GPO Box 3, Melbourne VIC 3001.

10.6 Privacy

The Responsible Entity is committed to protecting the privacy of Investors. We are bound by the *Privacy Act 1988* (Cth) (**Privacy Act**), as amended from time to time, and the principles and procedures to be adopted under that legislation. The Privacy Act regulates, among other things, the collection, storage and security, quality, management, correction, use and disclosure of and access to personal information. By applying to invest in the Fund, applicants consent to personal information being used by the Responsible Entity for the purposes for which it was provided and for other purposes permitted under the Privacy Act.

The Application Form accessible at **www.diogenesfm.com.au** requires personal information to be provided. The Responsible Entity, and any service providers to the Responsible Entity or to the Fund (including the Custodian) may collect, hold and use your personal information in order to assess your application, service your needs as an Investor, provide facilities and services to you, to the Responsible Entity and to the Fund and for other purposes permitted under the Privacy Act and other legislation, such as the Anti-Money Laundering and Counter Terrorism Financing (**AML/CTF**) laws. Taxation and other laws (such as CRS and FATCA) may also require some of the information to be collected in connection with your application.

If you do not provide the information requested or provide us with incomplete or inaccurate information, your application may not be able to be processed efficiently, or at all. The Responsible Entity may disclose your information (or parts of it) as follows:

- to government agencies who may lawfully request it, but only when it is required by law to do so;
- to external parties on your behalf, such as your financial adviser (if the adviser's name appears on the Application Form), unless you have instructed the Responsible Entity in writing to do otherwise;
- to service providers (mailing houses, auditors, etc.) to enable the administration and operation of your investment; and
- to assist you with any queries.

You are entitled to access, correct and update all personal information which the Responsible Entity holds about you. The information held may be obtained by contacting the Responsible Entity. You should contact us if you have concerns about the completeness or accuracy of the information we have about you or if you would like to access or amend your personal information held by us or our service providers.

Please advise the Responsible Entity of any changes to information you have provided to us using the Change of Details Form as provided on the Responsible Entity's website at **www.diogenesfm.com.au** . Any complaint you have as to how we have handled your personal information will be dealt with in accordance with our Privacy Policy. A copy of our current Privacy Policy is available on our website.

10.7 Anti-money laundering

The Responsible Entity is required to comply with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) (**AML/CTF Law**). This means that the Responsible Entity will require you to provide personal information and documentation in relation to your identity and that of any beneficial owners when you invest in the Fund. The Responsible Entity may need to obtain additional information and documentation from you to process your application or subsequent transactions or at other times during your investment. The obtaining of information will be in accordance with the AML/CTF Policy that has been adopted by the Responsible Entity. The Responsible Entity may need to identify:

- an Investor and each beneficial owner (including all investor types noted on the Application Form) prior to purchasing Units in the Fund. The Responsible Entity will not issue Units to you until all relevant information has been received and your identity and that of any beneficial owner has been satisfactorily verified;
- transferees of Units in the Fund. The Responsible Entity will not register a transfer until all relevant information has been received and you or your transferee's identity or that of its beneficial owners has been satisfactorily verified;
- your estate. If you die while you are the owner of a Unit in the Fund, the Responsible Entity may need to identify your legal personal representative prior to transferring ownership or making any payments; and
- anyone acting on your behalf, including under your power of attorney.

In some circumstances, the Responsible Entity may need to re-verify this information and may request additional information. By applying to invest in the Fund, you also acknowledge that the Responsible Entity may decide to delay or refuse any request or transaction if it is concerned that the request or transaction may breach any obligation of, or cause the Responsible Entity to commit or participate in an offence under, any AML/CTF Law, and neither the Responsible Entity nor any of its related bodies corporate, affiliates, associates or officers will incur any liability to you if it does so.

10.8 Related party disclosure

Various related parties provide services to the Responsible Entity including in respect of the Fund. The Responsible Entity maintains a policy on related party transactions. The policy requires any transaction involving a related party to be on terms and conditions no more favourable to the related party than those that it is reasonably expected would be the case if the benefit directly or indirectly was paid to a third party dealing at arm's length in the same circumstances and on commercial terms.

The Responsible Entity discloses that Diogenes Inv may earn transaction fees from builders or developers in the course of facilitating investment opportunities for the Fund. These fees range from 0% to 5% of the land and building package price. These costs form part of the overall cost of land purchase and construction of the SDA dwelling and are part of the builder's usual marketing and sale expenses (generally where conventional real estate agency channels are not utilised). No members of these related parties will sit on the Investment Committee that makes investment decisions on behalf of the Fund.

Additionally, before any related party transaction is entered into, the Responsible Entity will satisfy itself that the fees to be paid to the related party are approximately equivalent to what would be paid to a third party at arm's-length for the same goods or services; and the Responsible Entity will also satisfy itself, and obtain legal advice if there is any doubt, that all the relevant factors in determining whether the proposed related party transaction falls within the 'arm's length' exception in the Corporations Act, have been taken into account.

10.9 Related Party Transactions

A related party transaction may exist where the Responsible Manager or Diogenes Inv enters into a transaction with a party which it has a close relationship with, for example, if a fund managed by Diogenes Inv proposes to invest in other funds that Diogenes Inv acts as manager of. If the Responsible Entity proposes to enter into transactions with related parties, it will operate in accordance with certain protocols, policies and procedures including its Conflicts of Interest Policy, which oblige the parties to be dealing with each other at arm's length. These policies and procedures apply a code of conduct to directors and officers, and promote integrity, responsibility and accountability.

10.10 Services provided by related parties

The Responsible Entity has engaged related party Diogenes Inv to provide investment management services to the Fund.

Diogenes Inv's role is to provide property investment opportunities and oversee the day-to-day management of the Properties. This role includes development management and leasing. In addition, Diogenes Inv may be retained to carry out further functions in respect of the Properties, such as lease negotiations, project management, and sales and marketing services, for which it will be remunerated from the fees payable by the Fund to Diogenes FM as set out in this PDS.

There is no fixed term to these arrangements. The Responsible Entity is satisfied that these fees are on normal commercial terms (i.e., arm's length).

The Directors and certain executives of Diogenes FM and/or Diogenes Inv may hold interests in the entities that earn fees directly or indirectly from the Fund and therefore may be said to benefit from any fees derived by it. These interests are governed in accordance with the Responsible Entity's conflict of interests and related party transaction policies.

Directors, employees and related parties of Diogenes FM and/or Diogenes Inv may hold Units in the Fund. These Units will be acquired and held on the same terms as any other Investor in the Fund.

10.11 Summaries of material documents

The Constitution for the Fund

The Constitution is the primary document that establishes the structure of the Fund and the rights of Investors. Some of the provisions of the Fund's Constitution are summarised below, with other provisions outlined elsewhere in the PDS. A copy of the Constitution is available upon request and may also be obtained from ASIC. The Responsible Entity strongly recommends you read the Constitution and seek independent advice as necessary. The following is a summary of some key provisions:

- The Constitution provides that the beneficial interest in the Fund is divided into Units.
- The Responsible Entity may issue further Units, and Units in other classes including those with different rights.
- Subject to rights attached to a particular class of Unit, Investors have a right to participate in any withdrawal opportunity on a pro rata basis with all other Investors.
- Investors are not liable to the Responsible Entity or any creditor of the Responsible Entity in excess of the amounts subscribed or to be subscribed for units. However, the question of the ultimate liability of a beneficiary for claims against a responsible entity or other trustee in an arrangement such as this has not been finally determined by a court.
- Diogenes FM is the Responsible Entity and is responsible for operating the Fund. It may only deal with the Fund assets in accordance with the Fund's Constitution, the PDS, and the Corporations Act. It may appoint agents or other parties to do anything that it is authorised to do in connection with the Fund.
- Diogenes FM may retire as responsible entity of the Fund by calling a meeting of Investors in the Fund explaining the reason it wants to retire, therefore enabling Investors to vote for a new responsible entity by extraordinary resolution (where Investors holding more than 50% of the Units in the Fund vote for the new responsible entity) as permitted by the Corporations Act. Investors may remove Diogenes FM as responsible entity of the Fund at a meeting of Investors of the Fund by extraordinary resolution (see below the requirements for requisitioning a meeting). Diogenes FM is entitled to be reimbursed for all expenses relating to the termination of the Fund and its retirement or removal as the responsible entity and the appointment of a replacement. In certain circumstances, if Diogenes FM ceases to be the Responsible Entity, then it may be entitled to a fee in accordance with the Constitution.
- Subject to the law, the Responsible Entity has a right of indemnity out of the Fund assets for all expenses and costs incurred in the proper performance of its duties under the Fund's Constitution, other than where expenses were not incurred in the proper performance of its duties.
- The Responsible Entity is not liable for any loss to any person (including an Investor) arising out of any matter unless it failed to exercise due care and diligence. In particular it will not be liable where:
  - in good faith it relied on advice from a professionally qualified consultant;
  - it is hindered, prevented or forbidden to do an act or thing by any law; or
  - in respect of any Application Form or notice it relied in good faith on a forged signature or inaccurate details.

- The Responsible Entity or its appointed agent will keep and maintain a register of Investors of the Fund and any other register required by the Corporations Act. Diogenes FM must cause the register to be altered when informed by an Investor of any change of name or address.
- The Responsible Entity may exercise its right to terminate the Fund in accordance with the Constitution and the Corporations Act, provided it gives Investors adequate notice as required by the Corporations Act. This includes the right to terminate the Fund at any time on giving not less than 60 days' notice or, if instructed via a court order, at a date that the court so determines.
- Investors have the right to require the termination of the Fund by passing an extraordinary resolution (that is, one that is passed by the Investors holding more than 50.00% of the Units in the Trust).
- The Responsible Entity may convene a meeting of Investors in the Fund at any time and when required to do so by the Corporations Act. The Responsible Entity must convene a meeting of Investors in the Fund if requisitioned by the lesser of at least 100 Investors who are entitled to vote at a meeting and those Investors who hold at least 5.00% of the votes which may be cast on the resolution. Each Investor is entitled to attend and vote at meetings of Investors. Meetings must be conducted in accordance with the Fund's Constitution and Part 2G.4 of the Corporations Act.
- The Responsible Entity must keep accounts of the Fund and report to Investors concerning its affairs according to the Australian equivalent of the International Financial Reporting Standards and the provisions of the Corporations Act. The Responsible Entity must appoint an auditor to audit the accounts and the Compliance Plan for the Fund. The audits must be prepared in accordance with the provisions of the Corporations Act.
- The Constitution may be amended only by a special resolution of the Investors in the Fund or the Responsible Entity, if it reasonably believes the change will not adversely affect Investors' rights.

Compliance Plan for the Fund

The Responsible Entity has adopted a Compliance Plan for the Fund. The Compliance Plan addresses issues such as compliance with laws and the Responsible Entity's ethical standards and comprises structural and operational maintenance elements. The Compliance Plan includes provisions that set out the procedures to be adopted for:

- appointment of agents;
- management of the Trust;
- custody of the Trust assets;
- valuations;
- methods for the handling of Application Money, income and payments;
- complaints handling and dispute resolution;
- audits;
- conflicts of interest;
- monitoring, resolving and reporting suspected breaches of the Corporations Act; and
- formation and operation of the Compliance Committee.

Administration Agreement

The Responsible Entity and the Administrator have entered an Administration Agreement under which the Responsible Entity has engaged Ascent Fund Services (Australia) Pty Ltd to act as Fund administrator. The Administrator if remunerated out of the Responsible Entity's Management Fee. The liability of the Administrator is limited. The Administrator acts on instruction from the Responsible Entity. The Deed may be terminated by either party giving not less than 90 days' written notice to the other prior to the end of each 12 month anniversary of the Agreement.

Custody Agreement

The Responsible Entity and the Custodian have entered a Custody Agreement. Under the Custody Agreement, the Responsible Entity has engaged Equity Trustees Limited as Custodian to hold the assets of the Fund in compliance with the Corporations Act, regulatory requirements, and ASIC policy. The responsibilities of the Custodian include acquiring and disposing of assets of the Fund, and dispensing money on behalf of the Responsible Entity. The liability of the Custodian is limited. The Custodian acts on instruction from the Responsible Entity. The Agreement may be terminated by either party giving not less than 12 months' written notice to the other.

Valuation Policy

(Refer also to Current RG 46 Report – Benchmark 4 – Valuation policy)

The Responsible Entity has adopted the following rules for valuations of a Property:

Internal Valuations

Diogenes FM must undertake internal valuations as at the end of each financial year.

Where the resulting internal valuation reflects a change of 5.0% or greater from the most recent external valuation or the book value of the property, an external valuation will be required to be undertaken.

Acquisition Valuations

Once the Board / Investment Committee has provided the Initial Acquisition Approval, an external valuation will be obtained prior to the Fund entering into any binding agreements to acquire a property asset.

External Valuations

Diogenes FM must ensure that every property asset is externally revalued at least once every 36 months. Diogenes FM may extend this timeframe by not more than 6 months in circumstances where the property asset is being held for sale; or there are lease negotiations or other dealings under way that may have a material impact on the valuation of the property asset.

At the discretion of the Investment Committee, external valuations may also be obtained when there has been a material change in the nature of the building/property and/or a material change in the tenancy profile of a building from that outlined in the previous external valuation.

All external valuations must be performed by panel valuers. The external valuer must be registered in the state or territory in which the property is situated. The external valuer must have a minimum of five years continuous experience in the valuation of disability housing properties.

The external valuer must be independent of the vendor (if applicable), the builder/developer (if applicable), Diogenes FM, and Diogenes Inv, and have no interests that could conflict or appear to conflict with their role as the valuer.

All valuations must state an insurance replacement value in the valuation report.

No one individual external valuer (as opposed to valuation firm) should carry out more than 3 successive valuation reports for a particular property asset.

The valuation report must include a statement that the valuation complies with all relevant industry standards and codes and the Australian Property Institute definition of market value.

Valuations for development assets are to be prepared on both an 'as is' and an 'as if complete' basis.

Diogenes FM must maintain a register of all external panel valuers.

Diogenes FM must undertake due diligence with respect to each valuer's experience, qualification, independence, registration and professional indemnity insurance prior to inclusion as a panel valuer.

The composition of the panel and the inclusion of each external valuer is subject to annual review.

To obtain a full copy of the Responsible Entity's Valuation Policy, please contact the Responsible Entity by email info@diogenesfm.com.au or by telephone 1300 728 773 .

Unit Pricing Policy

The Unit Price will be determined monthly. The Responsible Entity may apply a buy or sell spread to the Unit Price if it considers it is in the best interests of Investors to do so at the time it makes a Withdrawal Offer, Annual Withdrawal Offer or new investment. This will result in a variation between the entry price and the exit price due to transaction costs incurred from investing new equity or realising an investment to meet a withdrawal request.

The value of your Units during the Offer under this PDS will be determined based on the Constitution and Unit Pricing Policy of Diogenes FM and will generally reflect the net asset backing per Unit.

Investment Management Agreement

The Responsible Entity has engaged related entity Diogenes Investing Pty Ltd (Diogenes Inv) to provide investment management services and investor relations services to the Fund. The provision of these services is governed by the Investment Management Agreement.

The key features of the Investment Management Agreement are:

- Diogenes Inv is the Fund's preferred service provider with respect to the following services:
    - Management of acquisitions and divestments.
    - Development management.
    - Day-to-day asset management, including management of SDA Provider relationships.
    - Vacancy management and re-letting, in conjunction with external providers.
    - Other tasks as requested by the Responsible Entity from time to time.
- Fees payable to Diogenes Inv must be consistent with open market fees for similar services, and must not exceed the fees payable by the Fund to the Responsible Entity under the terms of the Constitution.
- The Fund has a first right of refusal over all SDA property acquisition opportunities identified by Diogenes Inv.
- The IMA has no fixed term, however both parties have termination rights subject to industry standard termination fee arrangements.
- The IMA contains a right of indemnity in favour of the Investment Manager, subject to particular exceptions and consistent with normal commercial practices for agreements of this type.

10.12 Labour, environmental, social and ethical considerations

While the Responsible Entity intends to conduct its affairs in an ethical and sound manner, its investment criteria do not give weight to labour standards, environmental, social, or ethical considerations when making, retaining or realising an investment of the Fund.

From 2025, Diogenes FM intends to prepare an annual ESG Report that will be available on the Diogenes FM website at **www.diogenesfm.com.au**.

10.13 Cooling-off

Once the Fund acquires its first Property the Fund will be considered illiquid and Investors will not have any cooling-off rights after you invest. Prior to the Fund contracting to acquire the first Property, the Fund will hold uncommitted cash and will therefore be considered liquid which means the following 14 day cooling-off period will apply.

Investors who are not Wholesale Clients have a right to a cooling off period in relation to their investment in the Fund for 14 days from the earlier of:

- confirmation of their investment being received; and
- the end of the fifth business day after their Units are issued.

An eligible Investor may exercise this right by notifying the Responsible Entity in writing. An eligible Investor is entitled to a refund of their investment adjusted for any increase or decrease in the relevant application price between the time we process your application and the time we receive the notification from you, as well as any other tax and other reasonable administrative expenses and transaction costs associated with the acquisition and termination of the investment.

The right to cooling off does not apply if an eligible Investor chooses to exercise their rights or powers as a Unitholder in the Fund during the 14 day period, such as transferring their investment.

Cooling off rights may apply to investors. If you wish to exercise your cooling off rights you should contact the Responsible Entity.

10.14 Custodian Consent

Equity Trustees Limited ABN 46 004 031 298, named in this PDS as the Custodian, is the Custodian for the Fund. The role of the Custodian is to hold the assets of the Fund and title documents as the agent for the Responsible Entity in relation to the conduct of the Fund. It is not the role of the Custodian to protect the rights and interests of the Investors. Equity Trustees Limited has given and has not withdrawn its consent to be named in this PDS as the Custodian to the Fund in the form and context in which it is named. No person other than the Responsible Entity has authorised or caused the issue of this PDS and the Custodian takes no responsibility for any part of the PDS other than the references to its name.

The Custodian has relied upon Diogenes FM and its advisers for the truth and accuracy of the contents, and is not to be taken to have authorised, or caused the issue, of this PDS. The Custodian does not guarantee the return of any investment, any tax deduction availability, or the performance of the Fund. The Custodian has no interest in relation to the Fund other than the remuneration it is entitled to receive under the custody deed by way of custodian fees.

10.15 Other Consents

Each of the parties listed below has given and has not, before the issue of this PDS, withdrawn its written consent to being named in the PDS and to the inclusion, in the form and context in which it is included, of any information described below as being included with its consent. None of the parties referred to below has caused the issue of this PDS:

- Diogenes Investing Pty Ltd has consented to being named and quoted in this PDS.

- Equity Trustees Limited has consented to being named in this PDS, but it does not make any statement in this PDS, nor is any statement in this PDS based on any other statement by Equity Trustees Limited;

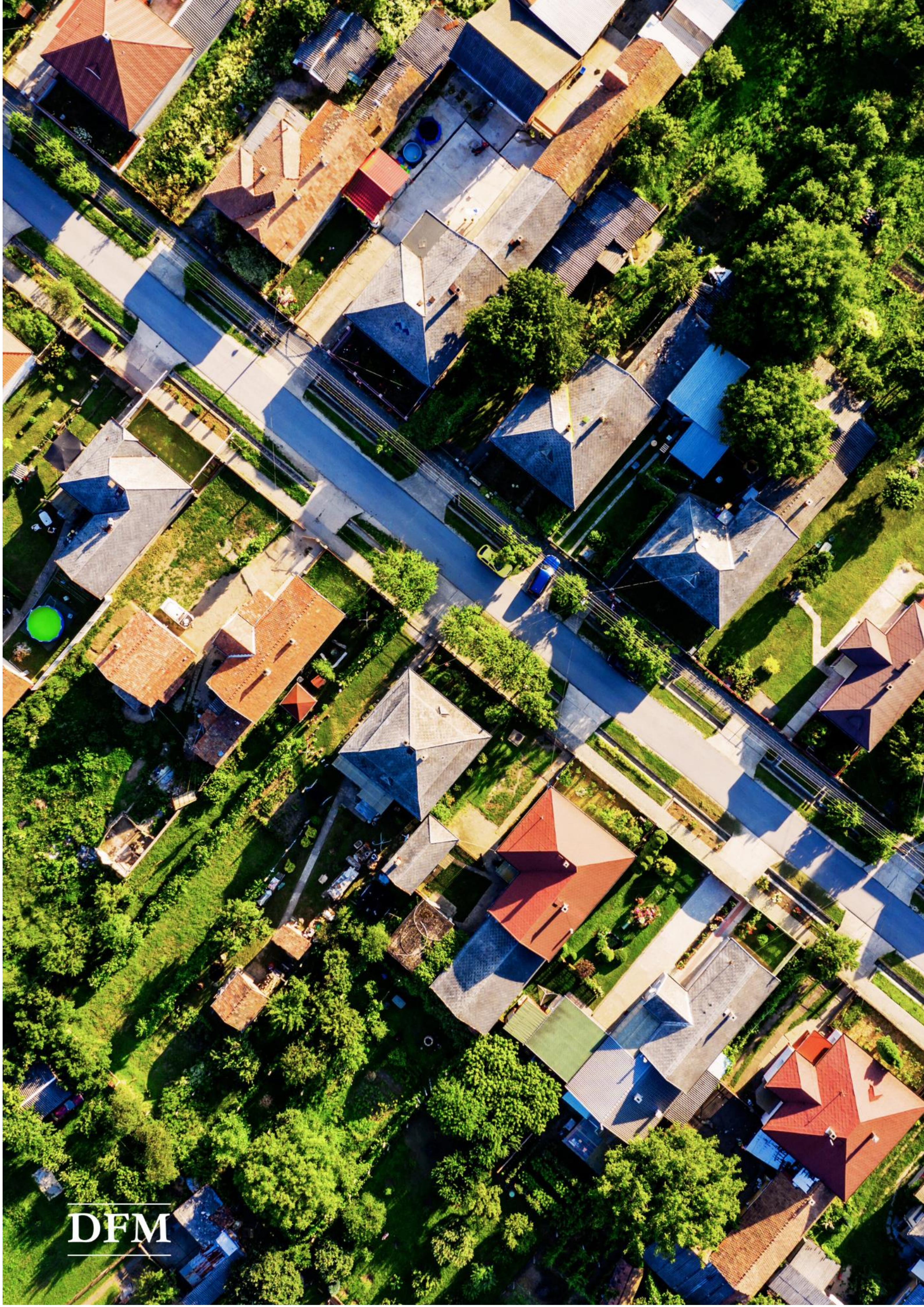
- Ascent Fund Services (Australia) Pty Ltd has consented to being named in this PDS, but it does not make any statement in this PDS, nor is any statement in this PDS based on any other statement by Ascent Fund Services (Australia) Pty Ltd;

- Proyou Accountants Pty Ltd has consented to being named in this PDS, but it does not make any statement in this PDS, nor is any statement in this PDS based on any other statement by Proyou Accountants Pty Ltd Pty Ltd;

- Olivia123 Pty Ltd has consented to being named in this PDS, but it does not make any statement in this PDS, nor is any statement in this PDS based on any other statement by Olivia123 Pty Ltd Pty Ltd;

- Cushman and Wakefield (Valuations) Pty Ltd has consented to being named and quoted in this PDS;

- Smart Solutions Tax and Business Advisory Pty Ltd has consented to being named and quoted in this PDS.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GLOSSARY

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Glossary of terms

Term	Definition
Symbols	
$	Australian Dollars.
A	
ABN	Australian Business Number
AMIT	Attribution Managed Investment Trust
AML/CTF Law	Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth).
AMMA Statement	AMIT Member Annual Statement
ASIC	Australian Securities and Investments Commission.
Asset	An asset of the Fund, which may include a Property.
ATO	Australian Taxation Office.
AUM	Assets under management.
B	
Board	The board of directors of the Responsible Entity.
C	
Constitution	The constitution of Diogenes Disability Housing Fund No. 1 ARSN 682 601 798.
Corporations Act	Corporations Act 2001 (Cth).
CPI	Consumer Price Index.
Credit Approved Term Sheet	A term sheet provided by a Lender.

Term	Definition
D	
Diogenes FM	Diogenes Funds Management Ltd ABN 73 674 121 352.
Diogenes	Diogenes Investing Pty Ltd ABN 90 095 371 433.
DRP or Distribution Reinvestment Plan	The fund's distribution reinvestment plan, if introduced.
E	
ESG	Environmental, social and corporate governance.
F	
FFO or Funds from Operations	A non-IFRS measure and a term used by the Property Council of Australia which is determined adjusting statutory net profit (under IFRS) for non-cash and other items such as property revaluation, derivative marked-to-market impacts, amortisation of tenant incentives, gains/losses on sale of investment properties, straight-line rental adjustments, non-FFO tax expenses/benefits and other unrealised one-off items.
Fund	Diogenes Disability Housing Fund No. 1.
Fund website	www.diogenesfm.com.au
G	
GAV or Gross Asset Value	The gross value of assets of the Fund determined in accordance with the Constitution.
Gearing ratio	Interest bearing liabilities divided by the total assets of the Fund.
GST	The value added tax, if any, on goods, services and other things payable in accordance with the GST Act or another relevant and applicable legislation or law in Australia.
GST Act	*A New Tax System (Goods and Services Tax) Act 1999* as amended or replaced from time to time.

Term	Definition
I	
IDPS	Investor Directed Portfolio Service. An IDPS is provided by an IDPS Operator, which may make investments into products on behalf of its clients and provides a reporting service to those clients. Some master trust and wrap accounts are examples of IDPSs.
IDPS Operator	The trustee, custodian or operator of an IDPS.
IFRS	International Financial Reporting Standards.
Indirect Investor	A Unitholder who acquired Units in the Fund, through an IDPS.
IRR or Internal Rate of Return	Internal rate of return being the annualised effective compounded rate of return or discount rate that makes the net present value of all cash flows (both positive and negative) from an investment equal zero.
Investment Manager	Diogenes Investing Pty Ltd ABN 90 095 371 433.
Investor	A registered holder of Units in the Fund.
Investor Portal	www.diogenesfm.com.au
ITC	Income Tax Credit
M	
MIT	Managed Investment Trust
N	
NAV or Net Asset Value	The net asset value of the Fund, as calculated in accordance with the Constitution.
NDIA	National Disability Insurance Agency, being defined as the federally mandated entity which oversees the NDIS.
NDIS	National Disability Insurance Scheme.
NTA	Net tangible assets.

Term	Definition
O	
Offer	An offer to apply for Units pursuant to this PDS.
P	
PDS	This product disclosure statement and any replacement or supplementary product disclosure statement.
R	
Register	The register of members of the Fund.
Registry	Ascent Fund Services (Australia) Pty Ltd ABN 69 649 470 253.
Responsible Entity	Diogenes Funds Management Ltd ABN 73 674 121 352.
RITC	Reduced Income Tax Credit
S	
SDA	Specialist Disability Accommodation.
U	
Unit	An ordinary unit in the Fund.
Unitholder	A holder of Units.
W	
Wholesale Client	A person or entity that is not a retail client pursuant to the Corporations Act.

Offer Details

The Offer

This PDS offers investment in the Fund through the holding of Units.

The minimum amount of equity the Responsible Entity is seeking to raise is $3 million (Minimum Initial Offer Amount) and total amount of equity is $33 million (Total Initial Offer Amount). The Responsible Entity may accept oversubscriptions if this amount is received within six months from the date of this PDS and we can apply the proceeds towards the acquisition of Properties meeting the Fund's investment criteria.

The Responsible Entity seeks to raise the Minimum Initial Offer Amount within nine months of the date of this PDS. If the Responsible Entity does not raise this amount during that period then the Offer will not proceed, in which case the Fund will be wound up and proceeds distributed to Investors. If the Responsible Entity does raise the Minimum Initial Offer Amount then the Fund will proceed and the Responsible Entity will continue to raise further equity until the Offer Close Date (or if the Offer is Closed early).

Application price and minimum investment amount

Units under the Offer are priced at $1.00 each at the First Close Date. Thereafter units will be issued at a NAV based price plus an amount which takes into account various transaction costs incurred by the Fund in accordance with the Constitution.

The minimum amount you must invest is $50,000, and then in increments of $1,000. The Responsible Entity reserves the right to accept applications for lower amounts, at its discretion.

Units

Investors will be issued Ordinary Units and will initially receive a distribution based on the interest earned by the Fund prior to the acquisition of the Fund's first property. As soon as the first property has been acquired, distributions to the holders of Ordinary Units will reflect the net rental income from that property and all subsequently acquired properties.

How to Invest

Investors can complete the online application form and upload the required documents to the administrator, via the following link:

https://www.olivia123.com/diogenes-funds-management-ltd/diogenes-disability-housing-fund-no-1.php

This link can also be found at the Responsible Entity's website, **www.diogenesfm.com.au**.

The Application Form is part of this Product Disclosure Statement (PDS) issued by Diogenes Funds Management Limited (ABN 73 674 121 352) (AFSL 557218) as Responsible Entity of Diogenes Disability Housing Fund No. 1 (ARSN 682 601 798).

You should read the PDS and the Application Form together in full before applying to invest as it provides important information about investing in the Fund. You should also read the Target Market Determination (TMD) for the Fund, which is available at **www.diogenesfm.com.au**.

The Offer to which the PDS relates is only available to eligible Investors receiving a copy of the PDS (electronically or otherwise) in Australia.

The Responsible Entity reserves the right to accept or refuse any application for investment in the Fund.

The minimum Investment Amount is $50,000 and in multiples of $1,000 minimum thereafter. The Investment Manager reserves the right to accept lesser amounts at its discretion.

Directory

Responsible Entity	**Diogenes Funds Management Ltd** ABN **73 674 121 352** Level 19, 10 Eagle Street, Brisbane QLD 4000 Phone: 1300 728 773 Web: www.diogenesfm.com.au Email: info@diogenesfm.com.au AFSL: 557218
Investment Manager	Diogenes Investing Pty Ltd ABN **90 095 371 433** Level 19, 10 Eagle Street, Brisbane QLD 4000
Custodian	Equity Trustees Limited ABN **46 004 031 298** Level 1, 575 Bourke Street Melbourne VIC 3000 GPO Box 2307, Melbourne VIC 3001
Auditor	Proyou Accountants Pty Ltd ABN **55 648 605 547** Level 3, 91 Phillip Street, Parramatta NSW 2150
Unit Registrar / Fund Accountant	Ascent Fund Services (Australia) Pty Ltd ABN: **69 649 470 253** Suite 604, 127 York Street, Sydney NSW 2000


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DIOGENES

FUNDS MANAGEMENT

DIOGENES FUNDS MANAGEMENT LTD