

Product Disclosure Statement

FINEXIM MORTGAGE INVESTMENT FUND (ARSN) 606 834 011



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FINEXIM MORTGAGE INVESTMENT FUND

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1 Letter from Managing Director

Dear Investor,

On behalf of the board of Directors of Finexim Ltd it is my pleasure to present the Finexim Mortgage Investment Fund.

The Fund's model is such that you get to choose the loans you invest in. It is important that you read carefully this PDS, and also any relevant Supplementary PDS for a particular mortgage investment so that you understand the nature of the loan in which you will be investing.



I commend to you Finexim Ltd's offering in the Fund and the investment opportunity that it represents. If you would like any further information about us or on investing in the Fund, please contact us using the details set out herein.

Yours sincerely,

Sergiy Jiriaev
Managing Director

2 Introduction

This document is a Product Disclosure Statement ('this PDS').

The date of issue of this PDS is 27 July 2018.

The issuer of this PDS is Finexim Ltd ACN 165 917 813 ('Finexim').

The Australian Securities and Investments Commission ('ASIC') takes no responsibility for the contents of this PDS or the merits of the investment or financial product to which it pertains.

Investments in the Fund is not a bank deposit and carries the risk of investors not getting all or part of their investment back.

This PDS is only intended for you if you are within Australia when you receive it. No offer or invitation is made by this PDS, directly or indirectly, in any other jurisdiction where the offer or invitation could breach the applicable laws or require this or any other document to be lodged or registered.

The distribution of this PDS in jurisdictions outside the Commonwealth of Australia may be restricted by law and persons who come into possession of this PDS should seek advice on and observe any such restrictions. Failure to do so may constitute a violation of applicable securities law. This PDS is available in electronic form for download from the Fund's website: www.finexim.com.au. The offer contained in this PDS in electronic form is available only to persons (not including residents of the United States of America or Canada) receiving this PDS in electronic form within Australia.

2.1 The Fund

Finexim is the responsible entity for the Finexim Mortgage Investment Fund ('the Fund').

The Fund is a managed investment scheme registered under the Corporations Act 2001, ARSN 606 834 011.

Finexim is the holder of an Australian Financial Services Licence, number 464772.

The Fund derives income by establishing Sub-Funds that invest in first registered mortgages over real property in Australia ('Mortgage Investments'). Finexim as responsible entity for the Fund and trustee of the Sub-Funds lends money to borrowers ('Borrowers') with the obligations of those Borrowers to repay the principal together with interest and costs being secured by first registered mortgage/s over real property ('Security Property') generally provided by the Borrowers, subject to any additional security as may be required in a Supplementary Product Disclosure Statement.

Property development loans are expected to exceed 20% of the Fund's assets and so the Fund should be considered one that invests a significant component of funds in property development loans.

The product being disclosed in this PDS in a generic way is an interest in a Sub-Fund operated and established by Finexim under the umbrella of the Fund.

2.2 Sub-Funds

This PDS sets out only generic details about the product. Specific disclosure about particular Sub-Funds and Mortgage Investments is set out in a Supplementary Product Disclosure Statement ('SPDS') for each SubFund. The latest version of this PDS together with the SPDS for a particular Sub-Fund should be read together.

The Fund is comprised of multiple Sub-Funds. Members of the Fund ('Members') are investors or 'Unitholders' in particular Sub-Funds. Members do not invest in the Fund as a whole.

Investors' contributions to a particular Mortgage Investment are, to the maximum extent permitted by law, quarantined within the relevant Sub-Fund so that investors in each Sub-Fund do not have recourse to the property held in other Sub-Funds. Upon allocation of funds to a Sub-Fund, there is no cooling off period and investors have no right to withdraw from a Sub-Fund or the Fund until the relevant Mortgage Investment is repaid.

A particular Mortgage Investment involves a single loan to a specific Borrower (or group of co-Borrowers). When Members invest in a Sub-Fund, they are investing in a Mortgage Investment and the relevant SPDS discloses information specific to that Mortgage Investment.

Finexim is the trustee of each Sub-Fund and the issuer of the Units in the Sub-Funds ('Units') which are offered under this PDS and the relevant SPDS.

Finexim can accept multiple investors into each Sub-Fund. As each investor contributes directly to the total sum invested in each Mortgage Investment and receives a corresponding beneficial interest in that Mortgage Investment, ASIC refers to the Fund as a 'contributory mortgage scheme'. (Regulatory Guides 45 and 118).

An investor in a Sub-Fund is known as a 'Unitholder'.

Unitholders derive income from the capital they invest in a Sub-Fund through the payment of Distributions ('Distributions') which are funded from interest payments made by the Borrower, or in the case of default by the Borrower, from the proceeds of enforcement against the Security Property, the Borrower(s) and Guarantor(s).

2.3 Disclosure documents

In making the decision to invest in a Sub-Fund you should not rely on any information given to you unless it is:

- a) contained, or referred to, in this PDS; or,

b) contained in a SPDS.

For your protection you should disregard any representations relating to the Fund, or a Sub-Fund, which are given to you over the telephone, by email, by letter, or otherwise, by officers or employees of Finexim, by brokers, by financial advisers, or by anyone else, unless confirmed in the PDS or SPDS.

2.4 Latest PDS

The Fund only has one PDS at any time. From time to time, the PDS may be amended. It is important that you are relying on the current version of the PDS every time you invest in a Sub-Fund. This is because we may have changed the PDS since the previous time you invested, or since you received a previous PDS, in a way that you may perceive to be disadvantageous to you.

In order to make it easy for you to determine whether you have the latest PDS we:

- (i) put the name of the latest version of the PDS in large typeface on the front page of every SPDS; and,
- (ii) describe versions of the PDS by reference to the month and year in which they were issued.

If we are raising funds the most recent PDS will be available for download from the Fund's website: www.finexim.com.au. We will, upon request, email to current or former Members such previous versions of the PDS as were current at the time they invested in a Sub-Fund.

Applications for investment may only be made on the form attached to this PDS. The Corporations Act 2001 prohibits any person from passing that form on to another person unless it is attached to a hard copy of this PDS or forms part of the complete and unaltered electronic version of this PDS.

If there is a materially adverse change to the information in this PDS or a materially adverse omission from this PDS, Finexim will issue a replacement or a corrective supplementary PDS. Before seeking to make any investment you should access Finexim's website to ensure you have the latest version of this PDS, any Supplementary PDS, and the latest information in relation to the Fund as published on the Fund's website: www.finexim.com.au.

2.5 Specific Authority

If you wish to choose the Sub-Funds into which your money is placed, you must nominate those Sub-Funds by giving Finexim a specific authority. This is done as follows:

- a) Carefully read this PDS in its entirety; then
- b) Complete and return the application form at the back of this PDS (the 'Fund Application Form'); then
- c) Read the SPDS which relates to the specific Sub-Fund you wish to invest in; then
- d) Complete and return the application form at the back of the SPDS (the 'Sub-Fund Application Form'); then
- e) We will send you the deposit details and instructions for depositing your funds into the Application Monies Account; then
- f) Send the money that that you wish to invest observing the details and instructions provided, and we will allocate your investment to a Sub-Fund and issue you with a certificate for your Units, at which point you will be a Unitholder and Member of the Fund.

2.6 General Authority

If, instead, you wish Finexim to allocate your money into Sub-Funds on your behalf, you must give Finexim a general authority to do so. The procedure for this is as follows:

- a) Carefully read this PDS in its entirety; then

- b) Complete and return the Fund Application Form; and
- c) Complete and return the general authority form at the back of this PDS (the ‘General Authority’). This authorises Finexim to place your funds into Sub-Funds as they become available; and
- d) We will send you the deposit details and instructions for the Application Monies Account; then
- e) Send the money that you wish to invest, observing the details and instructions provided; then
- f) Wait for Finexim to send you an SPDS which relates to a specific Sub-Fund into which Finexim intends to place your funds pursuant to the General Authority. You must then decide whether you wish to veto this placement. If you do nothing then, then after 14 days (from the date Finexim sent the SPDS to you), being the relevant ‘cooling-off’ period, your funds will be deemed committed to that SubFund. If you wish to veto you should inform Finexim in writing and obtain an acknowledgement of receipt; then
- g) Upon the expiry of the cooling-off period we will allocate your investment to a Sub-Fund and issue you with a certificate for your Units, at which point you will be a Member of the Fund and a Unitholder; and;
- h) If you have given Finexim a General Authority, subject to any contrary direction you may give, you will be deemed to have authorised your capital to be paid into the Application Monies Account and reinvested in further Sub-Fund in accordance with the procedure set out in (f) above when it is returned from an earlier Mortgage Investment. This will only occur if your earlier investment has been unimpaired (you have been paid all capital and distributions).

3 Investment Overview

	Summary	Section
Investment Strategy	The Fund seeks to provide Members with regular returns secured by first registered mortgages over real property.	9.1 – 9.3
Fund structure	Contributory Mortgage Fund whereby Members’ contributions to a particular Mortgage investment are quarantined within Sub-Funds so that Unitholders in each Sub-Fund do not have recourse to the property held in other Sub-Funds.	2.1 – 2.4 8.1 – 8.3
Issue price	\$1.00 per Unit in each Sub-Fund.	12.1
Minimum Investment	\$25,000 and in multiples of \$1,000 thereafter.	8.2
Distribution Rates	These depend on the particular Sub-Fund (particular mortgage) invested in. They are disclosed in the relevant SPDS.	8.1, 9.10
Distribution frequency	Monthly, subject to the Borrower paying interest on time.	8.1
Liquidity of your Investment	You cannot liquidate your investment prior to the Borrower repaying the loan into which your money has been invested.	5

Risk factors	Risk factors include the Borrower defaulting and the Security Property not selling for sufficient to repay the debt.	10.2 – 10.11
Complaints	Finexim has established a dispute resolution process for Members.	12.3
Investor Communications	You will be entitled to receive: 1. confirmation of your investment and redemptions; 2. annual taxation statement of your investments in the Fund; 3. the annual financial statements of the Fund.	12.8 – 12.9
Management Fee	Varies depending on Sub-Fund and whether any default occurs	7.2 - 7.3
Australian Taxation	The Fund will not pay tax, but will fully distribute net income to Members. Offshore Members may be subject to withholding tax.	11
Cooling Off	There are limited cooling off rights available.	8.4

4 Organisational structure

4.1 Finexim

Finexim is an unlisted public company incorporated in September 2013.

We have an experienced management team with a proven track record in the mortgage lending industry and we are committed to striving to:

- Identify prudent mortgage investment opportunities
- Preserving investor capital
- Delivering attractive risk-adjusted returns

4.2 Constitution

The Fund is governed by its constitution (the ‘Constitution’). The Fund’s Constitution allows for the creation of trusts by Finexim in relation to property which Finexim holds in connection with the Fund and the Sub-Funds (‘Fund Property’). It forms a binding contract between Finexim and Members.

Finexim is able to make changes to the Constitution where those changes do not adversely affect the rights of Members. If a change affecting the rights of Members needs to be made, then a special resolution must be passed by the Members at a properly called meeting.

The Fund Constitution contains extensive provisions about the legal obligations and rights of Members, Finexim and others. Among other things, the Constitution deals with the following important matters:

- a) The segregation of property belonging to each Sub-Fund;
- b) Acquisition of interests in the Fund;
- c) Declaration of trust;

- d) The powers of Finexim to deal with Sub-Fund property;
- e) The rights of Finexim to be paid fees;
- f) The rights of Finexim to be indemnified;
- g) The power of Finexim to borrow and raise money;
- h) The right of Unitholders to withdraw from the Fund;
- i) The retirement and removal of Finexim as manager of the Fund;
- j) The winding-up of the Fund.

4.3 Compliance Plan

The Compliance Plan ('Compliance Plan') is a document which outlines the procedures that Finexim uses to ensure that it complies with or makes good on:

- a) the provisions of the Corporations Act;
- b) the Corporations Regulations 2001 Cth ('Corporations Regulations');
- c) ASIC policies, as set out in its Regulatory Guides;
- d) The Fund's Constitution;
- e) Finexim's AFSL; and,
- f) any Representations made in applicable Disclosure documents.

The Compliance Plan has been lodged with ASIC.

4.4 Compliance Committee

As well as a compliance officer ('Compliance Officer') Finexim maintains a Compliance Committee ('Compliance Committee') which consists of two external members and one internal member. The Compliance Committee is responsible for monitoring Finexim's compliance programme and measures to ensure Finexim adheres to the Compliance Plan. The Compliance Plan also explains the Committee's procedures for:

- dealing with breaches, including following up on action taken by Finexim following recommendations made by the Committee;
- ensuring they are made aware of all significant transactions involving fund assets, including default on mortgage payments and significant downward movements in value of mortgage security; and □ assessing whether Finexim's actions are in accordance with its obligations.

4.5 Lending Committee

Finexim maintains a lending committee ('Lending Committee') which consists of at least two persons, one being an officer known as the Lending Manager and the other being a Director of Finexim. The Lending Committee evaluates loans in accordance with the loan criteria set out in this PDS and the Compliance Plan.

4.6 Audits

External audits of Finexim's accounts, the Fund's accounts and the Compliance Plan, are performed annually.

4.7 Net Tangible Assets

Finexim is required by its AFSL to possess Net Tangible Assets (RG166, Table 9).

4.8 Insurance

Finexim has in place Professional Indemnity Insurance which insures Finexim, and its directors and officers, against liability for negligent or criminal defaults.

5 Benchmark disclosure

In September 2008, ASIC introduced *Regulatory Guide 45: Mortgage schemes – improving disclosure for retail investors*.

The Regulatory Guide sets out eight benchmarks in relation to mortgage schemes to help retail investors better understand the risks, and assess the rewards being offered and decide whether these investments are suitable for them. Finexim addresses these in the table below.

Benchmark	Status	If not satisfied, why not? (Or other explanation)
<p>Benchmark 1: Liquidity</p> <p>For a pooled mortgage scheme, the responsible entity has cash flow estimates for the scheme that:</p> <ul style="list-style-type: none"> 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 	<p>Not applicable</p>	<p>As the Fund is not a pooled mortgage scheme this benchmark does not apply.</p>
<p>Benchmark 2: Fund borrowing</p> <p>The responsible entity does not have current borrowings and does not intend to borrow on behalf of the scheme.</p>	<p>Satisfied</p>	<p>Finexim does not and has no intention of engaging in borrowing of any kind. In the event of an actual or apprehended default by a Borrower, where it is in the best interest of Members of a Sub-Fund, Finexim reserves the right to undertake borrowings secured against the assets of the Sub-Fund in order to:</p> <ul style="list-style-type: none"> a) fund (or reimburse Finexim) for Disbursements related to the Sub-Fund; and/or, b) pay Management Costs related to the Sub-Fund; <p>Where borrowings are secured against the assets of a Sub-Fund the financier will rank ahead of Unitholders in the Sub-Fund. This means the Sub-Fund will lose priority. This entails the risk that</p>

Benchmark	Status	If not satisfied, why not? (Or other explanation)
		if the Security Property is sold for less than is required to payout the financier and the Mortgage Investment, then the Unitholders in the Sub-Fund will suffer a shortfall on the payment of Distributions, and possibly even on the return of their capital.
Benchmark 3: Portfolio diversification		
<p>For a pooled mortgage scheme:</p> <ul style="list-style-type: none"> 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). 	Not applicable	<p>As the Fund is not a pooled mortgage scheme this benchmark does not apply.</p> <p>Finexim expects that there may be times when a single mortgage investment represents in excess of 5% of the total asset value of the Fund.</p>
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.	Not Satisfied	The responsible entity usually does not lend to related parties of the responsible entity or to the scheme's investment managers. However, if it does (due to some circumstances), the relevant loan/s properly disclosed in RG45 which can be found on the home page of the responsible entity website www.finexim.com.au under News/Continuous Disclosure
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> <ul style="list-style-type: none"> a) a valuer to be a member of an appropriate professional body in the jurisdiction in which the relevant property is located; 		

Benchmark	Status	If not satisfied, why not? (Or other explanation)
<ul style="list-style-type: none"> b) a valuer to be independent; c) procedures to be followed for dealing with any conflict of interest; d) the rotation and diversity of valuers; e) in relation to security property for a loan, an independent valuation to be obtained: <ul style="list-style-type: none"> I. before the issue of a loan and on renewal: <ul style="list-style-type: none"> A. for development property, on both an ‘as is’ and ‘as if complete’ basis; and B. for all other property, on an ‘as is’ basis; and II. within two months after the directors form a view that there is a likelihood that a decrease in the value of security property may have caused a material breach of a loan covenant. 	Satisfied	
<p>Benchmark 6: Lending principles (loan to valuation ratios)</p>		
<p>If the scheme directly holds mortgage assets:</p> <ul style="list-style-type: none"> a) where the loan relates to property development – funds are provided to the borrower in stages based on independent evidence of progress of the development; 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 	Satisfied	

Benchmark	Status	If not satisfied, why not? (Or other explanation)
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.		
Benchmark 7: Distribution practices		
The responsible entity will not pay current distributions from scheme borrowings.	Satisfied	
Benchmark 8: Withdrawal arrangements		
For non-liquid schemes, the responsible entity intends to make withdrawal offers to investors at least quarterly.	Not Satisfied	Investors have no right to withdraw from a Sub-Fund until a Mortgage Investment has been repaid.

6 Finexim’s approach to investment and funds management

6.1 Snapshot of Investment Parameters of Loans

Parameter	Comment
Type of Loan	All loans must be secured by mortgage over real property in Australia
Loan to Value Ratio (LVR)	LVRs will be set out in the individual SPDSes. The LVR for development loans will in any case not exceed 70% on the basis of the latest ‘as if complete’ valuation of the land. The LVR for other loans will any case not exceed 80% of the latest ‘as is’ valuation of the land. Note that LVRs are covenants between Finexim and the Borrowers for Finexim’s benefit. These do not constrain Finexim on behalf of the Fund advancing or expending funds in excess of the LVR where to do so is in the best interest of Unitholders (for instance to complete a project so as to permit optimal realisation of the Security Property).
Security	All Loans will be secured by registered first mortgage over real estate in Australia
Minimum Size of Loan	\$250,000
Maximum Size of Loan	\$25,000,000
Target Loan Term	1-3 years
Lending Rate	Provided in SPDS
Geography	May be located in any geographic region in Australia

Sector The loans will be advanced predominantly for residential land subdivision, commercial office or retail developments typically within the capital cities and surrounding suburbs in Australia and will be driven by market demand and decisions made based on independent valuation to avoid or manage “stressed mortgage zones”.

The type of property, and risks associated with the property type, will be clearly outlined in the relevant SPDS.

6.2 Credit Assessment

Finexim will conduct a credit assessment of every loan accepted into the Fund. It will apply the ‘5 C’ credit assessment framework.

Character: Prior to approving a loan facility Finexim will conduct a financial assessment of the Borrower and where appropriate the Guarantors including some or all of the following:

- inspection of balance sheets, profit and loss statements and other financial reports (if required) for the last two financial years;
- examination of tax returns,
- assets and liabilities statements for each company director; and □ inspection of a valuation report conducted by an approved valuer.

Finexim will require that all financial statements and reports are so far as possible prepared by qualified accountants.

Finexim will also carry out a reference check on the proposed Borrower and where appropriate on some or all of the Guarantors.

Where the specific information referred to above is not available, Finexim may accept alternative information of a like nature (for instance in relation to Guarantors only where the Borrower is a special purpose vehicle).

In certain circumstances Finexim may accept a declaration from a proposed Borrower as to its financial position. When such a declaration is obtained, Finexim uses this information, together with other independently verifiable information (e.g. a reference check) to undertake its financial analysis.

Capital: Finexim maintains restrictions on its maximum permissible loan to value ratio (‘LVR’).

Where the Fund directly holds loans related to property development, the loan will be released to the Borrower in stages, as required to fund construction, based on independent evidence of the progress of the development.

The Fund will not approve loans for more than 70% of the value of the land on the basis of the latest ‘as if complete’ valuation of property over which security is provided.

In all other cases, the Fund will not approve loans of more than 80% of the value of the land on the basis of the latest ‘as is’ valuation of property over which security is provided.

Capacity: Finexim will consider the following when assessing a Borrower’s servicing capacity:

- the type of industry in which the Borrower is trading;
- the ability of the Security Property to cover the debt;
- the financial strength, stability and background of the Borrower and its directors;
- the financial track record of the Borrower;
- the credit rating of the Borrower;

- cash flow projections in the case of loans for development purposes; and proof of income.

Where the specific information referred to above is not available, Finexim may accept alternate information of a like nature.

Collateral: In all events, Finexim will obtain a registered mortgage over real property in Australia to support each loan accepted into the Fund.

Finexim will secure a Mortgage Investment by a registered first mortgage over the Security Property. The proposed security is to be in a satisfactory and acceptable condition prior to Finexim advancing funds.

There will be a maximum loan size for any one Borrower of \$25 million in all capital city areas, \$5 million in major regional centres and \$2 million in other areas.

These amounts can be exceeded only if disclosed in the relevant SPDS.

To ensure Finexim has sufficient security, it will control LVR on every loan and its maximum permissible LVR will be 80%.

Generally, Finexim will not lend against specialised security properties.

Finexim will obtain, where required, a current property insurance policy adequately covering any improvements on the Security Property.

Please Note: From time to time, Finexim may offer investors loans outside these parameters. Acceptance of these loans is subject to disclosure to investors in the relevant SPDS and investors' consent.

Condition: Finexim may also obtain additional collateral, such as personal guarantees, general security agreements (company charges) and director's guarantees.

Individual Guarantors are required to obtain independent legal advice or acknowledge that such advice is not required or that the Borrower uses part of a loan advance to repay other debts. These conditions will be applied on a case by case basis.

6.3 Loan Applications and Approvals

Loans are processed in accordance with Finexim's lending policy. The Lending Committee (LC) reviews these policies annually.

Loan applications are prepared by the Loan Manager (LM) for approval by the LC.

The Board of Finexim considers that there are unique risks associated with development loans and so has adopted additional procedures in respect of these loans. These procedures are summarised below.

6.4 Development loans

In the case of development loans the LC requires certain additional documents to be provided with the loan application, including:

- valuations based on land only and value at completion of project (or 'as is' and 'as if complete' valuations);
- a detailed budget and cashflow forecast for the project;
- a list of proposed builders together with details of experience, reputation and financial status;
- a copy of the draft building contract;
- details of the construction management team, i.e. project manager, quantity surveyor, town planner, engineer, etc, including their experience on similar projects; and
- confirmation from each relevant party that the construction management team, the applicant and the Finexim are independent of each other, or have disclosed all conflicts of interest.

In a situation of default, where another builder is to be employed to complete the building works, this may ultimately result in losses to investors.

To ensure that an accurate “as is” valuation is available during the life of the development each drawdown on the facility is approved on the basis of the cost to complete the project at the drawdown date and on the basis of a valuation that is no more than 3 months old.

Factors considered by the LC at each drawdown date include:

- feasibility of the project;
- progress of works;
- financial condition of the builder;
- progress certificates signed by a quantity surveyor or civil engineer;
- updated forecast of costs to complete and future cashflows; and appropriateness of assumptions used in the most recent valuation.

The LC will:

- not release any funds until certified by the valuer or quantity surveyor that the stage to be completed before drawdown per the construction contract has been completed;
- not release any funds unless a valuation is provided that is no more than 3 months old.

All LC meetings will be minuted and the minutes circulated to the Board.

6.5 Geographic location and property type

The Fund primarily invests in mortgages over commercial, residential and industrial properties located in Queensland and New South Wales. The SPDS will contain details of the address of the Security Property and property type.

6.6 First mortgages

All Sub-Funds involve, as primary security for the loan, a first ranking mortgage. This means that if the Security Property is sold, the full proceeds (after statutory deductions) are paid in satisfaction of the debt to the Sub-Fund, rather than to any other creditor. Second or subsequent ranking mortgages may be taken as collateral security.

6.7 Loan extensions

Where a Borrower requests that the loan term be extended, and Finexim is of the view that the request is appropriate, Finexim may grant an extension for a period of up to 4 months and past that time only if the Lending Manager approves it. Unitholders in the Sub-Fund will be informed of this decision. At any time, the Board may decide to issue a default notice to the Borrower and, where appropriate, seek enforcement in respect of the Security Property.

6.8 Valuation Policy

Finexim’s valuation policy is as follows:

- (1) Where a loan is to be made, increased or extended, or if 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, a valuation must be obtained from a valuer who:
 - a) is a member of the appropriate professional body in the jurisdiction in which the relevant property is located;
 - b) holds appropriate professional indemnity insurance;
 - c) is independent of the borrower or any other interested party, including Finexim;
 - d) has no conflicts of interest and declares this on the valuation; and,

- e) where possible, is a valuer whom Finexim has dealt with in the past and has found to be satisfactory.
- (2) The valuation must:
- a) not be older than three months, as at the date of the approval of the loan, increase or extension; and,
 - b) be on an ‘as is’ basis, and, for development property, also on an ‘as if complete’ basis.
- (3) The valuation must contain:
- a) a description of the Security Property;
 - b) the current use of the Security Property;
 - c) a description of any improvements;
 - d) comments on the location of the Security Property;
 - e) comments on existing or best use of the Security Property;
 - f) comparable sales, if available;
 - g) a summary of the valuation methodology, if the comparable sales method is not used; and,
 - h) confirmation that it complies with the relevant API standards.
- (4) Finexim has a panel of authorised valuers who it believes have appropriate qualifications and experience to determine the value of proposed Security Property. However if there is no panel valuer available then a valuation will be commissioned from a valuer who Finexim is satisfied: a) is appropriately qualified;
- b) is registered in his/her relevant state or territory;
 - c) holds adequate professional indemnity insurance to carry out the valuations of the Security Property; d) gives appropriate declarations; and,
 - e) will confirm their valuation complies with the relevant API standards.

6.9 Distribution practices

Distributions are paid to Unitholders from the following sources:

- a) Prepaid interest;
- b) Interest payments made by the Borrowers;
- c) Proceeds of the sale of Security Property; and,
- d) Proceeds from enforcement against Guarantors and Borrowers.

If, from all viable sources, there are insufficient funds to:

1. pay any prior ranking charge (for example a higher ranking mortgage or Land Tax);
2. pay all Management Costs and Disbursements;
3. pay Unitholders Distributions and return their capital investment;

then the available monies will be applied in the above order (first 1, then 2, then 3). This entails the danger that Unitholders will suffer a shortfall on the payment of Distributions and/or the return of capital. There is a risk in extreme situations that investors may suffer a complete loss of capital (‘Impairment’).

6.10 Management of Loans in Default

Finexim documents all defaults in reports circulated to the Board and the Compliance Committee. Where an interest payment is not made by the Borrower on or before the due date, Finexim will contact the Borrower

within 7 business days of the due date and seek immediate payment of arrears. Depending on the Borrower's response to the payment request a default notice may be issued. Upon the issue of a default notice (whether immediately, or upon the continued failure of the Borrower to satisfy the relevant payment) enforcement action will usually be undertaken, particularly where the default has continued for more than 30 days.

In taking enforcement action Finexim will act decisively and commercially to recover all monies owing under the loan. This may involve, without limitation:

Recovery from the property

- a) Taking possession of the Security Property;
- b) Taking legal proceedings to obtain possession of the Security Property;
- c) Conducting building and improvement works on the Security Property;
- d) Selling the Security Property; and/or
- e) Appointing a new builder to finish construction.

Recovery from Borrowers and Guarantors

Finexim will generally seek judgment against Borrowers and/or Guarantors if it is necessary to commence proceedings for possession. However Borrowers and Guarantors are generally only bankrupted if we regard it as commercially viable to do so. Finexim will, in certain circumstances, assign Finexim's legal right to recovery to Unitholders so the Unitholders can pursue the Borrowers and Guarantors in appropriate circumstances.

7 Fees and other costs

The fees and other costs associated with investing in the Fund are described in this section.

7.1 Consumer advisory warning

The warning below is required by law.

Small differences in both investment performance and fees and costs can have a substantial impact of your long-term returns. For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30-year period (for example 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 contribution fees and management costs where applicable. Ask the fund or your financial advisor.

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.fido.asic.gov.au) has a managed investment fee calculator to help you check out different fee options.

7.2 Prescribed fee schedule

This section shows fees and other costs that you may be charged. These fees and costs may be deducted from Sub-Fund Assets. Taxes are described elsewhere.

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

TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
Fees when your money moves in or out of the Fund		

<i>Establishment fee</i> The fee to open your investment	Nil	N/A
TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
<i>Contribution fee</i> The fee on each amount contributed to your investment - either by you or your employer	Nil	N/A
<i>Withdrawal fee</i> The fee on each amount you take out of your investment	Nil	N/A
<i>Termination fee</i> The fee to close your investment	Nil	N/A
Management costs		
The fees and costs for managing your investment.	In the absence of default, the difference between the interest charged to the Borrower by Finexim and the Distribution rate paid to Members of the relevant Sub Fund. For instance, for a loan of \$1 million if the Borrower pays interest of 12% and the Distribution Rate is 10% then the Management Fee would be 2% or \$1,666.67 per month. This does not affect the return to you.	Monthly in arrears.
Service fees		
<i>Investment switching fee</i> The fee for changing investment options	Nil	N/A

Finexim reserves the right to negotiate the fees and other costs with professional or wholesale clients. Such negotiated fees and costs will be entirely at its discretion, and subject to relevant ASIC guidelines.

7.3 Additional explanation of fees and costs

Management costs

Management Costs are amounts deducted from the income and assets of a Sub-Fund by Finexim. The importance of the level of Management Costs to your investment depends upon the ultimate outcome of the Sub-Fund:

- a) If the Borrower does not default (pays all interest, fees due and repays the principal on time) then the amount of the Management Costs will not affect your investment. You will receive the return of your capital, plus the Distribution rate specified in the SPDS.
- b) If the Borrower defaults, and after the Security Property is sold, and all other viable avenues for recovery have been exhausted, there remain insufficient funds to:
 - (i) Pay all the Management Costs and Disbursements;
 - (ii) Return the Unitholders' capital to them;
 - (iii) Pay Unitholders in the Sub-Fund the Distributions that otherwise would have been paid,

then Unitholders will only receive a pro-rata portion of the funds remaining *after* Management Costs and Disbursements have been paid based on the capital invested by Unitholders.

The components of the Management Costs are:

- A **Management Fee**, calculated on the money invested, equal to the difference between the interest rate to be charged to the Borrower (on the one hand) and the Distribution rate to be paid to the Unitholder (on the other hand). Thus if the interest rate, upon prompt payment, charged to the Borrower is 12.25%, and the Distribution rate is 9.5%, then the Management Fee will be 2.75% per annum (\$27.50 per \$1,000 invested)¹; and
- A **Default Management Fee**, chargeable when a Mortgage Investment is in default, calculated as either:
 - a) 1% per annum (\$10.00 per \$1,000 invested), or²
 - b) on a time costed basis, with time spent by a director of Finexim charged at \$500 per hour³; and time spent by an employee of Finexim charged at 0.3% of the employee's gross income when the work commenced. For example if the employee earned \$85,000 p/a gross (excluding superannuation, workers comp and payroll tax, but including income tax) then the rate would be \$255 per hour. Work will be billed using a minimum six-minute unit and in multiples of six minute units thereafter; and
- A **Loan Default Fee** equal to the difference between the lower and higher rates (normal and default rates) of interest payable by the Borrower. Thus if the lower rate was 10% and the higher rate was 15% then the fee would be 5% (or \$50 per \$1,000 invested). This fee is deducted only where the higher rate is recovered; and
- A **Loan Extension Fee** of up to 2% of the loan amount (up to \$20 per \$1,000 of a loan amount). This will only be charged if paid by the Borrower; and
- A **Loan Establishment Fee** of up to 2% of the loan amount (\$20 per \$1,000 of the loan amount); and
- A **Mortgage Documentation Fee** of up to 1% of the loan amount (\$10 per \$1,000 of the loan amount). This will only be charged if paid by the Borrower; and
- The **Accrued Interest** on investors' monies held in the Fund Trust Account; and
- All other **Incidental Fees** charged to the Borrower (such as title production fees, drawdown fees, registration fees).

GST And stamp duty

All fees stated in this PDS include (if applicable):

- a) GST less any reduced input tax credits; and

¹ This fee is recoverable from the Sub-Fund Assets by Finexim regardless of the performance of the Borrower or value of the Security Property.

² at the option of Finexim for a particular Sub-Fund.

³ Subject to indexation in accordance with the Constitution.

b) Stamp duty

Government taxes such as stamp duties and GST will be applied to your account as appropriate. Unless otherwise stated, fees and costs disclosed above are inclusive of the net effect of GST if applicable (i.e. 10% GST less any input tax credits or reduced input tax credits available to the Fund). If you want to work out your own fee structure and the impact these taxes may have, ask your financial advisor for help. Alternatively, ASIC offers a fee calculator to help you compare the fees of different products, which can be found by visiting www.asic.gov.au. For more information about the taxation of the Fund, please refer to Section 12 of this PDS.

Adviser or referral fees

If you are referred to Finexim by another party, Finexim may, from its own funds, pay that party a referral fee, subject to the requirements of the law. The payment may be in the form of an upfront payment or an ongoing brokerage fee based on the amount invested. This fee will be disclosed in the SPDS for the Sub-Fund.

Disbursements

Management Costs do not include what the Corporations Regulations describe as '*costs (related to a specific asset or activity to produce income) that an investor would incur if he or she invested directly in the asset*'. These are monies that Finexim pays from a Sub-Fund's assets to preserve or enhance the Security property of the Sub-Fund, or pursue avenues of recovery of money on behalf of the Sub-Fund. They include interest and fees on loans, fees paid to accountants, lawyers, engineers, builders, contractors, government, the cost of building material and works, and any other payment, to any other party, that is not Finexim or a subsidiary of Finexim. Where a loan is in default, these amounts can be as significant, if not more significant, than Management Costs in determining the money the Unitholder will recover.

Example of annual fees and costs

EXAMPLE		BALANCE OF \$50,000 WITH A CONTRIBUTION OF \$5,000 DURING YEAR
Contribution Fees	Nil	If you put in an additional \$5,000 you will not be charged any contribution fee.
PLUS Management Costs	Say 2%	And , for every \$50,000 you have in the fund fees will be charged of \$1,000 each year by Finexim.
EQUALS Cost of fund		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, fees of \$1,100.00 will be charged by Finexim. What it costs you will depend on the investment option you choose and the fees you negotiate with your fund or financial adviser.

Please note: The above table is mandated by the Corporations Regulations but must be treated with caution. Management Costs in the ordinary course, involving no defaults on a facility, will not directly impact on payment to you of either Distributions or return of your capital. A more important consideration for prospective investors, in determining both anticipated fees and the overall return on your investment, is the quality of the particular Mortgage Investment of the Sub-Fund in which you invest. The value of the Security Property, the amount of the loan, and the credit-worthiness of the Borrower will give the best indication of how high the Management Costs are likely to be and, more importantly (from your point of view), whether all your capital will be returned to you and all Distributions paid to you.

Finexim reserves the right to waive or defer payment of its fees and expenses. Finexim may vary the arrangements relating to its fees, recovery of expenses and impose a buy/sell spread in relation to applications and withdrawals at any time, at its discretion and without the consent of Members (subject to the maximum fees permitted in the Constitution).

The fees and estimated expense recoveries referable to each Loan will be set out in the relevant SPDS. Whilst there is no intention to change these fees and expense recovery arrangements, Finexim reserves the right to do so and will give you at least 30 days' notice of any proposed change.

8 Investment features

8.1 Returns offered

The nominal returns offered ('Distribution rates') depend on the particular Sub-Fund (and therefore particular mortgage) invested in. These are disclosed in the relevant SPDS.

8.2 Minimum investment

\$25,000 is the minimum investment. Investments should be in increments of \$5,000.

8.3 Investment term

The term of an investment in a Sub-Fund is disclosed in the SPDS. Most loans are contracted for terms of 12 to 36 months. However, the duration of the loan can be much shorter than the specified term (if the Borrower discharges the loan early) or much longer (if the Borrower defaults by failing to repay on time) than the term disclosed in the SPDS.

As not all loans are repaid on the due date Finexim strongly advises Members against committing their funds elsewhere until the funds have actually been returned.

Where the Mortgage Investment is a development loan the principal may be recovered progressively as apartments or lots in the development are progressively sold. Where this occurs Finexim will either:

- a) return the repaid capital to the Unitholders *pro rata* according to the amount they invested; or
- b) redeem Units in the Sub Fund other than *pro rata* provided that the redemption of the remaining Units is covered by pre-sales and/or an LVR less than 55%.

8.4 Cooling-off

Under a specific authority there is no cooling off period.

Under a general authority there is a 14 day cooling off period.

8.5 Withdrawal from the Fund

Unitholders have no right to be refunded their investment in a Sub-Fund. Once money has been allocated to a Sub-Fund, Unitholders are committed to the Mortgage Investment until it is repaid. The investment will last as long as it takes to recover the investment from the Borrower and/or by other means of enforcement, such as against the Underlying Security.

9 Investment process

9.1 Choosing a Sub-Fund

You can either choose the Sub-Funds you invest in or elect to complete a General Authority (attached to the back of this PDS) requesting Finexim to allocate your money to Sub-Funds on your behalf.

Finexim does not guarantee a Sub-Fund offered will remain available for any length of time. An SPDS is provided to Members which contains information specific to the proposed Sub-Fund, namely:

- a) details of the address and type of the Security Property;

- b) details of the value of the Security Property as certified by an approved valuer and the basis of valuation;
- c) the total amount to be lent to the Borrower and the Loan to Value Ratio;
- d) details of the Borrower;
- e) the Borrower's strategy for repaying the loan;
- f) the term of the loan;
- g) the Distribution rate;
- h) payment dates for Distributions;
- i) the interest rate payable by the Borrower;
- j) details of any other prior borrowings on the Security Property; and
- k) any other information which Finexim considers should be provided to you to help you assess the risk involved.

9.2 Allocation of your monies to the Sub-Fund

When you forward monies to Finexim, then, prior to it being allocated to a Sub-Fund, it will be deposited into the Application Monies Account. If your money has not been allocated to a Sub-Fund within 3 months Finexim will return it to you.

9.3 Security documents

Before any loan is advanced to a Borrower, the Borrower (and Guarantors) are required to execute security documents including, a Letter of Offer, a Mortgage, a Loan Agreement, and a Deed of Guarantee. Other security documents may be obtained where deemed necessary.

These documents regulate the terms and conditions of the Mortgage Investment as between Finexim (on behalf of the Sub-Fund) and the Borrower.

9.4 Drawdown on standard loans

Once Finexim is satisfied that all conditions precedent have been fulfilled, Finexim will arrange for all or part of the loan funds to be transferred to the Borrower.

9.5 Drawdown on development loans

Where the loan involves funding a property development the funds are not advanced all at once. Instead they are advanced progressively, as required to fund the construction.

The first advance usually funds the purchase of, or refinances, the development site. The subsequent advances are progress payments.

9.6 Tranches for development loans

Finexim may raise the funds for development loans progressively, in tranches. When money is needed to meet progress payments an updated SPDS is distributed seeking additional contributions. This means that some Unitholders join the Sub-Fund from the beginning, while others join part of the way through. Nevertheless in the ordinary course all investors receive the same Distribution rate, and are otherwise treated the same.

Warning There *can be* circumstances when the Unitholders in different tranches are treated differently - see 10.11.

9.7 Prepaid interest on standard loans

Some Sub-Funds involve pre-paid interest ('Prepaid Interest'). This means that a portion of the loan principal is retained (in the Cash Management Account) and used to meet the Borrower's interest obligations. This money is used to pay Distributions to Unitholders. The residue, and the interest earned, is retained by Finexim to meet Management Costs.

Where interest on the loan is pre-paid this will be disclosed in the SPDS.

9.8 Interest on development loans

Development loans nearly always involve Prepaid Interest. Finexim funds the Prepaid Interest progressively (as Tranches are raised) based on the projected building drawdown programme and loan term, and Cost to Complete.

9.9 Interest on standard loans

If the loan does not involve Prepaid Interest then its terms will require the payment of monthly interest by the Borrower. This money is banked into the Fund's Cash Management Account and used to pay Distributions to Unitholders each month. The residue, and the interest earned, is retained by Finexim to meet Management Costs

9.10 Distributions

The Distribution rate payable depends on the particular Sub-Fund invested in and is disclosed in the SPDS.

Distributions are paid (subject to payment by the Borrower) monthly in arrears, within 30 days after payment is received from the Borrower. Payments are made by electronic transfer, into the bank account you nominated on your Fund Application Form.

9.11 Discharge

Finexim will discharge the Borrower, guarantors and Security Property upon repayment of all monies owing under the loan. All monies received will be banked into the Fund's Cash Management Account. From there it will then be used to pay Management Costs, return Unitholders capital, and pay Distributions.

9.12 Power of Attorney in relation to Mortgage Investment

Each Member of a Sub-Fund, for the convenience of management and administration, gives to each of Finexim and any director, officer, attorney or substitute nominated by the Manager (each severally an "Attorney") an irrevocable power of attorney to execute on behalf of the Member from time to time documents relating to the registration, discharge and enforcement of the Mortgage Investment and any other dealing the Attorney reasonably considers necessary, including the granting of any consent.

The power of attorney granted by each Member of a Sub-Fund includes the grant of a power to the Attorney to:

1. do everything which in the reasonable opinion of the Attorney is necessary or expedient to enable the exercise of any power or right of the Member of the Fund in relation to the Mortgage Investment;
2. complete any mortgage and any other security document provided by the Borrower;
3. execute any mortgage and all other documents required to be executed by the Member of the Fund as mortgagee; and
4. if there is an event of default by the Borrower in relation to the Mortgage Investment, exercise any power of sale or other remedies of the Member of the Fund pursuant to any mortgage and any other security document provided by the Borrower.

Each Member indemnifies and must keep the Attorney indemnified against any liability, loss, cost, expense or damage arising from the lawful exercise of any right by the Attorney under the power of attorney granted by that Member.

10 Benefits and Risks of the Fund

10.1 Benefits

There are several possible benefits of an investment in the Fund:

- a) A Mortgage Investment is an easily understandable investment as most people have had a mortgage themselves;
- b) You will receive a fixed monthly Distribution payment deposited into your nominated bank account (if the Borrower pays its interest on time);
- c) Your funds will be invested for a relatively short term (generally 12 months) (subject to the Borrower repaying on time);
- d) If a Borrower is unable to repay the loan the Security Property can be sold;
- e) You can have the final say on which Mortgage Investments your money is invested into and you can spread your risk across multiple Sub-Funds.
- f) All costs associated with the establishment of the investment are paid by the Borrower.
- g) Once you have invested in a Sub-Fund the interest rate payable by the Borrower and your income Distribution (assuming the Borrower does not default) is fixed.

10.2 Debtor risk

If the Borrower:

- a) is an individual and becomes bankrupt, or dies; or
- b) is a company, and becomes insolvent or under external administration, then the loan will go into default.

If the loan goes into default the payment of Distributions will cease and the recoverability of Distributions will depend upon the money that can be realised from selling the Security Property and pursuing the Borrower and any Guarantors.

Despite clear credit histories, and impressive statements of assets and liabilities, it is not unusual for individual Borrowers and Guarantors to experience life difficulties, such as divorce, major illnesses or accidents, and quickly become poor credit risks. In the upshot there is often little or nothing left for creditors other than the Security Property.

10.3 Valuation risk

Although Finexim takes precautions to ensure that all valuations it relies on are accurate there is a risk that the valuation will be fundamentally flawed. This can occur if the wrong methodology is used, if the comparable properties are not comparable, if assumptions and data about the property the valuer relies on (including data from quantity surveyors) are false.

If the valuation is defective then part of the loan may be effectively unsecured. This means that in the event of default there may be an Impairment.

10.4 Tenant risk

The value of commercial properties is underpinned by their tenants. If a major tenant does not renew its lease, or becomes insolvent, it can reduce the market value of the property. Even the value of residential property, particularly units, can be significantly affected by failure to obtain tenants at rent levels upon which the valuation was based.

If the value of the Security Property drops then, in the event of default (which will be more likely if the Security Property suffers tenancy vacancies), and the property has to be sold, there may be an Impairment.

10.5 Property market risk

Changes in taxation, interest rates and the economic outlook can have serious dampening effects on the property market. The GFC has demonstrated how extreme such drops can be. Such drops can lead to Impairment:

1. Through increased risk of default as pre-sales fall away and sales projections make the project less viable for the developer;
2. Through reduced sale prices attainable;
3. Through delays in selling (caused by flooded markets and low demand); 4. Through reduced ability of borrowers and buyers to obtain finance;
5. Through purchasers who have bought “off the plan” failing to complete.

10.6 Sector risk

The biggest apparent area of risk is the mining sector. The health of the economy as a whole, is being fuelled by the resources boom. The resources boom is being fuelled by China’s seemingly insatiable demand for coal, iron and other Australian resources. Were the boom to end, the resulting unemployment and drops in the Australian dollar and overall contraction, could presumably cause contractions in the property market.

10.7 Developer risk

If the loan is question is a development loan then much depends upon the Developer remaining solvent and completing the development. If the Developer cuts corners (leading to the need for extensive rectification works before the property can be sold), or becomes insolvent, then Finexim is obliged to step in and complete the project or otherwise protect Unitholders’ interests. There are usually delays associated with this and very often the site is shut down while negotiations with council, the builder and contractors take place. This causes extra expense which must be recovered from the sale of the Security Property. It also causes delay which increases holding costs, including interest and Distributions. These extra costs erode the money that is finally recovered from the sale of the Security Property and this can cause Impairment.

10.8 Builder and contractor risk

If the builder or major contractors become insolvent this can lead to delays while replacements are organised. If they produce faulty work it can lead to the need for extensive rectification works before the property can be sold. This can lead to delays and added expenses that indirectly can lead to Impairment.

10.9 Quantity Surveyor risk

Finexim is reliant on the quantity surveyor, or other professional, it hires to represent it on the development site and tell it what progress has been made. If the Quantity Surveyor is wrong it can lead to the Borrower being advanced excessive monies which effectively increases LVR and Cost to Complete. This can increase the money that needs to be recovered from the sale of the Security Property and can cause Impairment.

10.10 Site risk

Building sites can perform differently from expectations. Extra hard rock can be uncovered that increases excavation costs, unexpected drainage issues can arise or poor bedrock can require underpinning and other expenses. Where a property is being renovated, or an old building is being partly incorporated into a new, the extent of the works required can increase beyond the original estimates. All these factors can increase the money that needs to be recovered from the sale of the Security Property and can accordingly cause Impairment.

10.11 Priority risk

Finexim may raise the funds for development loans progressively, in tranches. If there has been some issue arise that adversely impacts the attractiveness of the Mortgage Investment, or there have been negative developments in the property market, then Finexim may not be able to raise the additional money in later tranches on the same terms and priority as the earlier tranche/s. This may mean that in order to complete the development Finexim may need to:

- a) Offer a higher Distribution rate to Unitholders in subsequent tranches;
- b) Offer priority to Unitholders in subsequent tranches over Unitholders in earlier tranches; c) Both (a) and (b);
- d) Borrow against the Security Property in priority to the Sub-Fund's interest; or, e) Both (c) and (d).

This means the interest of the Unitholders in earlier tranches will be converted from participating in a 1st ranking to a 2nd or even lesser ranking security. This entails the risk that if the Security Property is ultimately sold for less than is required to payout:

- a) any borrowings that have priority; and,
- b) Management Costs and Disbursements; and,
- c) the Unitholders in the later tranche/es; and,
- d) the Unitholders in the earlier tranche/es,

then the Unitholders in the earlier tranche/es will suffer Impairment.

11 Taxation

11.1 General

Each Sub-Fund operates as a conventional unit trust that Finexim believes will allow for a flow through of tax benefits to Members. This means that each Member will be taxed upon their proportional share of the net income of the Sub-Fund into which their funds are allocated.

Based upon advice received, Finexim is of the view that the Fund will not be taxed as a company pursuant to the provisions of Division 6C of the *Income Tax Assessment Act* (Cth) 1936 provided the Fund limits the nature of its transactions to those outlined in this PDS. Members are advised to seek their own advice in relation to an investment in the Fund, as taxation treatments may differ according to individual circumstances and may change from time to time.

11.2 Superannuation funds

As any borrowings will be in the name of Finexim, Unitholders are not deemed to be borrowing in their own name. This means, under current law, that an investment in the Fund is an eligible investment for superannuation funds, subject to the terms of the superannuation fund's constitution and the rules applying to superannuation funds in general.

11.3 Tax file numbers and Australian business numbers

The Fund Application Form requests that investors supply their Tax File Number ('TFN'). If a TFN is not supplied, or appropriate TFN exemption information is not provided, tax will be withheld from Distributions at

the highest marginal rate. In the case of an investor applying for Units in the course of carrying on an enterprise, it may be appropriate to quote an Australian Business Number ('ABN') instead of a TFN. You should seek expert advice if you think this situation applies to you.

11.4 Non-residents

An investor who quotes an overseas address will be treated by the Fund as a non-resident for Australian tax purposes. Non-resident Unitholders are subject to withholding tax and non-resident income tax deductions in proportion to any Distributions made. It is recommended that non-resident Unitholders seek their own tax advice in relation to their taxation position.

11.5 Goods and Services Tax (GST)

No GST is payable on any Application for Units or on the sale of Units.

12 Additional information

12.1 Unit pricing policy

Finexim has implemented a fixed Unit pricing policy which provides that investments will be valued at cost. Thus every Unit in a Sub-Fund will be valued at \$1.00 and every dollar invested will buy 1 Unit.

12.2 Complaints

Please contact Finexim in writing or call Finexim on (02) 9299 5984 if you wish to make a complaint.

If the complaint is in writing, Finexim must acknowledge it within 14 business days of receiving it and follow certain procedures. In particular, Finexim is required to investigate, properly consider and decide what action (if any) to take, and to communicate its decision to you within 45 days.

If you are not happy with how the complaint has been handled you may contact the Credit Industry Ombudsman (CIO), of which Finexim is a member. This is an independent body approved by ASIC to consider complaints. CIO's contact details are as follows:

Telephone 1800 138 422
PO Box A252
South Sydney NSW 1235

12.3 Disclosure of interests

Each of the Directors has an interest in Finexim.

Finexim and associated companies, businesses and individuals may invest in the Fund from time to time on terms equal to other investors.

Related parties of the directors may provide services to Finexim for which they may derive payment from Sub-Funds, such as legal and brokering services. All such transactions will be at arm's length.

At the date of this PDS, the following entities were anticipated to fall within the term of this disclosure:

- a) SIM International Pty Ltd – Australian Credit License No: 392476 – in providing finance and mortgage broker services.

12.4 Social Ethical and other considerations

Labour standards, environmental, social or ethical considerations are not taken into account by Finexim when making investment decisions.

12.5 Currency

All financial amounts shown in this PDS, and in any SPDS are expressed in Australian dollars, unless otherwise stated.

12.6 Electronic disclosure

This PDS is available for download from the Fund's www.finexim.com.au. Persons who receive, or download, an electronic version of this PDS should ensure they download and read the entire PDS.

Every SPDS is produced in electronic form. These may be emailed to investors, or printed out and sent in hardcopy, or sent by facsimile. Persons who receive an electronic version of an SPDS should ensure they download and read the entire SPDS.

12.7 Communications

Unitholders who provide an email address will be deemed to have requested all communications be sent electronically to that email address.

12.8 Updated information

Information relating to the Fund that changes and is materially adverse information will be disclosed pursuant to Finexim's continuous disclosure obligations.

If the information relates to the Fund as a whole it will be disclosed on Finexim's website www.finexim.com.au or in a replacement PDS. If it relates to a particular Sub-Fund then Finexim will write to unitholders in that Sub-Fund.

You should check the Fund's website to ensure this PDS is current. The latest PDS for the Fund is always posted on Finexim's website.

To the extent that the change in information is not materially adverse to Unitholders, it will not be disclosed.

If information changes (or becomes known to Finexim) which relates to the Fund as a whole, and which, if known, could be materially adverse to a prospective investor's decision to invest in the Fund, then Finexim will either:

- a) Issue a new PDS to replace this PDS; or
- b) Issue a SPDS which has the effect of amending this PDS and post the replacement (in PDF format) on its website.

If information changes (or becomes known to Finexim) which relates to a Sub-Fund, and which, if known, could be materially adverse to a prospective investor's decision to invest in the Sub-Fund, then Finexim will:

- a) Issue a replacement SPDS (if further monies are being raised under that Sub-Fund); and
- b) Write to Unitholders in the Sub-Fund informing them of the information.

To the extent that the change in information is not materially adverse to Unitholders, it will not be disclosed.

12.9 Warnings

This PDS should be carefully read in its entirety, before you:

- a) complete the Fund Application Form; or
- b) read an SPDS; or
- c) complete the Sub-Fund Application Form or a General Authority; or
- d) send Finexim any investment monies.

The SPDS which relates to the specific Sub-Fund (and the particular Mortgage Investment) you are investing in should be carefully read in its entirety, before you:

- a) complete the Sub-Fund Application Form; or
- b) send Finexim any investment monies.

The assumptions underlying the information provided in this PDS, and in any SPDS, and the risk factors that could affect the financial performance of the Fund, or a particular Sub-Fund should be: a) critically examined;

- b) considered carefully in light of your own personal circumstances; and,
- c) considered carefully in light of your financial and taxation goals.

You should seek professional advice from your financial adviser, accountant, stockbroker or lawyer before deciding to invest.

This PDS does not take into account your:

- a) personal objectives; or
- b) financial situation; or
- c) particular needs.

12.10 Privacy

In completing the attached forms, you will be required to provide personal information to Finexim, such as name, address, email, telephone, tax file number and bank account details. Finexim collects, holds and uses that personal information solely to properly administer the Fund.

Your information will not be disclosed to third parties except as required by law. Your information may be disclosed by Finexim to its agents, lawyers, auditors, accountant and other service providers on a need to know basis for the proper administration of the Fund.

Under the Privacy Act (Cth) 1988 ('Privacy Act'), you may request access to your personal information held by, or on behalf, of Finexim.

The Privacy Act governs the use of an individual's personal information gained by an organisation from dealings with an individual. The Australian Privacy Principles of the Privacy Act govern the way in which organisations should treat personal information. Finexim is committed to managing and only using personal information in ways that comply with the Privacy Act. As a result, Finexim will apply the Australian Privacy Principles in respect of all information you provide in making an Application for investment in the Fund.

12.11 Non-residents

The offer is available to Australian residents. This PDS does not constitute an offer or invitation in any jurisdiction where such an offer or invitation would be unlawful.

The distribution of this PDS in jurisdictions outside Australia may be restricted by law and persons who come into possession of this PDS should seek advice on, and observe, any such restrictions.

13 Key terms used

AFSL	Australian Financial Services Licence
ASIC	Australian Securities and Investment Commission
Borrowers	People or companies that Finexim loans to on the primary security of registered first mortgages over real property
Sub-Funds	A particular Mortgage Investment into which Members can invest, which is quarantined from other investments in the Fund.

Sub-Fund Application Form	The application form at the back of an SPDS used to apply to become a member of a Sub-Fund.
Compliance Committee	A committee responsible for monitoring Finexim's compliance program to ensure Finexim adheres to the Compliance Plan, see 2.5
Compliance Officer	The external person employed by Finexim who is a party to the Compliance Committee
Compliance Plan	The document outlining the principles and procedures that Finexim uses to ensure that it complies with all of its obligations
Corporations Act	<i>Corporations Act</i> (Cth) 2001
Corporations Regulations	<i>Corporations Regulations</i> (Cth) 2001
Cost to Complete	The funds required to complete a development project
Distribution Rates	The rate at which Distributions are made as an annual percentage of the capital invested.
Distributions	Payments to Unitholders by Finexim through which Unitholders derive income from the capital they invest in Sub-Funds.
Finexim	Finexim Limited
FSG	Financial Services Guide
Fund	The Finexim Mortgage Investment Fund
Fund Application Form	The application form at the back of this PDS used to apply to become a member of the Fund.
Fund Constitution	A declaration of trust for the benefit of the Members by Finexim in relation to all property which Finexim holds on trust for the Members - see 2.3
Fund Property	All property held by Finexim on trust for the benefit of the Members
General Authority	The authority given by the Member to Finexim if the Member wishes for Finexim to allocate the Member's investment on the Member's behalf - see 1.6
Impairment	A shortfall on the payment of Distributions or the return of Unitholder's capital.
Lending Committee	A committee responsible for evaluating loans in accordance with the loan criteria set out in this PDS, the Compliance Plan and Finexim's lending manual
LVR	Loan to value ratio
Members	Members of the Fund
Mortgage Investment	The loan, secured by a mortgage, into which a Sub-Fund's capital is invested.
PDS	This product disclosure statement
Prepaid Interest	A portion of the loan principal retained by Finexim (in the Fund Trust Account) and used to meet the Borrower's interest obligations.
Security Property	Registered mortgage over real property, provided as primary security for Mortgage Investments.
SPDS	Supplementary Product Disclosure Statement detailing the specific information, relating to each individual Sub-Fund
Specific Authority	The authority given by the Member to Finexim by which the Member's chooses to invest in a specific Sub-Fund - see 1.5.
Unitholder	An investor in a Sub-Fund
Units	A subdivision of the beneficial ownership of the assets in a SubFund.

14 Application form guide

1: Investment Account and Specific or General Authority Nomination

Write the amount you wish to invest, and make a nomination as to whether a specific or general authority will be given to Finexim in respect of the Application Money.

Select the General Authority if you require us to select, on your behalf, the Mortgage/s into which your funds are to be invested, or select the Specific Authority if you want to specifically approve each Mortgage/s into which your funds are to be invested.

2: Personal details

Please complete this section with your personal details.

Trusts/Superannuation Funds - You will need to give full details of the trustees and the name of the Trust/Superannuation Fund.

Company - you will need to give full details of the directors/persons authorised to sign on behalf of the company.

3: Tax File Number

Please provide your Tax File Number. If you also have an ABN you must provide your TFN and your ABN. If you are claiming an exemption from providing your TFN, please advise what exemption you are claiming. The collection of Tax File Numbers is strictly regulated by tax laws and the Privacy Act. It is not an offence if you do not provide a TFN but if you do not quote a TFN or ABN or claim an exemption, we must deduct tax at the highest marginal rate.

4: Financial institution details

Please complete this section to assist us to arrange prompt payment of returns to your nominated bank/building society account.

5: Payment details

Complete to advise how you will be paying your Application Monies.

6: Declaration and signatures

Please read the statements outlined in this section. An Application Form cannot be accepted unless it has the signatures of all Applicants.

If you are signing on behalf of another person, you must provide a certified copy of either of the following:

- ❖ Power of Attorney; or
- ❖ Letters of Administration showing Legal Guardianship.

7: Adviser details

To be completed by your financial adviser (if applicable)

PLEASE EMAIL YOUR COMPLETED APPLICATION FORM AND THE GENERAL AUTHORITY FORM OR SPECIFIC AUTHORITY FORM (AS THE CASE MAY BE) TO:
info@finexim.com.au

Finexim Ltd

Phone: (02) 9251 5984

Fax: (02) 9299 1879

Email: info@finexim.com.au

Website: www.finexim.com.au

APPLICATION FORM

FINEXIM MORTGAGE INVESTMENT FUND ARSN 606 834 011

This Application Form must not be handed on to another person unless attached to or accompanied by the Product Disclosure Statement dated 27 September 2015.

Are you a new or existing member?

New Existing

Investor No.

1

INVESTMENT AMOUNT

Write the amount you wish to invest.

→ A\$

General Authority

Specific Authority

2

INVESTOR DETAILS

Investor 1

Title

Surname / Company / Trustee

Given Names

Date of Birth (DD/MM/YY)

Are you applying as a: Trustee

Investor 2

Title

Surname / Company / Trustee

Given Names

Date of Birth (DD/MM/YY)

→

No Yes

Trust Name

Company

No Yes

→

Contact Details

Contact Name

Unit

Street No.

Street Name or PO Box / Other information

City / Suburb / Town

State

Postcode

()

Contact Phone Number

()

Facsimile Number

Mobile Number

E-mail Address

3

TAX FILE NUMBER

Investor 1

Tax File Number (TFN)

Australian Business Number (ABN)

Exemption (Specify)

→

Investor 2

Tax File Number (TFN)

Australian Business Number (ABN)

Exemption (Specify)

Continued over leaf



PDS2011

APPLICATION FORM

4

FINANCIAL INSTITUTE DETAILS

Please give details of the bank/building society account you want your Distribution to be paid into

Name of Bank/Building Society

Branch Address (City / Suburb / Town)

State

Postcode

BSB Number

Account Number

Name of Account

5

PAYMENT DETAILS

How will this investment be made? Direct Deposit Contact Fineximto obtain the Scheme's account details.

6

DECLARATION AND SIGNATURE

I/We acknowledge, agree and declare that:

- * If signed under power of attorney the attorney certifies that he or she has not received notice of revocation of that power;
- * If signed by a trustee under a trust or by power of attorney of a trustee the trustee certifies that they are authorised to do so by their trust deed; and
- * If signed on behalf of a corporation the party signing certifies that they have the authority to sign on behalf of the corporation and must state the capacity in which they do so.

Joint applicants must both sign



Investor 1

Signature

Print Name

Date



Investor 2

Signature

Print Name

Date



execution (Company)

Director

Director/Secretary

7

ADVISER DETAILS (IF APPLICABLE)

Adviser's Name

Adviser's Address

Adviser's Contact Phone Number

Advisers' Stamp

Continued over leaf

GENERAL AUTHORITY FORM

Complete this General Authority only if you require us to select, on your behalf, the Mortgage/s into which your funds are to be invested.

TO: FINEXIM LTD (ACN 165 917 813)

I/We hereby acknowledge, agree and declare as follows:

- :: I/We have read and understood the FSG, PDS and the Application Form
- :: The amount of my/our investment may be invested by Finexim Ltd in one or more Mortgages of its choice and at its discretion as disclosed in the PDS
- :: Finexim Ltd reserves the right to reject all or any part of my/our application to invest funds in Mortgage/s without giving me/us reasons.
- :: I/We acknowledge that we will be provided with an SPDS setting out particulars of the Mortgage in which my/our funds are invested following investment of our funds and that before the expiry of 14 days period from the receipt of the SPDS I/we may choose to withdraw my/our investment from that particular Mortgage by written notice to Finexim Ltd, but otherwise I/we do not have the right to withdraw our funds from investment in a Mortgage or from the Scheme prior to the expiry date of the Mortgage/s into which the funds are invested.



Date

Execution (Individuals)



Signature

Print Name



Signature

Print Name

execution (Company)



Director

Director/Secretary

**PLEASE PRINT A COPY OF THIS APPLICATION FORM AND EMAIL IT TO:
info@finexim.com.au**

If General Authority is nominated, please also enclose with your email a copy of the completed General Authority, which together with your completed Application Form will constitute your offer of the monetary amount nominated in the Application Form to be invested under the General Authority.