



MOELIS  
AUSTRALIA

*Moelis Australia  
Secured Loan Series*

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INFORMATION MEMORANDUM

August 2018





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## *Important information*

This Information Memorandum (“Memorandum”) is an important legal document and should be read in its entirety. Moelis Australia Asset Management Ltd (ACN 142 008 535) (“MAAM” or the “Trustee”) is the Trustee of the Moelis Australia Secured Loan Series (“Fund”). The Trustee is a wholly owned subsidiary of Moelis Australia Limited (ACN 142 008 428) (“Moelis Australia”). The Trustee has issued this Memorandum. This Memorandum is not required to be lodged with the Australian Securities and Investments Commission (ASIC) under the Corporations Act 2001. This Memorandum invites you to apply for an interest in the Fund. The Fund is legally structured as an Australian unit trust. Unless otherwise indicated, all fees quoted in this Memorandum are exclusive of the effect of GST and any input tax credit, and all dollar amounts refer to Australian dollars.

This Memorandum is being provided to a limited number of prospective investors. This Memorandum does not constitute an offer to the public generally. It is only open to sophisticated high net worth investors who are wholesale clients as defined in section 761G of the Corporations Act in Australia and in New Zealand to wholesale clients as defined in section 5C of the Financial Advisers Act 2008 (NZ) (“Eligible Persons”). The Fund is intended for investors who are aware of and understand the risks attaching to an investment in a collective investment vehicle, such as the Fund. Interests in the Fund are available solely on the basis of the information contained in this Memorandum and in the documents referred to in this Memorandum. No person is authorised to give any information, or to make any representation or statement other than as contained in this Memorandum and the documents referred to in this Memorandum. This Memorandum is provided on the basis that each prospective investor will make its own assessment of the Fund independently and without reliance on any of Moelis Australia, the Trustee, the Fund or any of their respective affiliates, agents and advisors. In particular, prospective investors should conduct their own independent enquiry, investigation and analysis of the Fund and the investment opportunity as described in this Memorandum and make their own independent decision about the Fund prior to investing in the Fund. Prospective investors should not construe the contents of this Memorandum as legal or investment advice. Accordingly, the acquisition of units in the Fund by any person shall be solely at the risk of that person.

This Memorandum is provided to prospective investors on a confidential basis. By accepting this Memorandum, each prospective investor agrees that neither it nor any of its affiliates, nor any of its or their respective officers, employees, advisors or agents will use the information contained in this Memorandum or any other information or material provided by the Trustee or Moelis Australia for any purpose other than for evaluating a potential investment in the Fund nor will it or any of them divulge any such information to any other person. This Memorandum must not be photocopied, reproduced or distributed to others without the prior written consent of the Trustee. If a prospective investor determines not to acquire an interest in the Fund, it must promptly return to the Trustee, without retaining any copies, this Memorandum and all other information or material supplied by the Trustee or Moelis Australia.

The statements contained in this Memorandum that are not historical facts are forward-looking statements. These forward-looking statements are based on current expectation, estimates and projections about the industry and markets in which the Trustee or the Fund, as the case may be, operates or will operate. Words such as “expects”, “anticipates”, “should”, “intends”, “plans”, “believes”, “seeks”, “estimates”, “projects” and any variations of those words or similar expressions, are intended to identify forward-looking statements. These forward-looking statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions which are difficult to predict. Actual outcomes and results may differ materially from, and be significantly less favourable than, what is expressed or forecast in forward-looking statements. No representations, warranties or other assurances are made as to the accuracy, completeness or reasonableness of any forward-looking statements, which should not be relied upon as indicative of, or as a guarantee of, any future value or future result.

Except as set out in the constitution of the Fund (“Fund Constitution”), units are illiquid, not transferrable and the Trustee is not required to redeem or buy-back the units other than as described in this Memorandum. It may be also difficult for investors to obtain reliable information about the value of the underlying assets of the Fund. As with any other investment, the value of units can go down as well as up. Past performance is not indicative of future returns.

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## *Important information*

The views expressed in this Memorandum, which are subject to change, are solely the views of the Trustee. These views may not necessarily reflect the views of any other Moelis Australia entity. While reasonable care has been taken preparing this Memorandum, and all information provided in this Memorandum has been provided in good faith and has been obtained or derived from sources believed to be reliable, neither Moelis Australia nor any of its affiliates, nor any of their respective officers, employees, advisors or agents makes or gives any representation, warranty or guarantee, whether expressed or implied, that the information contained in this Memorandum has been audited or independently verified, or is complete, accurate or reliable, or accepts any responsibility arising in any way (including by reason of negligence) for errors or omissions. All representations, warranties and guarantees in relation to the information contained in this Memorandum are expressly excluded to the maximum extent permitted by the law.

This Memorandum is subject to change. Any revised Memorandum in respect of the Fund will be sent to prospective investors. Any investment in the Fund will be solely on the basis of the final version of this Memorandum and the Fund Constitution and other legal agreements in respect of the Fund. The validity of applications for units based on earlier versions of this Memorandum and the Fund Constitution and other legal agreements in respect of the Fund will only be affected, if in the reasonable opinion of the Trustee or the Manager, the change to these documents is materially adverse from the point of view of unit holders.

The distribution of this Memorandum and the offer and sale of units in the Fund in certain jurisdictions may be restricted by law. Recipients of this Memorandum (and any other person into whose possession this Memorandum comes) must inform themselves about, and observe any such restrictions. This Memorandum does not constitute and may not be used for or in conjunction with an offer or solicitation by any person in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

### **Notice to residents of the United States**

The units being offered under this Memorandum may not be offered or sold in the United States of America ("US") or to or for the account of or benefit of US persons. Accordingly neither this Memorandum nor the Application Form may be sent to persons in the US or otherwise distributed in the US.

The offer of units under this Memorandum does not constitute an offer to sell, or the solicitation of an offer to buy, directly or indirectly, any securities in the underlying assets proposed to be acquired by the Fund.

This Memorandum and the Fund Constitution supersede and replace any earlier information provided by the Trustee, MAAM, Moelis Australia, its affiliates and their respective representatives and agents in respect of the Fund.

### **About Moelis Australia**

Moelis Australia Limited is an Australian public company listed on the Australian Securities Exchange which operates independently of Moelis & Company, a global independent investment bank listed on the New York Stock Exchange.

Moelis & Company currently owns 32.5% of Moelis Australia's outstanding shares. In addition, Moelis Australia and Moelis & Company have entered into a strategic alliance agreement which ensures that Moelis Australia continues to remain integrated with Moelis & Company primarily in the delivery and execution of corporate advisory services globally. Moelis & Company has no involvement in or responsibility for Moelis Australia's asset management activities, including the matters set out in this Memorandum.



## *Overview*



## *Overview of the opportunity*



Moelis Australia Asset Management Limited (ACN 142 008 535, AFSL No. 427515) ("Trustee") has established the Moelis Australia Secured Loan Series ("Fund") and appointed Moelis Australia Funds Management Pty Ltd ("Manager") as investment manager of the Fund



The Fund aims to provide investors with a diversified exposure to a portfolio of loans secured by a registered first mortgage loans over Australian property. The Fund targets lower risk, secured loans capable of delivering attractive cash yields.



The Fund will target a yield of 8.0% to 8.5% p.a. (after all fees)



The Fund is exclusive and only open to Moelis Australia's existing clients and other sophisticated investors approved by Moelis Australia

## *Fund loan criteria*

The Manager selects loans for the Fund based on the following criteria:

### **SUITABILITY AS PART OF A DIVERSIFIED PORTFOLIO**

The Fund provides exposure to a mix of residential and commercial property in metro and key regional locations only. No single loan nor counterparty is more than 25% of the portfolio.

### **DURATION OF LOAN**

Loans are bridging in nature and intended for a maximum period of 12 months. Loans are carefully assessed to ensure there are clear exits at the end of the loan term. Short duration means better liquidity for investors in the Fund.

### **STRONG CREDIT POSITION**

Properties have a target loan-to-value ratio of between 50 – 60%. Maximum LVR of 65%.

### **SENIOR SECURED STATUS**

All loans are secured by a registered first mortgage over Australian property.

### **PROPERTY MARKETABILITY**

Properties are located in areas with strong domestic market demand

### Case Studies: a selection of loans reviewed by the Manager

Property location	Balmain, NSW	Chatswood, NSW
Security	Off-the-plan 62m <sup>2</sup> 1 bedroom 1 car park apartment purchased by a foreign buyer. Bank policy change means previously approved loan was withdrawn leaving borrower at risk on settlement. We provided a 12-months bridging mortgage to help facilitate settlement	Freestanding 4 bedroom house and a ground level granny flat on a 464m <sup>2</sup> section. House is within 10 minutes walking distance to the Chatswood train station
Borrower	Non-resident investor	Property Developer, who has acquired this and 5 other adjoining sites with the view of developing them into an apartment
Purpose	Acquisition finance	Acquisition finance
LVR (as is)	60%	46%
Fund return	9.95% p.a.	9.00% p.a.
Guarantee	Personal guarantees	Personal guarantee
Manager view	<ul style="list-style-type: none"> <li>Asset is a well-built apartment in a good residential suburb of Sydney. Rent was appraised at \$700/week. Product was developed and built by a reputable name demonstrating good product market-fit</li> <li>Apartment is complete with no further work required. LVR is sufficiently low to provide headroom in a recovery scenario.</li> </ul>	<ul style="list-style-type: none"> <li>Asset is a liquid residential house situated in a prime Sydney suburb. Lend was based on the “as-is” value of the house only which has broad appeal to the local market</li> <li>House is an existing dwelling which can be sold as-is. LVR is sufficiently low to provide headroom in a recovery scenario.</li> </ul>
Outcome	<b>Invested and repaid.</b> Apartment was sold a few months post settlement and our loan was repaid early with full-term interest.	<b>Invested.</b> Loan performing well with no arrears

## *Overview of the Fund*

KEY FUND TERMS	
Structure	Australian wholesale unit trust
Target Distribution Yield	8.0% to 8.5% p.a. net of fees
Unit Issue Price	\$1.00 per unit
Applications Due	30 August 2018, subject to discretion of the Trustee
Drawdown	31 August 2018
Fund Term	Open-ended
Distributions	Monthly
Redemption Notice Date	Last day of each calendar quarter
Redemption Date	As soon as practical; generally subject to loan maturities and within 12 months of the Redemption Notice Date
Eligibility	Wholesale investors only
Fees	Establishment Fee: nil Management Fee: 0.85% p.a. of Net Asset Value (NAV) accrued daily
How to apply	Please contact your Moelis Australia representative for further information



## *Market opportunity*



## Loan markets in Australia

### MARKET CONDITIONS

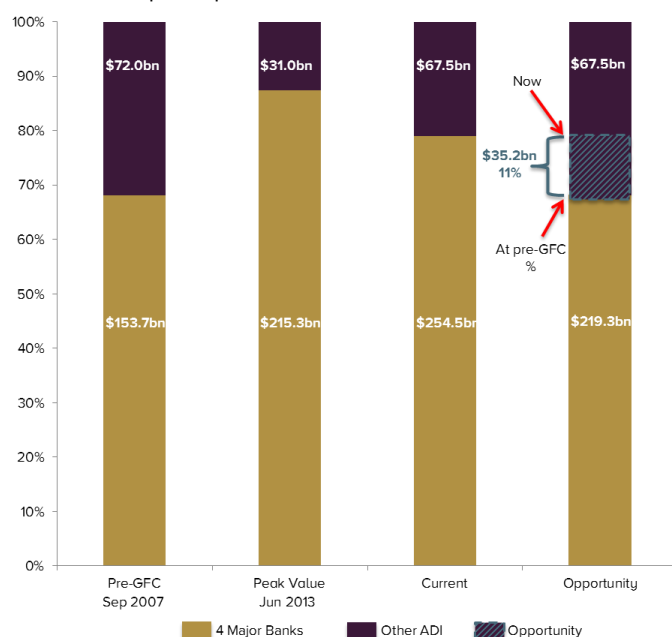
- The Australian mortgage market is estimated to be \$1.7 trillion in asset value<sup>1</sup>, dominated by authorised deposit-taking institutions (ADI) regulated by the Australian Prudential Regulation Authority (APRA).
- APRA has used macro-prudential regulations and policies to slow property asset price growth and mortgage lending. APRA has targeted specific segments of the market to reduce “systematic” risk of the financial system – in particular loans to developers and foreign purchasers of Australian real estate.
- Restrictive macro-prudential policies have resulted in banks withdrawing or seeking more onerous pricing, terms and conditions from certain market segments resulting in a reduction in credit supply.

### INVESTMENT OPPORTUNITY

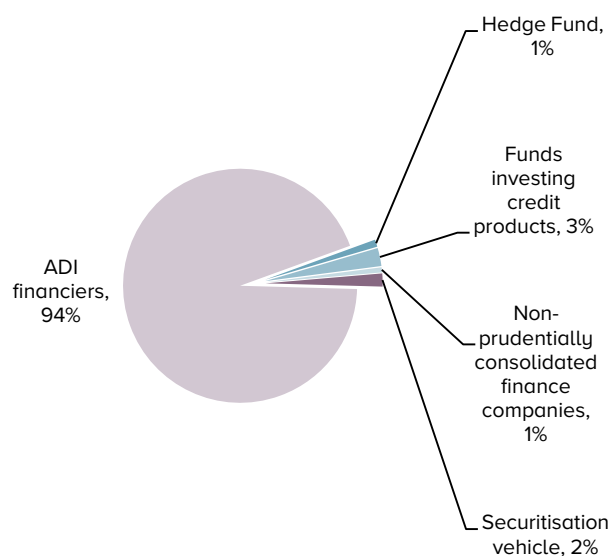
- Non-ADI lending has grown steadily in recent years coinciding with more onerous macro-prudential policies negatively impacting ADIs. The RBA<sup>2</sup> has estimated non-ADI financiers account for circa 6% of the entire financial system (mortgage plus other non-mortgage related financing), compared with over 10% before the global financial crisis and is considerably smaller than in a number of comparable major economies.
- The Manager has witnessed an increasing pool of borrowers seeking funding outside the traditional banking sources; these include loans to operating businesses (with or without real estate collateral), foreign real estate purchasers and real estate developers. From an investment standpoint, this presents a greater pool of potential loans which the Manager may select.

### COMMERCIAL REAL ESTATE DEBT<sup>3</sup>

- One area of increasing credit borrower pool is commercial real estate debt
- Major lenders' exposure to commercial real estate peaked in June 2013 with a market share to c. 88% (compared to the pre-GFC level of c. 68%). This dominance has since reduced slowly on the back of restrictive regulation however still remains 11% above pre-GFC levels creating a circa \$35.2bn opportunity for other participants



### SHARE OF THE AUSTRALIAN FINANCIAL SYSTEM BY ASSET SIZE<sup>2</sup>



Sources: <sup>1</sup> IBIS world, Mortgages in Australia, Feb 2017; <sup>2</sup> Financial Stability Review, 2017; <sup>3</sup> APRA – Quarterly ADI Property Exposures

## Comparison of loan finance options

The Fund targets lower risk, secured finance delivering moderate cash yields

	Consumer & credit cards	Vehicle finance	Business finance (SME)	Property development finance	Property development finance	Occupier / Investor residential real estate	Moelis Australia Secured Loan Series
Security	Unsecured	Senior motor vehicles	Senior fixed & floating charge	Senior undeveloped land & pre-sales	Mezzanine undeveloped land & pre-sales	Senior residential property	Senior Real estate only
Indicative borrower rates	10 – 20%+	8 – 12%	10 – 12%+	12 – 18%	15%+	4 – 6%	8 – 11%
Indicative LVR	Unsecured	~100%	Various covenants	40 – 75%	75 – 95%	65 – 80%+	50 – 65%
Typical Term	55 days +	1 to 5 years	1 to 5 years	1 to 3 years	1 to 5 years	25 to 30 years	1 year+
Typical Structure	Amortising	Amortising	Interest-only or amortising	Interest-only with capitalised interest	Interest-only, PIK and warrants	Interest-only or amortising	Interest-only
Borrower motivation	Personal consumption	Vehicle purchase	Working capital, inventory financing	Land subdivision, development or construction	Land subdivision, development or construction	Buy-to-live, buy-to-let or refinancing	Can be for a wide range of uses, typically bridging in nature



## *Fund & the Manager*



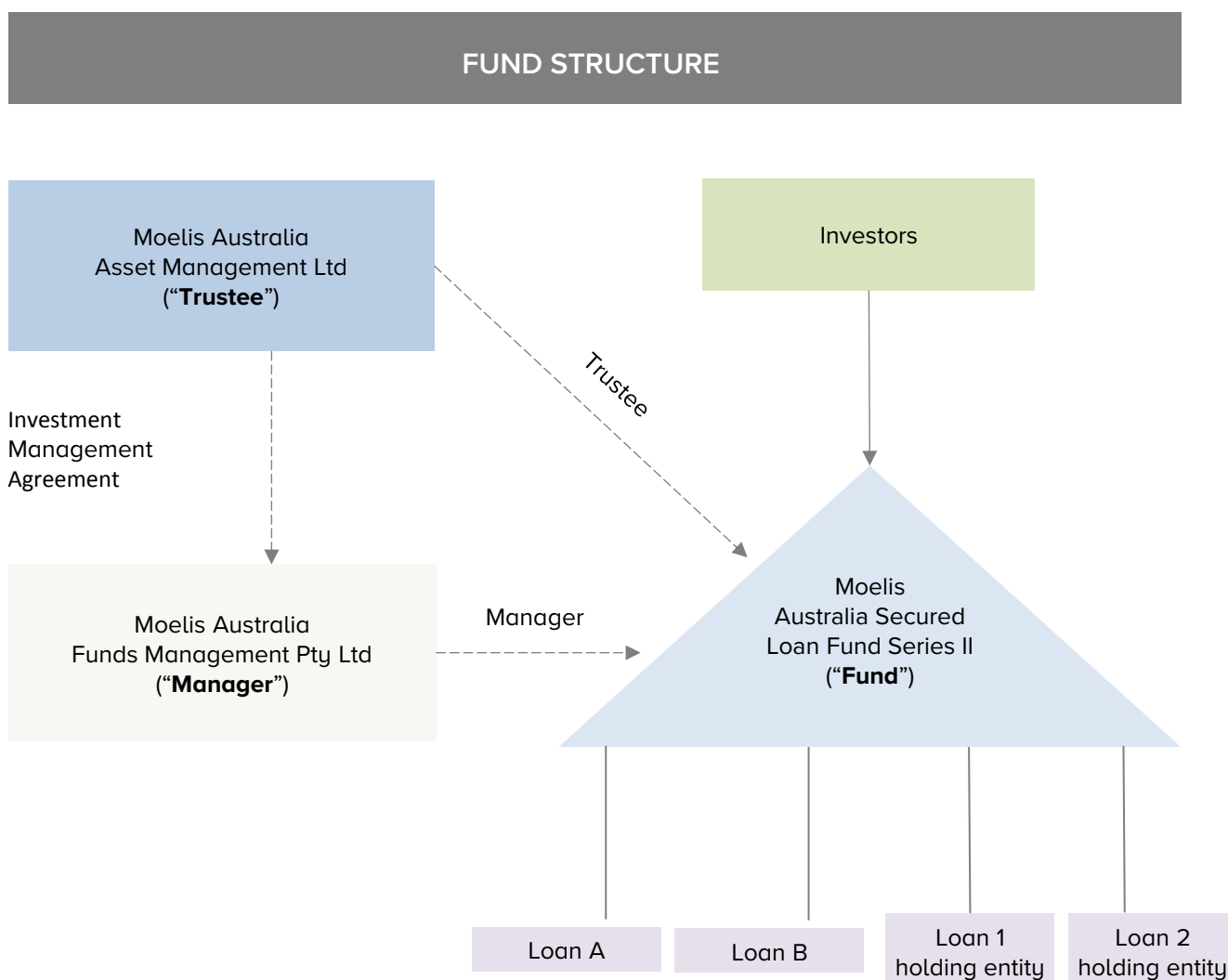
## *Fund structure and investor flows*

The Fund is structured as an unlisted wholesale unit trust. The Trustee of the Fund is Moelis Australia Asset Management Ltd. The Trustee has appointed Moelis Australia Funds Management Pty Ltd as Manager of the Fund to assess, acquire and manage loan exposures on behalf of the Fund. Both the Trustee and Manager are wholly owned subsidiaries of Moelis Australia Ltd.

The Trustee may elect to terminate the Trust after all loans have been repaid, and all funds have been distributed to investors (after payment of the fees).

Amounts drawn from this intake will be invested into new loan exposures with a target term of 12 months. Interest received on the portfolio of loans will be distributed to investors monthly.

The Fund will invest in loans directly or indirectly via 3rd party originated special purpose trusts that meet the Fund's loan criteria.



## *Risk-driven portfolio construction*

### RISK LIMITS

The Fund is only permitted to invest in lower risk loans based on strict investment and risk criteria (Risk Limits)

### RETURN TARGETS

The Manager aims to maximise investor returns while adhering to the Risk Limits

#### PORTFOLIO RISK LIMITS

<b>Location</b>	Loans secured by Australian real estate only Limited to properties in metropolitan and regional centres
<b>Security</b>	Each loan will be secured by a registered first ranking mortgage over real property All loans are secured on commercial terms
<b>Collateral Amount</b>	Target portfolio LVR of 50% to 60%, with a maximum portfolio LVR limit of 65%
<b>Collateral Quality</b>	No greater than 50% of the value of collateral may be in assets where the ability to sell or realise full value is contingent on completion of development approvals or completion of construction activities
<b>Maximum Exposures</b>	No single loan nor counterparty more than 25% of the portfolio
<b>Credit Assessment</b>	Full credit assessment on each loan including credit assessment of the borrower, risk and recovery analysis and valuation All valuations are independent

#### PORTFOLIO TARGETS

<b>Gross Yield</b>	Targeting gross yields on individual loans of 7.0% to 10.0%
<b>Yield</b>	The Fund will target a yield of 8.0% to 8.5% p.a. (after all fees)
<b>Diversification</b>	No single loan nor counterparty more than 25% of the portfolio No maximum limit on the number of loans
<b>Distributions</b>	Interest (after fees and expenses) paid monthly



## Capabilities of the Manager

The team responsible for investing and overseeing the Fund have significant real estate and loan financing experience.

Moelis Australia Asset Management manages \$3.3 billion in assets including \$500 million in credit and fixed income.

### INVESTMENT TEAM

Responsible for origination, negotiation of loan terms, credit assessment, credit analysis, portfolio construction, loan management and portfolio operation.



Asset Management  
**DREW BOWIE**  
Managing Director,  
Head of Real Estate Credit

- Drew has over 25 years real estate credit, portfolio management and capital market experience across multiple asset classes. Drew has successfully completed an extensive number of development and investment portfolio finance facilities during varying market cycles, incorporating senior and mezzanine debt and equity participations
- Prior to joining Moelis Australia, Drew was responsible for deal origination and portfolio management at MaxCap Group, Pepper Group, RBS and Macquarie Bank
- Holds a Bachelor of Commerce (Business Law), Associate Diploma Business (Property Valuation), is a Fellow of the Australian Property Institute and Certified Practicing Valuer



Asset Management  
**STANLEY HSIEH**  
Associate

- Stanley has over 10 years real estate experience in NZ and Australia with over \$14bn worth of investment made/advised across: real estate equity and credit, private equity and venture capital, infrastructure equity and debt. Plus 3 years in strategy consulting
- His previous experience in Australia includes KPMG Direct Investment, CP2 (\$AU2.7bn infrastructure fund manager) and Castalia Strategic Advisor
- Holds an MBA from the University of Auckland

### INVESTMENT COMMITTEE

The Manager has established an Investment Committee comprising of senior executives with extensive real estate and credit experience to ensure strong credit quality and a diligent investment process.



**ANDREW MARTIN**

- Head of Moelis Australia Asset Management
- Over 25 years experience in real estate, investment management, corporate finance and law
- Previously Managing Director at UBS Global Asset Management



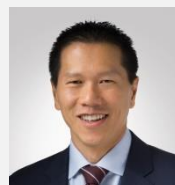
**RICHARD COLLESS**

- Chairman of Moelis Australia Asset Management
- Over 30 years of experience in the financial services industry in Australia and the UK
- Previously chairman of ING RE Investment Management



**RICHARD GERMAIN**

- Managing Director
- Over 20 years' experience in real estate and investment management
- Previously a founder and COO of Armada Fund Management, a specialist real estate investment manager and adviser, and portfolio manager at Lend Lease Corporation

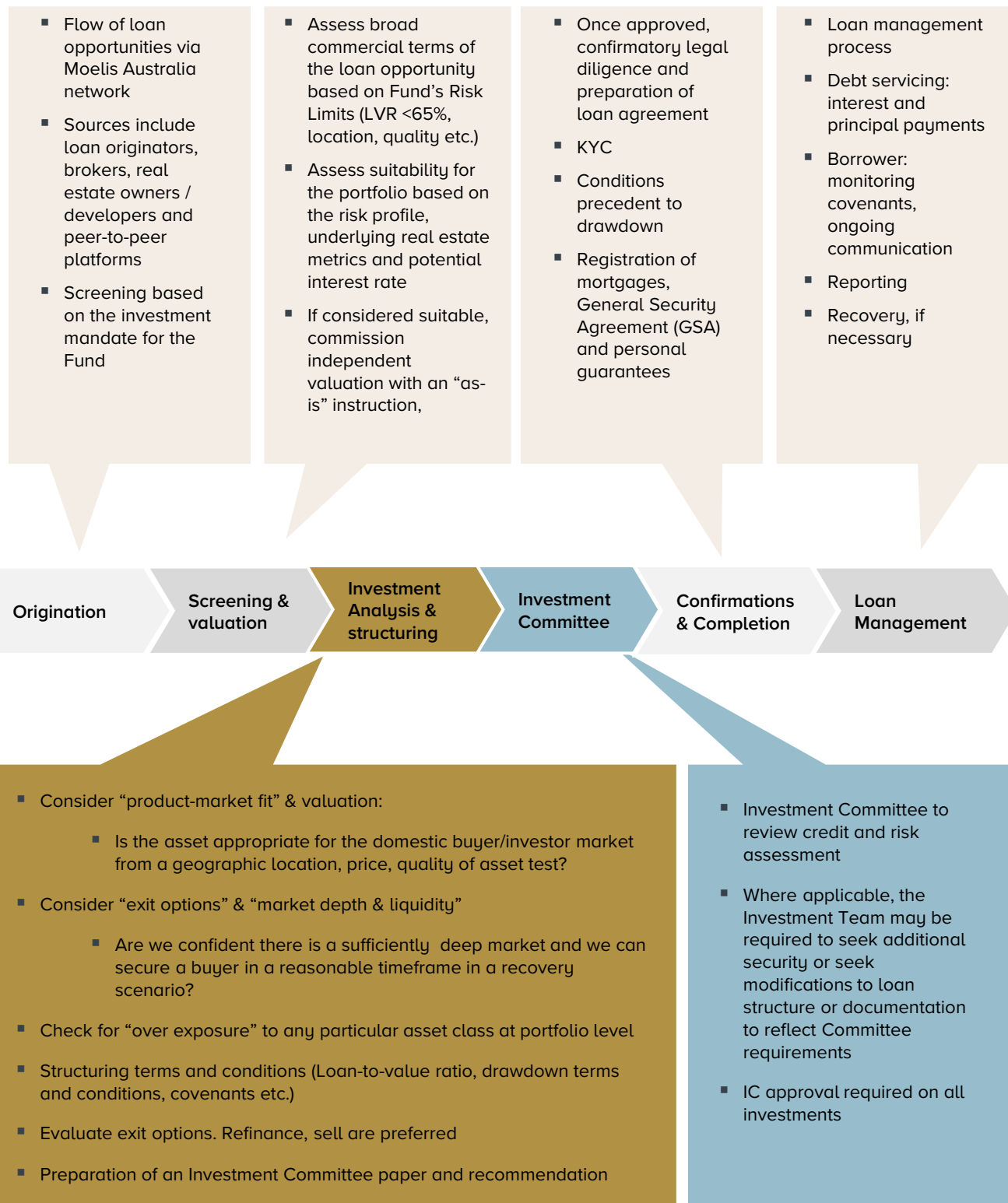


**JARON YUEN**

- Managing Director
- Over 20 years experience in private equity, M&A, debt and investment
- Previously Managing Director at UBS Real Estate & Private Markets, ABN AMRO and Lend Lease Corporation

## *Loan assessment and management process*

### A conventional screening, credit assessment and loan management process



## *Details of the Fund*





## *Key terms of the Fund*

### The Offer

The Offer is open to wholesale investors only. The Application Form includes details of information you may be required to provide to confirm your wholesale investor status.

The minimum investment amount is A\$100,000. The Manager may, in its absolute discretion, accept lower investment amounts from certain investors.

The issue price per Unit is \$1.00 ("Unit Issue Price").

Timetable for the Offer is set out on page 8 of the Investment Memorandum.

The Manager may allocate units to applicants in its absolute discretion.

### Manager

The Trustee has appointed Moelis Australia Funds Management Pty Limited ("Manager") as the Manager of the Fund pursuant to an Investment Management Agreement ("IMA"). The Manager is a wholly owned subsidiary of Moelis Australia Limited. Under the terms of the IMA, the Manager is responsible for investing and managing the assets of the Fund.

### Investment Term

The Manager intends to maintain operation of the Fund for so long as it believes the Fund can meet the Portfolio Targets and investors remain committed to investing in the Fund.

The Manager will continue to invest the capital of the Fund in loan exposures in accordance with the Portfolio Targets. At the maturity of each loan investment, the Manager will consider the amount (if any) of redemption requests by investors. The net of all redemption amounts will be reinvested into new positions which meet the Portfolio Targets.

### Redemptions and Applications

**Redemptions:** Investors may request the Manager redeem part or all of their capital by providing a Redemption Notice prior to the end of each calendar quarter (each date being a "**Redemption Notice Date**"). The Manager will use reasonable endeavours to meet the full amount of redemption requests as soon as practicable and:

- where cash balances are sufficient to meet redemption requests, within 20 business days of the Redemption Notice Date; or
- where cash balances are insufficient at the relevant Redemption Notice Date, with the proceeds of maturing loans and within 12 months of the Redemption Notice Date

The Manager may meet the redemption request in partial instalments.

Should the Manager be unable to realise loan positions to meet the full amount requested for redemption within the redemption period, investors will be paid pro-rata to redemption amounts requested with available funds and the Manager will seek to liquidate sufficient loan positions to meet the unpaid redemption as soon as practicable.

**Applications:** The Manager may accept additional applications for units in the Fund subsequent to Close. Acceptance of new applications will be at the sole discretion of the Manager. In accepting new applications the Manager will have regard to its ability to deploy additional funds that meet the Portfolio Targets, and the quantum (if any) of redemption requests received by the Manager. Any new investors accepted by the Manager will acquire units at the Unit Issue Price

### Fees

**Management Fee:** 0.85 per cent per annum of the Net Asset Value of the Fund payable from Fund assets. The fee is accrued daily and paid at least quarterly.

**Other fees:** The Trustee or any of its Related Bodies Corporate may receive and retain fees in connection with investment made by the Trustee.

### Other Costs

Any direct or indirect costs associated with the acquisition, funding, management or recovery of loans may be reimbursed out of the assets of the Fund or Fees.

### Distributions

The interest accrued on the Fund's loan positions, net of expenses and fees, will be distributed monthly.

### Taxation Considerations

Investors should obtain their own tax advice before investing in the Fund. The Manager does not provide financial or tax advice, nor has it obtained taxation advice specific to this offer subject to this Memorandum. As such, this Memorandum cannot address taxation issues which may be relevant to any investor.

Each investor must take full and sole responsibility for their investment in the Fund, the associated taxation implications arising from the investment and any changes in those taxation implications during the course of the investment.

## *Fund constitution*

The constitution for the Fund (“Fund Constitution”) contains the rules governing the operation of the Fund and the rights, liabilities and responsibilities of the Trustee and investors. The Fund Constitution includes provisions dealing with:

1. distributions to investors
2. obligations, duties and powers of the Trustee
3. duration and termination of the Fund and distribution of net proceeds on winding-up
4. reimbursement and indemnification of the Trustee and others for expenses in connection with the Fund
5. procedures for convening and holding investor meetings
6. fees payable to the Trustee
7. issue, transfer and redemption of units
8. retirement of the Trustee
9. valuation of Fund assets
10. amendments to the Fund Constitution

The key provisions of the Fund Constitution are summarised below. The following summary does not refer to every provision of the Fund Constitution and should be read in conjunction with the rest of this Memorandum. In the event of a conflict between this summary and the Fund Constitution, the Fund Constitution prevails. Copies of the Fund Constitution are available from the Trustee or the Manager.

### **Interests in the Fund**

Subject to the power of the Trustee to issue different classes of units and subclasses with different rights, obligations and restrictions, each unit gives investors an equal and undivided interest in the Fund, but does not give investors an interest in any particular asset of the Fund.

For the avoidance of doubt and without limiting the powers of the Trustee, the Trustee may in its absolute discretion allocate the Application Price, the Redemption Price, Net Asset Values and distributions from the trust between different classes of units.

### **Transfer of units**

The Manager in its absolute discretion may permit investors to pledge, assign, sell, exchange or transfer, directly or indirectly, all or any units.

If an investor dies or becomes subject to a legal disability such as bankruptcy or insanity, only the survivor (where the deceased was a joint holder) or the legal personal representative (in any other case) will be recognised as having any claim to units registered in the investor’s name

### **Investor meetings**

The Trustee may at any time convene a meeting of investors. Investors may appoint proxies to attend and vote at a meeting of investors on their behalf.

At a meeting, on a show of hands, each investor present in person or by proxy will have one vote. On a poll, each investor will have one vote for each dollar of the value of the total interests they have in the Trust.

### **Distributions to investors**

Investors are entitled to a pro rata proportion of any distributions made by the Fund, calculated on the basis of the number of units they hold relative to the total number of units on issue at the time that entitlements to the distribution are calculated.

### **Powers of Trustee**

Subject to the Fund Constitution, the Trustee has all the powers in respect of the Fund that it is possible under the law to confer on a trustee and as though it were the absolute owner of the Fund’s assets and acting in its personal capacity, including the power to borrow, invest and delegate its powers to others.

### **Termination and winding up of the Fund**

The Fund Constitution contains provisions dealing with termination and winding up of the Fund. If the Fund is terminated, the net proceeds of the Fund will be distributed pro rata to investors according to their unit holdings, provided that the Trustee may retain such part of the proceeds it thinks fit to meet all the liabilities and expenses.

## *Fund constitution*

### **Redemption of units**

The Fund Constitution contains provisions dealing with the redemption of units. An investor may make a request to redeem all or some of their units. The Trustee has no obligation to satisfy any redemption request other than as set out in the Fund Constitution and as outlined in this Memorandum.

### **Retirement of Trustee**

The Fund Constitution contains provisions dealing with the retirement and removal of the Trustee. The Trustee must retire when required by law or by a resolution supported by Members holding greater than 75% of all units.

### **Partly paid units**

The Trustee may issue partly paid units on such terms and conditions as it determines including, without limitation, terms and conditions regarding the number of instalments and the terms on which instalments are payable. If all or part of a call in relation to a partly paid unit is not paid on or before the date on which payment is due, the holder of such Partly Paid unit must pay interest on the unpaid portion of the call from that day to the time of actual payment.

If all or part of a call is not paid by the date on which payment under the call is due, any units that are the subject of the call may be forfeited.

### **Fees**

The Trustee has the right to charge establishment fees and management fees. The Trustee will charge fees as outlined in this Memorandum.

### **Limits on liability**

Subject to any separate agreement between the Trustee and an investor (e.g. the Application Form) and the liability for tax and user pays costs described below, the liability of an investor is limited to the amount (if any) which remains unpaid on their units.

The Trustee is entitled to recover from investors any cost or liability (including tax) incurred in relation to (a) anything an investor asks the Trustee to do or omit to do, (b) any act or omission of the investor, or (c) any other matter arising in connection with the holding of units by that investor, which the Trustee considers should be borne by that investor.

If the Trustee acts in good faith and without negligence, it is not liable in contract, tort or otherwise to investors for any loss suffered in any way relating to the Fund. The Trustee is entitled to be reimbursed out of the assets of the Fund for, or pay from the assets of the Fund, all losses incurred or sustained by it in relation to the proper performance of its duties and exercise of its powers in relation to the operation, administration and management of the Fund provided that the Trustee has not engaged in any wilful misconduct, gross negligence or fraud in relation to the relevant liability.



## *Investment risks*



## *Key investment risks*

### **Blind pool**

Investors are investing in a 'blind pool' of assets. The common risk associated with investing in a blind pool fund includes (but is not limited to): delay in securing investments (which is likely to negatively affect investment returns); investments may not achieve target returns, or deployment of capital can fall short of the target amount.

### **Investment sourcing**

Investors will rely on the ability of the Manager to identify investment opportunities either itself or through its networks. While prevailing market conditions are favourable, no assurance can be given that the Manager will be able to source suitable investment opportunities in which to deploy all of Fund's capital within the investment period.

### **Due diligence / credit assessment**

The Manager will seek to carry out appropriate due diligence on all investments. However, there is a risk that the Manager may not identify all major risks or that services provided by third parties (for example, independent property valuers and legal counsel) will be inadequate.

### **Concentration**

There could be a period of time during the investment period where the Fund is over exposed to a particular asset class. This concentration risk means that the investors are subjected to a greater level of risk while the Fund rebalanced its portfolio.

### **Borrower default**

A borrower's ability to repay loans is dependent on their ability to derive income to repay loans or refinance into new loans. Should a borrower's personal or business income levels or asset position deteriorate materially, it may adversely impact their ability to service loans or refinance existing loans.

### **Recovery**

A borrower may default in paying interest or repayment of loan principal for a variety of reasons. In such circumstance the Fund will rely on the value of collateral to recover the full amount of the loan balance and interest outstanding. Changing real estate market conditions may negatively affect the value of our security and the recovery process may take longer than expected.

### **Regulation**

The Fund's target return is based on current prevailing market conditions including the macro prudential regulatory obligations on deposit-taking institutional (ADI) lenders. A change in policy or regulations affecting either ADIs or non-ADIs could adversely affect the attractiveness of this sector and therefore the Fund's expected returns.

Furthermore, changes in legal or regulatory environment, taxation or other relevant laws, interpretation or administration of those laws may have a materially negative effect on the performance of Fund's loan facility agreements. The Manager takes no responsibility for changes outside of its control.

### **Liquidity Risk**

The objective of the Fund is to invest in loans secured by mortgages over real property. Such investment can be illiquid and accordingly investors will only be able to redeem units if there is sufficient cash available at the time of redemption. The Manager will manage redemption requests on a best endeavour basis but there can be no guarantee or assurance investors will be able to redeem their units at their desired or intended date.

### **Documentation Risk**

A deficiency in loan or security documentation could adversely affect the Manager's ability to enforce the payment obligations of a borrower. This could negatively impact the return on and recovery of a loan. The Manager mitigates this risk by obtaining an external legal sign-off confirming that all loan and security documentation is in order prior to releasing funds to the borrower.

### **Operational Risk**

Investment management risk exists in all managed funds. The Manager may fail to properly execute the strategy of the Fund, or have inadequate systems and processes in place to monitor loan interests and repayments. Or it may fail to manage accounting and distribution processes effectively. Departure of key personnel is always an inherent operational risk.

## *Contact details*

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