

A low-angle, upward-looking photograph of several modern skyscrapers with glass facades. The sun is positioned at the top center, creating a bright lens flare and illuminating the scene. The sky is a clear, light blue. The buildings are dark blue and black, with the sun's light reflecting off the glass surfaces.

MILLBROOK

Mortgage Fund

Product Disclosure
Statement

Corporate Directory

Millbrook Mortgage Fund

ARSN 125 042 480

Responsible Entity

Millbrook Mortgage Management Ltd

ABN 81 123 219 732

AFS LICENCE 335001

AUSTRALIAN CREDIT LICENCE 335001

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IMPORTANT NOTICES

The meaning of important terms used in this Product Disclosure Statement (**PDS**) and any subsequent Supplementary Product Disclosure Statement (**SPDS**) is contained in the Definitions.

This PDS is issued by Millbrook Mortgage Management Ltd (**Millbrook**), and consists of 2 parts: **Part A** explains the Fund's features and the nature of your investment and your rights as a member of the Fund; **Part B** sets out the fees to be charged by Millbrook and the Registration/ Application Form.

In preparing this PDS, we have not taken into account your investment objectives, financial position or particular needs. Before making an investment decision on the basis of this PDS, you need to consider whether this investment is appropriate in light of your individual circumstances. Investments in the Fund are subject to investment and other risks, including possible delay in repayment and loss of income and principal invested. Neither we or our auditors, accountants, solicitors, shareholders, employees, officers, directors or agents guarantees or underwrites the performance of the Fund, any particular rate of return from the Fund or the repayment of investments in the Fund.

Millbrook reserves the right to withdraw this offer without notice.

Interests in sub-schemes of the Fund will be issued to persons receiving this PDS (including an electronic version of this PDS) within Australia. The electronic PDS can be accessed at our website www.millbrookgroup.com.au/mortgagefund. The offer of interests pursuant to this PDS is only available to persons receiving an electronic version of this PDS within Australia. Any person may obtain a free paper copy of the PDS from us (see our contact details in the Corporate Directory).

The Australian Securities and Investments Commission takes no responsibility for the contents of this PDS.

This Product Disclosure Statement is dated 25 July 2018 and describes the main features of the Millbrook Mortgage Fund ARSN 125 042 480 (the Fund).

The photographs of buildings contained within this document do not depict actual assets of the Fund.

Table of Contents

This PDS consists of 2 parts:

Part A contains Important Notices on the inside front cover that you should refer to, explains the Fund's features and the nature of your investment and your rights as a member of the Fund; and

Part B shows fees and other costs that you may be charged.

PART A

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Definitions

The following is a list of important terms which are given a defined meaning where used in this PDS.

“Borrower”

A person, persons or other legal entity who the Fund makes a loan to.

“Certified Valuer”

A property valuer who Millbrook believes in good faith:

- is a current member of the Australian Property Institute and a registered valuer in the State in which the person operates;
- is independent from Millbrook and the Borrower; and
- prepares a valuation report on a ‘market value’ basis to our specific written instructions.

“Compliance Plan”

The compliance plan adopted by the Directors which sets out the measures that Millbrook applies in operating the Fund to ensure compliance with the *Corporations Act* and the Constitution.

“Constitution”

The constitution deed dated 19th April 2007 entered into by Millbrook that establishes the Fund and sets out the rights and obligations of members in the Fund and the Responsible Entity. All members of the Fund are bound by the constitution as amended from time to time.

“Corporations Act”

The *Corporations Act* 2001 (Cth).

“Credit Checks”

Part of our mortgage lending guidelines and are undertaken on all loan applicants to check their credit history through our subscription with Veda Advantage Information Services and Solutions Ltd as part of the loan assessment process.

“Defaulting Mortgage Fee”

A fee charged by Millbrook in respect of a defaulting mortgage in a sub-scheme.

Where Millbrook has compensated Investors in the defaulting Mortgage Investment (sub-scheme) by paying the same rate of interest as if there was no default, Millbrook is then entitled to receive the Defaulting Mortgage Fee payments to the extent paid by the Borrower to remedy the default.

Should Millbrook choose not to compensate Investors by continuing the normal interest payments, the Investors in the defaulting Mortgage Investment (sub-scheme) are then entitled to receive the Defaulting Mortgage Fee payments to the extent paid by the Borrower to remedy the default.

“Director”

A person holding office as a director of Millbrook.

“Fees”

Refer to **Part B** for fees applicable to Investors in the Fund. Where possible any fees associated with the assessment, approval, settlement and management of a Mortgage Investment will be charged to and paid by the Borrower. The exception to this is if after a property has been sold and if there is a shortfall in the realisable value of the property held as the Security, which would affect the return of interest and/or capital to the Investor. Refer

Investing in the Fund – clause 8. What are the investment risks and how are they managed?

“Fund”, “the scheme”

The Millbrook Mortgage Fund ARSN 125 042 480 (also known as “the scheme”) which comprises the ITD and each Mortgage Investment (“the sub-schemes”) on issue from time to time.

“Interest”

Borrowers pay interest on their mortgage loans. This is then distributed monthly to Investors less our fee for managing the investment. Where interest rates are referred to in this PDS or subsequent SPDS those interest rates are quoted on a percent per annum basis and can refer to the amount payable by a Borrower on a mortgage loan, or the amount distributed each month to Investors who have monies invested in a mortgage loan or in the ITD.

“Investor”, “you”, “your”

A person, persons or other legal entity that applies for and is accepted by Millbrook as a member of a sub-scheme in the Fund.

“ITD”

The Investor Trust Deposit, an investment trust account of the Fund and a separate “holding” sub-scheme of the Fund from each Mortgage Investment where funds are held pending allocation to a Mortgage Investment.

“License”

The Australian Financial Services Licence No 335001 held by us which authorises us to operate the Fund.

“Loan to Valuation Ratio”, “LVR”

The measure commonly describing the ratio of the assessed market value of the Security for a Mortgage Investment to a Borrower’s proposed principal loan amount, in each case determined at the time the loan is advanced. The LVR for each Mortgage Investment is disclosed in the relevant SPDS.

“Market Value for mortgage purposes”

Market value is determined by our Certified Valuer to specific written instructions by Millbrook and the valuation is prepared on an “as is” basis. If the market value has previously been determined by the Certified Valuer as part of a valuation conducted for a third party lender, the provision of that valuation, addressed to Millbrook and in response to Millbrook’s written instructions will suffice to determine the Market Value for mortgage purposes.

The definition provided by (and relied on by Millbrook) is stated within each Valuation Report and is used by the Australian Property Institute and is as follows:

“Market Value – is the estimated amount for which an asset should exchange on the date of the valuation between a willing buyer and a willing seller in an arms length transaction after proper marketing wherein parties had each acted knowledgeably, prudently and without compulsion”.

“Millbrook”, “Responsible Entity”, “we”, “our”, “us”

Millbrook Mortgage Management Ltd ABN 81 123 219 732 acting as responsible entity of the Fund.

“Mortgage”

The instrument executed by the Borrower to charge property as security for the loan and therefore the security of the Mortgage Investment (sub-scheme). The mortgage is registered with the relevant state Titles Office and is used by Millbrook to protect the interests and rights of the Investors. This may include a mortgagee’s auction to recover the Mortgage Investment, interest, fees and costs.

“Mortgage Allocation Facility”

A facility offered by Millbrook to Investors in the ITD under which Millbrook is authorised to allocate part or all of an Investor’s ITD interest to a particular Mortgage Investment. Millbrook will still provide the appropriate information on the Mortgage Investment to the Investor via a SPDS and the Investor still has the opportunity to “opt out” of (i.e. not to invest in) the proposed Mortgage Investment (Refer *Investing in the Fund – clause 4. How do I invest in the Fund?*).

“Mortgage Investment”

An investment option of the Fund constituted by a loan to a Borrower secured by a registered mortgage. Information about a specific Mortgage Investment is contained in a SPDS, sent to prospective Investors. Membership of a Mortgage Investment is restricted to those persons whose investment has contributed to the loan advanced, as specified in the register of members kept by Millbrook.

“Mortgage Investment Advice”

This has the same meaning as “Supplementary Product Disclosure Statement – SPDS” (see page 4).

“Mortgage Lending Guidelines”

The assessment criteria used by Millbrook from time to time to select a Borrower loan and the Security to constitute a Mortgage Investment. Specific areas assessed are listed under 3. *What does the Fund invest in?* – Mortgage Investments, and the guidelines are also summarised on our website www.millbrookgroup.com.au/mortgagefund or a copy is available from Millbrook.

“NCCPA”

The *National Consumer Credit Protection Act 2009* (Cth).

“Non-specialised properties”

Properties whose usage is common and widespread and for which a ready resale market is perceived to exist. Examples would be standard residential properties, and commercial properties for which a range of possible alternative uses exist.

Alternatively, specialised properties are those with limited alternative use and hence a thin or limited resale market which may result in a prolonged selling period or a materially reduced selling price in the event of a mortgagee auction. Examples of specialised properties could include equestrian centres, service stations, and night clubs.

Specialised properties are generally not accepted by Millbrook unless the LVR is sufficiently low to compensate for the perceived deficiencies the specialised nature of the security represents.

“PDS”

This Product Disclosure Statement, and any supplementary product disclosure statement relating to this document, on issue from time to time and which describes the main features of the Fund.

“Registration Form”

The Registration Form attached to **Part B** of this PDS under which an applicant provides required information to Millbrook to become a registered member of the Fund and the ITD.

“Security”, “Secured”

Refers to the property offered by the Borrower as security for the loan. Security is the term used by Millbrook to advise Investors how the Mortgage Investment (sub-scheme) is to be secured i.e. the property that will have a mortgage registered through the applicable state Titles Office. Also refer to “Mortgage” on page 3.

“Supplementary Product Disclosure Statement”, “SPDS”

Investors offered Mortgage Investments will receive an SPDS from us that will provide specific additional details of the proposed sub-scheme Mortgage Investment.

Millbrook Mortgage Fund

Offering mortgage security & monthly returns



Introduction and Investment Overview

Millbrook Mortgage Fund is a registered managed investment scheme regulated by the Australian Securities & Investment Commission (**ASIC**) under the Corporations Act 2001.

Millbrook Mortgage Management Ltd acts as the Manager or Responsible Entity of the Fund and holds a Financial Services Licence and Credit Licence issued by ASIC.

The aim of the Fund is to offer Investors access to direct Mortgage Investments secured against non-specialised properties. Mortgage Investments are sourced direct from applicants or referred by accredited introducers and provide the security of a registered mortgage over property with monthly returns subject to payment by the Borrower to Investors.

No investment, in a mortgage or otherwise, is entirely risk free and in the case of Mortgage Investments there is a risk to both income and capital. Amongst other things these risks include Borrower default, changes in interest rates generally, decline in the value of the Security, and/or inadequate risk management strategies by the Fund manager. *Investing in the Fund – clause 8. What are the investment risks and how are they managed?* describes these risks and our risk management strategy in detail.

Currently returns (distributions) paid on investments are fixed rates for the fixed term of the Mortgage Investment. The Constitution of the Fund does allow for rates payable to Investors to be either fixed or variable. Variable returns reflect movements in interest rates generally, thereby ensuring your return always reflects the rates currently applicable on investments of that type. While we expect to always have Mortgage Investments available for intending Investors, your funds also earn interest, at no less than the prescribed Reserve Bank Cash Rate as advised from time to time, while held by the Fund in our Investor Trust Deposit "at call" pending allocation and transfer to a Mortgage Investment.

The Fund does not consider loans to developers for speculative commercial property construction (i.e. loans in part secured by the implied value of improvements in the process of being constructed).

The Fund is managed by the Millbrook Mortgage Management Ltd which has been involved in providing finance in Melbourne since 2007 and has a wealth of experience in mortgage lending and loan management.

ASIC Benchmarks and Disclosure Principles

Australian Securities & Investments Commission (ASIC) Regulatory Guide 45 “Mortgage Schemes – improving disclosure for retail investors” (RG 45) sets out eight benchmarks and eight disclosure principles developed by ASIC to assist retail investors understand the risk, assess the rewards being offered, compare this product with others in the market and decide whether these investments

are suitable for them. RG 45 requires that responsible entities of unlisted mortgage schemes, such as Millbrook, should disclose against the benchmarks on an ‘if not, why not’ basis and address the disclosure principles.

We provide the following information with respect to the benchmarks and the disclosure principles.

Benchmark	Statement	Explanation	Reference
BENCHMARK 1: LIQUIDITY			
For a pooled mortgage scheme, the responsible entity has cash flow estimates for the scheme that: (a) demonstrate the scheme's capacity to meet its expenses, liabilities and other cash flow needs for the next 12 months; (b) are updated at least every three months and reflect any material changes; and (c) are approved by the directors of the responsible entity at least every three months.	The benchmark is not applicable.	The scheme is not a pooled mortgage scheme. It is a contributory mortgage scheme.	N/A
BENCHMARK 2: SCHEME BORROWING			
The responsible entity does not have current borrowings and does not in-tend to borrow on behalf of the scheme.	The benchmark is met.	N/A	For additional disclosure on this benchmark, see Disclosure Principle 2.
BENCHMARK 3: LOAN PORTFOLIO AND DIVERSIFICATION			
For a pooled mortgage scheme: (a) the scheme holds a portfolio of assets diversified by size, borrower, class of borrower activity and geographic region; (b) the scheme has no single asset in the scheme portfolio that exceeds 5% of the total scheme assets; (c) the scheme has no single borrower who exceeds 5% of the scheme assets; and (d) all loans made by the scheme are secured by first mortgages over real property (including registered leasehold title)	The benchmark is not applicable.	The scheme is not a pooled mortgage scheme. It is a contributory mortgage scheme.	Not applicable.
BENCHMARK 4: RELATED PARTY TRANSACTIONS			
The responsible entity does not lend to related parties of the responsible entity or to the scheme's investment manager.	The benchmark is met.	N/A	For additional disclosure on this benchmark, see Disclosure Principle 4.

Benchmark	Statement	Explanation	Reference
BENCHMARK 5: VALUATION POLICY			
<p>In relation to valuations for the scheme's mortgage assets and their security property, the board of the responsible entity requires:</p> <p>(a) a valuer to be a member of an appropriate professional body in the jurisdiction in which the relevant property is located;</p> <p>(b) a valuer to be independent;</p> <p>(c) procedures to be followed for dealing with any conflict of interest;</p> <p>(d) the rotation and diversity of valuers;</p> <p>(e) in relation to security property for a loan, an independent valuation to be obtained:</p> <p>(i) before the issue of a loan and on renewal:</p> <p>(A) for development property, on both an 'as is' and 'as if complete' basis; and</p> <p>(B) for all other property, on an 'as is' basis; and</p> <p>(ii) within two months after the directors form a view that there is a likelihood that a decrease in the value of security property may have caused a material breach of a loan covenant.</p>	The benchmark is not met.	Valuations of Security for a loan to a Borrower will be conducted prior to the issue of a loan to the Borrower. However, where a loan for an initial term of 12 months or less is renewed at maturity, a revaluation of the Security is not necessarily made where the previous valuation is dated less than 15 months prior to the renewal date. As a result, it cannot be said that valuations will always be obtained before the renewal of a loan to a Borrower.	For additional disclosure on this benchmark, see disclosure principle 5 and <i>Investing in the Fund – clause 3. What does the Fund invest in?</i>
BENCHMARK 6: LENDING PRINCIPLES – LOAN TO VALUATION RATIOS			
<p>If the scheme directly holds mortgage assets:</p> <p>(a) where the loan relates to property development—funds are provided to the borrower in stages based on independent evidence of the progress of the development;</p> <p>(b) where the loan relates to property development—the scheme does not lend more than 70% on the basis of the latest 'as if complete' valuation of property over which security is provided; and</p> <p>(c) in all other cases—the scheme does not lend more than 80% on the basis of the latest market valuation of property over which security is provided.</p>	The benchmark is met.	N/A.	For additional disclosure on this benchmark, see disclosure principle 6 and <i>Investing in the Fund – clause 3. What does the Fund invest in?</i>

ASIC Benchmarks and Disclosure Principles

Benchmark	Statement	Explanation	Reference
BENCHMARK 7: DISTRIBUTION PRACTICES			
The responsible entity will not pay current distributions from scheme borrowings.	The benchmark is met.	N/A	For additional disclosure on this benchmark, see disclosure principle 7 and <i>Investing in the Fund – clause 8. What are the investment risks and how are they managed?</i>
BENCHMARK 8: WITHDRAWAL ARRANGEMENTS			
Liquid schemes			
<p>For liquid schemes:</p> <p>(a) the maximum period allowed for in the constitution for the payment of withdrawal requests is 90 days or less;</p> <p>(b) the responsible entity will pay withdrawal requests within the period allowed for in the constitution; and</p> <p>(c) the responsible entity only permits members to withdraw at any time on request if at least 80% (by value) of the scheme property is:</p> <p>(i) money in an account or on deposit with a bank and is available for withdrawal immediately, or otherwise on expiry of a fixed term not exceeding 90 days, during the normal business hours of the bank; or</p> <p>(ii) assets that the responsible entity can reasonably expect to realise for market value within 10 business days.</p>	The benchmark is not applicable.	The scheme is not a liquid scheme. It is a non-liquid scheme.	N/A

Benchmark	Statement	Explanation	Reference
Non-liquid schemes			
For non-liquid schemes, the responsible entity intends to make withdrawal offers to investors at least quarterly.	The benchmark is not met.	<p>The scheme constitution provides a period of 3 years for the responsible entity to meet withdrawal requests, which means such requests may be delayed for at least 3 years. This takes into account:</p> <ul style="list-style-type: none"> the term of a loan to a Borrower being up to a period of 3 years; in some cases the term of the loan to the Borrower being extended or renewed for a further period; and the potential for Borrowers to default in repayment of the loan. <p>Withdrawals by Investors are funded by repayment of the loan to the Borrower or in the case of default by a Borrower, the enforcement of the Security relevant to the loan.</p> <p>While investors have no right to withdraw from a Mortgage Investment, Millbrook may nonetheless accommodate a written request from an investor to withdraw from a Mortgage Investment prior to maturity on an ad hoc basis.</p>	For additional disclosure on this benchmark, see disclosure principle 8 and <i>Investing in the Fund – clause 10. Can I withdraw from a Mortgage Investment prior to maturity?</i>

ASIC Benchmarks and Disclosure Principles

DISCLOSURE PRINCIPLE 1: LIQUIDITY

This disclosure principle is only applicable to pooled mortgage funds (see RG 45.14) and is therefore not applicable to this contributory mortgage scheme.

DISCLOSURE PRINCIPLE 2: SCHEME BORROWING

Millbrook does not have current borrowings and does not intend to borrow on behalf of the scheme.

If a loan to a Borrower the subject of a Mortgage Investment is not fully subscribed, Millbrook may subscribe funds to the Mortgage Investment to allow settlement to proceed. These funds are treated as a subordinated investment by Millbrook (that is they rank after investments by registered members in the scheme).

DISCLOSURE PRINCIPLE 3: PORTFOLIO DIVERSIFICATION

This disclosure principle is only applicable to pooled mortgage funds (see RG 45.14) and is therefore not applicable to this contributory mortgage scheme.

DISCLOSURE PRINCIPLE 4: RELATED PARTY TRANSACTIONS

Millbrook has no funds lent to or invested with any related parties of Millbrook, and has a policy not to make any loans to related parties.

Related parties of Millbrook may invest in the Fund from time to time, but only on the same terms and conditions as would any other Investor in the Fund.

DISCLOSURE PRINCIPLE 5: VALUATION POLICY

RG45.92 requires that the responsible entity provide investors in contributory mortgage schemes such as the Fund with information about the valuation of a property securing a loan in which the investor has, or is being offered, an interest.

Valuations of the Security for a loan to a Borrower will be conducted prior to the issue of a loan to a Borrower. However, where a loan for an initial term of 12 months or less is renewed at maturity, a re-valuation of the Security is not necessarily made where the previous valuation is dated less than 15 months prior to the renewal date. As a result, it cannot be said that valuations will always be obtained before the renewal of a loan to a Borrower.

DISCLOSURE PRINCIPLE 6: LENDING PRINCIPLES - LOAN TO VALUATION RATIOS

Millbrook does not engage in property development loans. Loans made by the Fund do not exceed 80% of the latest market valuation for the property. As at the date of reporting, the weighted average LVR for the scheme is 54%.

DISCLOSURE PRINCIPLE 7: DISTRIBUTION PRACTICES

The Fund does not have any scheme borrowings and therefore does not make any distributions from scheme borrowings.

Provided that a Mortgage Investment is not in default, distributions to members are generally sourced from income by way of interest paid by Borrowers and are paid monthly to Investors.

If a Mortgage Investment is in default, Millbrook may, as it determines in its absolute discretion, compensate Investors by paying distributions as if there were no default. Where Millbrook has compensated Investors in respect of the Mortgage Investment that is in default, Millbrook is then entitled to receive the Defaulting Mortgage Fee payments subsequently and to the extent paid by the Borrower to remedy the default. Any such compensating distribution payments from Millbrook are paid from equity in Millbrook and as such are completely separate from the ITD and the Mortgage

Investments in which Investors have invested.

Should Millbrook choose not to compensate Investors by paying distributions as if there were no default, the Investors are then entitled to receive the Defaulting Mortgage Fee payments to the extent paid by the Borrower to remedy the default.

Where an SPDS promotes a particular return on investment, the SPDS will disclose the circumstances in which a lower return may be payable, together with details of how the lower rate will be determined.

The main factors and risks that could affect distributions are set out in *Investing in the Fund - clause 8. What are the investment risks and how are they managed?* and include:

- failure to repay the loan when due;
- the Security being sold for less than the expected value;
- failure to pay interest when due;
- general fall in property values;
- failure to obtain adequate insurance on the Security and otherwise in respect of improvements on the Security.

Millbrook has a direct debit system in place with the Borrower to facilitate the collection of interest payments by the Borrower. Millbrook also employs staff to follow up Borrowers on missed payment.

DISCLOSURE PRINCIPLE 8: WITHDRAWAL ARRANGEMENTS

While there is no right of early withdrawal by Investors in the Fund prior to the mortgage backing their investment being repaid, Millbrook can facilitate such a request as set out in *Investing in the Fund - clause 10. Can I withdraw from a Mortgage Investment prior to maturity?*

Investing in the Fund

1. The Fund

The Fund is a registered managed investment scheme. It is a Contributory Mortgage Scheme that provides Investors with the following investments:

- (1) The Investor Trust Deposit (ITD), is a holding account operated by Millbrook and nominated as a Trust account where your investment earns interest pending allocation to a specific Mortgage Investment.
- (2) Specific Mortgage Investments (referred to as sub-schemes) for loan terms of between 3 months and 3 years.

The Fund is available for minimum investments of \$10,000. The Fund comprises sub-schemes that each have their own members from time to time and separate and distinct assets from each other. Investors join the Fund by becoming members of the ITD, and then subsequently participate in specific Mortgage Investments.

Investors have rights to receive income or capital distributions in each sub-scheme in which they invest and are a member, in proportion to their share of ownership of the sub-scheme.

2. The Responsible Entity

As the Responsible Entity Millbrook manages the Fund in accordance with the Fund's Constitution and the Corporations Act. Millbrook's Financial Services licence permits the Fund to invest in mortgage assets for retail clients.

Millbrook provides the Mortgage Investments made available in the Fund to Investors via the SPDS, and then manages those investments until their maturity and repayment by Borrowers. It also manages the investment of the ITD.

Millbrook is committed to protection of its Investors' funds and aims to provide security and consistent monthly returns by ensuring high levels of service and acting at all times with integrity and professionalism.

Our Directors

David Robert Lyall

With 20 years' experience in business, David oversees the day to day operations and management of the Fund.

David established Millbrook Finance Pty Ltd (ACN 110 264 278) in Melbourne in 2005 as a Motor Vehicle Lender. Millbrook Finance Pty Ltd (ACN 110 264 278) is now a Specialist Non-Bank Property Lender and operates in a similar market as the Fund.

David has owned and operated a number of businesses in home building, land subdivision, insurance, finance and farming industries.

His current activities involve financing, farming and investing.

David holds a Bachelor of Law from the University of Canterbury in New Zealand and is a Responsible Officer for the Fund.

Robert Lindsay Norman (non-executive director)

Robert has over 40 years experience in the banking and finance industry, and has accumulated skills in administrative procedures and credit acceptance including software design and implementation for small financial institutions. Robert has been a director of Millbrook for over 10 years and is a Responsible Officer for the Fund.

Simon Colin Hardie (non-executive director)

Simon is a non-executive director of Millbrook. He has 30 years' experience in business, having held a number of accountancy roles in public and private companies in New Zealand and Australia.

Simon holds a Bachelor of Commerce from the University of Canterbury New Zealand.

Investing in the Fund

3. What does the Fund invest in?

Investor Trust Deposit (ITD)

The ITD account is essentially a holding account until specific Mortgage Investments are offered to you to facilitate prompt settlements and withdrawals on behalf of Investors.

Cash funds held in the ITD are deposited with Australian trading bank(s) in the name of the Responsible Entity classed as a Trust Account. The ITD provides Investors with a monthly interest distribution of not less than the Reserve Bank published official cash rate. Interest accrues daily on the balance of funds in the Investor's name and is payable monthly in arrears (no later than the 15th of each month).

Mortgage Investments

Each Mortgage Investment will be a loan to a Borrower secured by a registered mortgage over freehold or leasehold property in the Commonwealth of Australia.

For proposed Mortgage Investments, Millbrook will have received a loan application from the proposed Borrower. The application will be assessed in terms of the Constitution Section 13 Mortgages, (available to registered members on request) and the Mortgage Lending Guidelines which are reviewed and amended by Millbrook from time to time.

As an example, Millbrook believes that the general profile of a loan would be a combination of the following:

- **Borrower** – Self-employed individuals, business entities (companies) or investors;
- **Mortgage Loan terms** – 3 months to 3 years; and
- **Loan purpose** – predominantly for business and investment use. For example, this may include bridging finance to purchase or change properties and/or business loans for working capital.

We acknowledge the above is a very broad definition which effectively encompasses all possible lending situations. It is intended the Fund have a broad range of Borrowers and loan



terms on the basis it represents good management policy. Diversification permits the Fund to avoid a concentration of Borrowers and loans sharing similar risk profiles. No such advantage applies to individual Investors in a sub-scheme because an individual investment is in itself, not diversified.

To ascertain the value of the Security offered for a Mortgage Investment and thus determine the maximum loan advance to the Borrower, Millbrook will instruct a member of its panel of Certified Valuers to inspect the proposed Security and determine its Market Value for mortgage purposes. If the market value has previously been determined by the Certified Valuer as part of a valuation conducted for a third party lender, the provision of that valuation addressed to Millbrook and in response to Millbrook's written instructions will suffice to determine the Market Value for mortgage purposes.

Properties offered as Security must meet our Mortgage Lending Guidelines a summary of which is available on our website www.millbrookgroup.com.au/mortgagefund.

As part of our Mortgage Lending Guidelines and when assessing a loan application, Millbrook considers the following factors prior to preparing a specific proposal for a Mortgage Investment:

- A credit check of the Borrower, and where applicable, any loan guarantor.
- An ASIC company search for any corporate Borrower.
- A completed statement of the Borrower's assets and liabilities.
- Financial information and/or a statement of income supporting serviceability.
- A market value assessment of the Security by a Certified Valuer to our specific instructions on an "as is" basis.
- The Loan to Valuation Ratio (LVR) which will generally not exceed 65%. The Fund's Constitution permits LVR's of up to 80% providing all mortgages subject to an 80% LVR do not exceed 15% of the total loans under management in the Fund. An LVR of 80% would only be considered on a metropolitan residential property.

Millbrook expects that the majority of loans advanced by the Fund will be predominantly for commercial, business or investment purposes with the balance being for personal and/or owner occupied purposes.

Millbrook holds an Australian Credit Licence and complies with the requirements of the National Consumer Credit Protection Act including its duty of responsible lending.

Once we have confirmed our Mortgage Lending Guidelines have been satisfied, prospective Investors for the Mortgage Investment are sent a SPDS which will contain information about the proposed loan including:

- the investment rate of return;
- the investment term to maturity;
- the Borrower's name and confirmation they have met the acceptance criteria outlined in our Mortgage Lending Guidelines;
- details about the security property for the mortgage; and
- date and amount of the Certified Valuer's market valuation of the Security.

Millbrook does not take into account labour standards or environmental, social or ethical considerations in selecting, retaining or realising proposed Mortgage Investments for the Fund.

How will my investment be managed?

Your investment in the ITD or a specific Mortgage Investment in the Fund will be managed by our Directors and staff who possess a wealth of expertise in managing Mortgage Investments.

4. How do I invest in the Fund?

Complete the Registration/Application Form

To be accepted as an Investor in the Fund, you need to complete and forward to us the Registration Form attached to the back of **Part B** of this PDS together with your cheque for your investment. Funds can also be transferred by way of electronic funds transfer (EFT) to our bank account by arrangement with us. We must receive a properly completed Registration Form before your investment will earn interest. Your funds will be invested in the Fund ITD account and you will be sent a confirmatory receipt detailing the amount held in your name and the current earning rate of the ITD.

Minimum investment and balance

The minimum investment and account balance is \$10,000. Additional investments may be made in multiples of \$5,000.

Investing in the Fund

Holding money in the ITD

Your investment in the ITD is held pending allocation to a Mortgage Investment.

All monies held in the ITD earn income at a rate determined from time to time by Millbrook.

The earning rate of investments in the ITD may vary each month depending upon the current Reserve Bank Cash Rate and is available upon request from Millbrook. Interest is calculated daily and distributed to Investors in the ITD monthly in arrears (no later than the 15th of the month). Refer *Investing in the Fund – clause 7. What returns will my investment provide?* and **Part B** of this PDS for more information.

Millbrook will inform all registered members of the Fund in writing of any changes to the interest rate payable on the ITD and the effective future date of that change.

To invest in a mortgage Investment

While you are a member in the ITD, we may send you one or more SPDSs that provide information about potential Mortgage Investments for you to consider. The minimum amount for investment by a member in a Mortgage Investment is \$10,000.

Mortgage Investments offer the participating members a variable or fixed rate of return and you may select the mortgages in which you want to invest. This may be done in one of two ways dependent on whether you have elected not to use the "Mortgage Allocation Facility".

Members who use the "**Mortgage Allocation Facility**" (refer to the Registration Form), authorise us to make an initial allocation of part or all of their ITD investment to specific Mortgage Investments as determined by us. You are then sent from time to time an SPDS which contains information about your participation in a Mortgage Investment described in the notice. Your investment in the specified Mortgage Investment will be effective unless within 10 business days of the date of issue of our notice you advise us that you opt-out, (i.e. choose not to invest in) the selected Mortgage Investment.

While the Mortgage Allocation Facility allows Millbrook to allocate Investors to a specific Mortgage Investment it does not minimise the information we provide to you in the SPDS or remove or reduce your right to review the proposed Mortgage Investment and choose not to invest in it should you so desire.

Members who do not wish to use the Mortgage Allocation Facility must tick this preference on the Registration Form or

advise us in writing. Where you do not use the facility, you will still be sent SPDSs about Mortgage Investments, however these will constitute an offer to you to participate in the Mortgage Investment described in the notice. You must notify us if you want to opt-in (i.e. choose to use part or all of your ITD investment to acquire an interest in the Mortgage Investment). This requires you to sign and return an investment authority that accompanies the SPDS. Your authority to invest in a Mortgage Investment when you 'opt-in', will be treated on a 'first come, first served' basis until sufficient applications have been received and accepted by us.

No advice

Please note that we do not provide financial product advice nor make any recommendation to a specific Investor to participate in any particular Mortgage Investment or the Mortgage Allocation Facility. In considering whether to invest in a Mortgage Investment or the Mortgage Allocation Facility, you may wish to seek independent advice from a licensed financial adviser.

5. Cooling off period

A cooling off period applies when you invest in the ITD for the first time. The cooling off period is the period of 14 days starting on the earlier of the day on which you received confirmation of your investment and the end of the fifth business day after the day on which the product was sold or issued to you. During the cooling off period you can write to us (including electronically – davidl@millbrookgroup.com.au) to have your registration money repaid. The amount of your repayment may be adjusted for matters including administrative costs or taxes incurred by us.

The cooling off period ends at the end of the 14 day period referred to above, unless if before that date you exercise your right to apply your ITD interests to acquire interests in a Mortgage Investment (including by operation of the Mortgage Allocation Facility if selected by you).

There is no cooling off period in a Mortgage Investment, however this does not affect your right to opt-out of a particular Mortgage Investment under the Mortgage Allocation Facility within 10 business days of the date of the SPDS we send to you.

6. Mortgage Investment settlement

We will co-ordinate subscription for a particular Mortgage Investment until the loan amount and any related costs (if applicable) has been reached. Upon settlement of a Mortgage

Investment and registration of the Mortgage, we will send the participating Investors a Mortgage Investment Certificate confirming their interest.

7. What returns will my investment provide?

ITD

Your return from the ITD is variable and calculated on the daily balance of your investment in the ITD up to the end of each month after which it is paid to you (by the 15th of the following month) by means of direct credit to your nominated bank account. Factors which may affect the ITD earning rate are summarised in *Investing in the Fund – clause 4. How do I invest in the Fund?* Any variation to the rate will be advised in writing to each Investor prior to the change.

Mortgage Investments

The performance of each Mortgage Investment varies according to its particular terms and repayments made by the Borrower. Each Mortgage Investment in which you invest will have the returns set out in the SPDS. The rate of return on your investment may be variable or fixed (usually fixed) for the term of each Mortgage Investment and will be calculated daily up to the end of each month. After the deduction of our management fee as specified on the applicable SPDS your return will be paid to you (by the 15th of the following month) by means of direct credit to your nominated bank account.

8. What are the investment risks and how are they managed?

We do not guarantee the performance of the ITD or any particular Mortgage Investment or the repayment of capital invested. The investments of the Fund, including the ITD have not been rated by any credit rating agency.

The principal investment risks are risks to capital and risks to income due to Borrower default on a loan, which will affect the Investors who participate in that Mortgage Investment but not other Mortgage Investments.

Borrowers of the Fund may be subject to circumstances that make it difficult to obtain finance from traditional or lower cost lenders. Examples of reasons why such a situation may arise because the Borrower:

Did you know?

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

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

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

You may be able to negotiate to pay lower administration fees. Ask the fund or your financial adviser.

TO FIND OUT MORE

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

Investing in the Fund

- requires the loan funds more urgently than a traditional lender can provide;
- may not have up to date and/or complete financial statements;
- may have some past credit defaults;
- may have recently commenced a new venture and as such their future income is not ascertainable; and
- may simply prefer to deal with a non-traditional lender.

Note: Some of the items listed above may increase the risk of the Borrower defaulting on their obligations. Millbrook will seek to manage any perceived risk by seeking further information to assess the loan application, and should the loan be approved, may impose "special lending terms and conditions" on the Borrower. Should this be the case these "special conditions" will be disclosed in the SPDS sent to each Investor.

Interest rate risk

Variable Interest rates – You should be aware that a variable rate investment has the prospect of decreasing returns as well as increasing returns. Variable rate investments should only be considered if you are aware and accept the risks of fluctuating investment returns. Interest rates vary frequently, and accordingly, the return on variable rate investments may vary significantly from time to time. (Millbrook does not normally offer Variable interest rates to Borrowers or Investors other than in the ITD sub-scheme).

Fixed Interest rates – this rate is fixed for the term of the Mortgage Investment, the interest rate does not vary, for instance, with changes in market rates. If those rates fall, Investors will still be entitled to the interest rate that Millbrook has agreed to pay. However, if interest rates rise, Millbrook is not obliged to increase the rate of interest being paid. Increasing interest rates would also affect the ability of Millbrook to substitute Investors in Mortgage Investments, refer *Investing in the Fund – clause 10. Can I withdraw from a Mortgage Investment prior to maturity?*

Risk to capital

Investments are not capital guaranteed. The risk to capital is affected by the ability of the Borrowers to repay loans, the quality of valuation of properties forming security for Mortgage Investments, adequate insurance of improvements on those properties, and a general fall in property values – all of which may result in a mortgagee sale delivering less than a full return of capital to Investors.

Risk to income

The income of Investors in a particular Mortgage Investment sub-scheme is at risk if the Borrower defaults under the terms of the mortgage and fails to make agreed loan repayments as they fall due.

Consequences of a defaulting mortgage

We do not guarantee payment of capital or payment of interest in the event of any default by a Borrower pursuant to the terms of the mortgage. From time to time, a loan may fall into default and we will review and manage that defaulting loan as described in *Investing in the Fund – clause 11. What happens if the Borrower is late or fails to make repayment?*

We will endeavour to ensure that a full return of principal and interest will be made to Investors in relation to the loan. Where a Borrower is in default under a mortgage, we reserve the right to continue to pay the normal rate of interest to you, and if so, will be entitled to retain any penalty interest payable by the Borrower (including the Defaulting Mortgage Fee refer **Part B** of this PDS) as a consequence of default.

In the event of property repossession after a loan falls into default, it is possible for the Security to be sold at a price less than the amount required to satisfy the loan amount and capitalised cost (including unpaid interest, fees, the Defaulting Mortgage Fee and legal recovery costs), in which case your capital may diminish.

Risk Management Strategy

We use risk management strategies, policies and procedures to manage and limit the likelihood of loss of Investors' capital and income. Some of the key procedures which we have adopted include:

- loan applications for Mortgage Investments are assessed in accordance with our strict Mortgage Lending Guidelines;
- the Securities are subject to a market valuation by a Certified Valuer who is a member of the Australian Property Institute, is instructed by us and where that valuer holds an appropriate level of confirmed Professional Indemnity insurance cover;
- loans advanced for Mortgage Investments generally do not exceed 65% of the Security's market valuation;
- our lending policy requires Borrowers to have up-to-date building insurance adequately covering the value of improvements on the property offered as Security, and noting our interest;

- the assets of the ITD and each Mortgage Investment sub scheme are clearly identified and separately held from the assets of Millbrook and each other sub-scheme;
- we review and actively manage loan repayments on a monthly basis;
- our staff are experienced and knowledgeable in dealing with defaulting Borrowers and will actively manage the collection of loan payment arrears and the default process; and
- we have an internal and external investor complaints handling process.

The risk management arrangements are reviewed annually by our Directors. Additionally quarterly reviews are undertaken by our Compliance Committee which has a majority of external members.

9. Can I withdraw from the ITD?

You can withdraw all or part of your investment held in the ITD as long as these funds have not been allocated to a Mortgage Investment. Your principal withdrawal will be returned to your nominated bank account within seven (7) days of our receipt of your written notice. The minimum withdrawal amount is \$10,000 (or, if your investment held in the ITD is less than \$10,000, the minimum withdrawal amount is the total amount of your investment).

If payment of a withdrawal request will result in a member's account balance in the ITD falling below \$10,000, we may treat the request as being for the balance of the member's account.

10. Can I withdraw from a Mortgage Investment prior to maturity?

All investments in a Mortgage Investment are made for a fixed term and you have no right to withdraw from a sub-scheme prior to maturity. We will however use our best endeavours to accommodate your written request for early withdrawal as long as we are able to identify a replacement Investor willing to accept the terms and conditions of your Mortgage Investment.

If your Mortgage Investment is subject to a fixed rate and interest rates have risen since your investment was originally made it may not be possible for us to identify a replacement Investor. Conversely, it will be easier for us to meet your withdrawal request if your Mortgage Investment is subject to a variable rate as the

return it offers should have kept pace with changes in interest rates generally.

In the event that such a request is granted, there is an "Early withdrawal or transfer fee" payable by you, the Investor, as per the table regarding fees and other costs in **Part B** of this PDS).

We do not provide financial product advice nor make any recommendation to specific Investors to participate in, or dispose of an interest in, a particular Mortgage Investment.

11. What happens if the Borrower is late or fails to make repayment?

From time to time a Borrower may be late in making a payment. If a payment is not received by the due date (or an allowed grace period of up to 7 days thereafter), the Borrower may be charged a higher 'default rate' for the month in which the payment is late. We will commence proceedings in relation to defaulting loans at our discretion after proper regard for our risk management arrangements and the Borrower's circumstances, which may for example include arrangements for the Borrower to bring payments up to date over an agreed period.

If a default occurs, we will inform you within 30 days of being aware of the default and whether the rate of return for the specific Mortgage Investment will be affected.

If the rate of return is unaffected by the defaulting payment because we agree to compensate you for the Borrower's default by continuing to remit interest to you at the normal rate of return, we will be entitled to receive repayments subsequently paid by the Borrower before the normal rate of return on the defaulting loan is reinstated – i.e. we will retain the higher interest rate (default rate) as compensation for continuing payments to you, the Investor.

If we do not maintain your level of return in the event of a loan default, you are entitled to receive the higher interest rate (default rate), however your actual rate of return will be determined by the repayments actually received from the Borrower and/or the amount recovered from the sale of the Security (i.e. mortgagee's auction), less a Defaulting Mortgage Fee (refer to **Part B** of this PDS) due to us in compensation for our costs in managing the recovery process. In these circumstances the Defaulting Mortgage Fee will be the amount specified in the SPDS for the sub-scheme, which can not exceed 5% per annum of the defaulting loan amount.

Investing in the Fund

If the Security is sold at a price less than the amount required to satisfy the loan amount and capitalised cost (including unpaid interest, fees and legal recovery costs, advertising, marketing and Auction costs and commissions and the Defaulting Mortgage Fee) the return of your investment capital may be diminished proportionally in relation to your investment in the defaulting sub scheme.

Following a default in the mortgage payment, we may, as we see fit, sell the Security or recover all or part of Investors' capital investment, then the following order of priority applies to payment of money received:

- firstly, towards payment of other liabilities having priority at law to the Mortgage Investment;
- secondly, in payment of our fees including the Defaulting Mortgage Fee (refer **Part B** of this PDS), charges and other costs and expenses incurred in the proper performance of our duties;
- thirdly, in payment of the Investors' capital investment;
- fourthly, in payment of any interest to which the Investors are entitled but has not yet been paid.

In the event the monies from the sale of the security property are insufficient to repay Investors' capital and interest, or the value of the sub-scheme assets are insufficient to cover the cost of further recovery action against the Borrowers or other parties, it is at our discretion whether we undertake further action. If requested by Investors to take additional recovery action in these circumstances we may only do so where the Investors indemnify us for our costs (including that of our time) and lodge appropriate collateral to cover those costs.

12. What happens to my Mortgage Investment at its maturity?

On the maturity of a Mortgage Investment, the principal amount repaid on your Mortgage Investment will be deposited in your name in the ITD.

Interest on the matured Mortgage Investment will be remitted to your nominated bank account at the next monthly interest instalment date.

During this time (when you do not have any funds in a Mortgage Investment and the principal amount repaid on your Mortgage Investment is deposited in your name in the ITD), you may

withdraw from the ITD by giving Millbrook written notice. We will send you further information about new investment opportunities.

In some cases a mortgage loan may be extended for a period. Any request from a Borrower to extend their loan (and therefore the sub-scheme Mortgage Investment) will be assessed in the same manner as a new loan application (with the exception that a re-valuation of the property the subject of the Security may not be required where the most recent valuation is less than 15 months old). All information from the Borrower will be updated and assessed in terms of the Mortgage Lending Guidelines and if approved new SPDSs will be forwarded to those Investors in the sub scheme to consider. In these circumstances, you will be provided with the opportunity to redeem your investment or continue your investment in the new Mortgage Investment based on the updated information.

Withdrawal from a Mortgage Investment at maturity does not incur any penalty or cost to the Investor, refer **Part B** of this PDS.

13. What are my rights?

Constitution

The Fund is established under the Constitution. Together with the Corporations Act, the Constitution sets out your rights as an Investor as well as our rights, duties and obligations, including:

- to keep Fund assets separate from our own assets;
- how meetings of Investors can be called and conducted;
- provisions for us to retire in some circumstances;
- the ability for us to modify the Fund's Constitution subject to Investors' approval where the modification may affect Investors' rights adversely;
- mechanisms for handling Investor complaints; and
- the requirement for the Fund to have a Compliance Plan that contains adequate measures to ensure compliance with the Corporations Act and the Constitution.

The Constitution may be amended by us where we believe the change will not adversely affect the rights of Investors. Otherwise, any amendment must be approved by Investors in the Fund.

A copy of the Constitution is available on request without charge to any Investor in the Fund.

No mortgage of interest

Investors of the Fund cannot mortgage their interest in the ITD or a particular Mortgage Investment to a security provider. No such rights are recognised by us.

Right of secession

Where all Investors in a sub-scheme of the Fund unanimously agree to convert their investment into a contributory mortgage managed by them alone, the Responsible Entity must transfer the mortgage into the individual names of those Investors or their nominee, providing the sub-scheme is in default and all outstanding management costs and disbursements have been paid, including legal costs associated with the secession.

Complaints handling process

Any Investor complaints should be addressed to our Compliance Manager, who will acknowledge receipt within 30 days and commence an investigation.

If you believe that we have not satisfactorily resolved your complaint within 45 days (or up to 90 days where we advise you separately in writing that the investigation requires further time) you may take your complaint to the Financial Ombudsman Service (FOS) of which Millbrook is a member (No 14439). The address for FOS is:

Financial Ombudsman Service Limited

GPO Box 3, Melbourne Victoria 3001

Telephone: (03) 9613 6399

Email: info@fos.org.au

At the date of this PDS, the Australian Financial Complaints Authority (AFCA) is yet to commence operation. Once AFCA commences operation, complaints that would have been directed to FOS should be directed to AFCA.



Investing in the Fund

14. Keeping you informed

We will keep you updated with regular reporting, including:

- annual tax statements as at 30 June each year in relation to your investment;
- information concerning new Mortgage Investment opportunities and current interest rates;
- half-yearly disclosure updates against the ASIC benchmarks and information addressing the disclosure principles, including updates on the status of performance against the benchmarks and information provided under the disclosure principles; and
- ongoing disclosure as set out immediately below under "Ongoing disclosure" in 14. Keeping you informed.

Ongoing disclosure

Information that does not constitute materially adverse information may be updated and will be available for viewing and printing from our website – www.millbrookgroup.com.au/mortgagefund.

If there has been a material change to information previously disclosed in this PDS, or if we become aware that this PDS omits materially important information, any such additional information that materially affects or changes the contents of this PDS will be promptly advised in writing to all registered members and any prospective Investors in a SPDS (or new PDS) as required by the Corporations Act.



15. Privacy statement

You will be asked to give us your personal information in the Registration/Application Form and from time to time in other documents we supply to you. Without this information, we may not be able to process your application or provide you with an appropriate level of service.

We are committed to respecting the privacy of your personal information and are bound by the *Privacy Act* 1988 (Cth) (and as amended thereafter) under applicable privacy legislation. To manage and retain our financial relationship with you, we retain your information in order to provide you with the products and services related to this Fund.

You have a right to access any personal information which we hold about you. If at any time your details change or you would like to update or access any personal information we hold about you, please contact us.

Information relating to your holding in the Fund is required to be entered in a publicly accessible register of members.

16. Taxation

We cannot and do not give tax advice. If you require taxation advice relating to your investment in the Fund, we recommend that you seek professional tax advice. The following information relating to Australian tax residents is a general guide only and should not be relied on without consulting your adviser.

Taxation of the ITD and Mortgage Investments

The ITD and each Mortgage Investment will generally not be subject to tax on income or gains made by either the ITD or any Mortgage Investment, provided all taxable income is distributed to Investors of that sub-scheme at the time of distribution.

Taxation of Investors

The taxable income distributed to you will be made up of income paid to you from your investment in the ITD or a Mortgage Investment.

You are not required to give us your Tax File Number. However, if not provided, we are required by the Australian Tax Office to withhold tax at the highest marginal rate, plus Medicare levy, from income paid to you from the Fund. If a tax exemption category applies to you, you should nominate the exemption category on the Registration Form and provide details in writing.

17. Consents and other disclosures

We, as the Responsible Entity, are entitled to receive the fees for operating the Fund as stated in **Part B** of this PDS. The Directors and members of the Fund Compliance Committee are remunerated for their services.

Roslyn Buzza is the Auditor of Millbrook and the Fund and has consented, and not withdrawn her consent, to be referred to in this capacity as described in this PDS.

18. Directors' Report

The Directors of Millbrook report that after due inquiry we are not aware of any circumstances other than those disclosed in this PDS that in our opinion have materially affected or will materially affect the assets and liabilities, financial position, profits and losses and prospects of the Fund, the rights attached to the Fund, the merits of investing and the extent of risks of investment.

The Directors are of the view that, to the best of their knowledge and belief, the information contained in the PDS is correct and there are no material omissions likely to affect the accuracy of the information.

The Directors have authorised the issue of this PDS.

David Robert Lyall
Robert Lindsay Norman
Simon Colin Hardie



Fees and Other Costs and Registration Form

PART B

Part B – Fees and Registration Form – to be read in conjunction with Part A – Fund Information

This PDS consists of 2 parts: **Part A** contains Important Notices on the inside front cover that you should refer to, explains the Fund's features and the nature of your investment and your rights as a member of the Fund; and this **Part B** shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the assets of the scheme as a whole.

This **Part B** also contains financial information of the Fund and the Registration Form.

Information about taxation is contained in *Investing in the Fund – clause 10. Taxation (Part A)*.

Fees Payable by Members of the Fund

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

The Fund may be required to pay GST on fees and costs. However, where available, the Fund will claim input tax credit for the GST

incurred. All references to fees and costs relate to the GST exclusive value of the fees and costs, unless otherwise stated. The fees stated have been rounded up to two decimal places where applicable.

Type of fee or cost	Amount	How and when
Fees when your money moves in or out of the managed investment product		
Establishment fee: The fee to open your investment.	Nil	N/A
Contribution fee: The fee on each amount contributed to your investment.	Nil	N/A
Withdrawal fee (excluding early withdrawal): The fee on each amount you take out of your investment.		
ITD – the fee for each withdrawal you make	Nil	N/A
Mortgage Investment – the fee to withdraw on or after the maturity date of the investment	Nil	N/A
Exit fee: The fee to close your investment.	Nil	N/A

Fees Payable by Members of the Fund

Type of fee or cost	Amount	How and when
<p>Early withdrawal or transfer fee:</p> <p>This is the fee charged to break the term of a Mortgage Investment and withdraw funds prior to the maturity date – refer to Part A of the PDS <i>Investing in the Fund – clause 10. Can I withdraw from a Mortgage Investment prior to maturity?</i> Examples include early repayment to a deceased estate, or transfers or assigns to any person resulting from an existing Investor withdrawing their investment prior to maturity.</p>	\$100.00	This fee is payable by the withdrawing Investor and will be deducted from the balance of funds withdrawn.
<p>Management Costs</p> <p>Administration and investment costs – Mortgage Investment</p> <p>These are the fees for management of a Mortgage Investment by Millbrook and includes fees for the security documents, custody of mortgage documents and other expenses incurred in investing in assets of the Mortgage Investment.</p> <p>An example of this fee is provided on page 27 (Part B).</p>	<p>The actual fee varies for each specific Mortgage Investment and is stated in the applicable SPDS. The range of fees is quoted as a percentage and varies from .75% to 5% of the loan amount. The Fund's Constitution allows a maximum fee of up to 5% per annum.</p> <p><i>Example: On a \$50,000 Mortgage Investment a 1% per annum fee equates to \$500.00 per annum.</i></p>	<p>Payable monthly in arrears by deduction from the specific Mortgage Investment prior to payment of the declared earning rate on the Mortgage Investment.</p>
<p>Defaulting Mortgage Fee:</p> <p>This fee is charged when a loan defaults and is usually paid by the Borrower. It is payable monthly when the loan is in default. However should the Borrower be unable to pay the fee monthly it will be deducted from the proceeds of the sale of the property held as security.</p> <p>Where Millbrook has compensated Investors in the defaulting Mortgage Investment (sub-scheme) by paying the same rate of interest as if there was no default, Millbrook is entitled to receive the Defaulting Mortgage Fee to the extent paid by the Borrower to remedy the default.</p> <p>Should Millbrook choose not to compensate Investors by continuing the normal interest payments, the Investors in the defaulting Mortgage Investment (sub-scheme) are entitled to receive the Defaulting Mortgage Fee payments to the extent paid by the Borrower to remedy the default.</p>	<p>The actual fee varies for each specific Mortgage Investment and will be stated in a notice we send to members of the Mortgage Investment if the loan defaults, within 30 days of the default occurring and the maximum payable is no more than 5% per annum of the default loan amount. See Definitions: <i>Defaulting Mortgage Fee</i> for a full explanation.</p> <p><i>Example: The maximum fee of 5% per annum on a loan of \$50,000 equates to \$2,500 per annum.</i></p>	<p>Deducted from any repayments recovered from the Borrower and/ or proceeds of sale of the Security.</p> <p>If the sale of the property does not result in the full recovery of all of the principal loan, interest, fees and charges owing, then any unrecovered <i>Defaulting Mortgage Fee</i> will be paid by the members by it being deducted from the net proceeds due to them from the sale of the Security.</p>

Type of fee or cost	Amount	How and when
Additional Service Fees	Amount	How and when
Switching fee: The fee for changing investment options.	Nil	N/A

We reserve the right to charge certain sophisticated or professional investors or other retail clients fees that will be lower than the fees outlined in the tables above that apply generally to retail investors. The lower fees will be based on individual negotiation between us and the sophisticated or professional investor or other retail client.



Additional Explanation of Fees and Costs

Fees and charges payable by Borrowers

We also receive fees and charges from Borrowers for providing services which have no impact on the returns generated from the Fund. The Borrowers' fees include:

- Loan establishment fees which are negotiable depending on the complexity and competitiveness of the loan with the minimum fee being the greater of \$1,000 or 1% plus GST of the loan amount. No maximum fee is set. These establishment fees may be shared with the introducers of the loans to us. They are collected to cover the cost of servicing the loan sourcing network, data collection, loan application, loan assessment and the approval process, instructing valuers and solicitors' who are instructed to provide the appropriate legal documentation, settle the loan and register the mortgage. These fees may also be used to meet general administration costs such as salaries, insurance, rent, telephone and advertising costs etc.
- Loan renewal or extension fees when a loan matures and is continued for another term. This may also include an increase in the amount borrowed and commence from a minimum fee of \$500 or 0.5% plus GST whichever is the greater. Fees are calculated on the loan amount borrowed. This fee covers the cost of reviewing the loan file, the payment record of the Borrower and may include updating information held such as the valuation, credit checks, statement of position and serviceability. It will also cover the cost of any documentation required to renew/extend the loan and communicating with the Investors involved in the loan in respect to the renewal or otherwise of their Mortgage Investment.
- Additional or default interest for late payments. The default interest rate will not exceed 6% of the principal sum for the period of default (this is in addition to the interest rate payable by the Borrower when not in default). We may elect to meet some of the interest payments to the Investor on a month to month basis as compensation for the Borrower's default. If so, the additional or default interest paid is due to us for the cost of funding the interest payments to members of the particular Mortgage Investment while the Borrower was in default. This also covers the cost of operation of the arrears management function which includes staffing and reporting to Investors and our senior management.
- We charge Borrowers an early repayment fee for loan payout prior to the contracted maturity date. Where this occurs the fee will be divided equally between you and Millbrook. The fee is an amount equal to:

In the case of a loan not regulated by the NCCPA

1. Where the loan is repaid in full prior to maturity: An amount equal to 2 months' interest on the original loan amount at the higher rate of interest specified in the loan agreement.
2. Where the loan is not repaid in full by the early repayment: An amount equal to 2 months' interest on the early repayment amount at the higher rate of interest specified in the loan agreement

In the case of a loan regulated by the NCCPA, either in accordance with the NCCPA and if applicable the National Credit Code contained in Schedule 1 of the NCCPA; or

1. Where the loan is repaid in full prior to maturity: An amount equal to 1 month's interest on the original loan amount at the rate of interest specified in the loan agreement plus an early termination fee, also as set out in the loan agreement.
2. Where the loan is not repaid in full by the early repayment: An amount equal to 1 month's interest on the early repayment amount at the rate of interest specified in the loan agreement plus an early termination fee, also as set out in the loan agreement

Example of Annual Fees and Costs

Mortgage Investment

The *Administration and Investment Costs – Mortgage Investment* fee charged by Millbrook for managing the loan (Mortgage Investment) is deducted each month from the Borrower's interest payment. Therefore the yield or distribution to the Investor is the net amount provided on the SPDS under Investor Interest Rate and our fee is under Management Fee. So if:

1. Interest paid by the Borrower is stated and calculated at 9.75% per annum, and
2. a Millbrook Management Fee of 1.50% per annum is then deducted,

the Investor would therefore be offered the Mortgage Investment at a net rate to them of 8.25% per annum.

Example: On a \$50,000 loan where the Borrower is paying 9.75% per annum, Millbrook is charging a 1.50% pa Management Fee, and Investors in the loan are therefore receiving 8.25% per annum, over a 12 month period:

1. *the Borrower pays the Fund \$4,875 pa (being \$50,000.00 at 9.75% per annum);*
2. *Millbrook receives a Management Fee of \$750 pa (being \$50,000 at 1.50% per annum); and*
3. *the Investor receives \$4,125 pa (being \$50,000 at 8.25% per annum).*

Interest and the management fee is calculated daily and distributed monthly in arrears.

The above example does not include an "*Early withdrawal or transfer fee*" because it would only apply in circumstances where the Investor withdraws early in accordance with *Investing in the Fund – clause 10. Can I withdraw from a Mortgage Investment prior to maturity?*

Similarly, it does not include the "*Defaulting Mortgage Fee*", which would only be payable in the event of loan default and which is usually paid by the Borrower. That fee would be set out in the relevant SPDS.

Did you know?

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

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

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

You may be able to negotiate to pay lower administration fees. Ask the fund or your financial adviser.

TO FIND OUT MORE

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

Brokerage and Commissions

We may pay persons introducing loans to us commission which ranges between 0.25% to 1.25% of the principal loan amount for the introduced Mortgage Investment plus GST and/ or a referral trail brokerage fee which ranges between 0.25% to 1.0% per annum plus GST, of the principal loan amount for the introduced Mortgage Investment. The actual amount paid to each adviser may change from time to time without notice based on commercial requirements. These fees are paid by us out of our own resources, and not deducted from your earning rate on an investment in the Fund.

Applicant (Investor) Identity Verification

To help us protect your investment with us against fraud and identity theft and also comply with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth), we need to properly verify the identity of each applicant to the Fund. To do this you will have to provide copies of forms of identity to us (100 points' worth) with your completed Registration Form to join the Fund, one of which must include a copy of a photo of each applicant (i.e. current driver's licence and/or Australian Passport).

You should attach all relevant copies of identity to the Registration Form for individual investors and trustees and if a company – Director(s), when lodging the form with us.

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MILLBROOK
Mortgage Fund

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