	CVS Lane First Mortgage Fund	Lucent – Stewart Street Project	Pallas/Fortis - Brighton Capital Trust
Segment	Wholesale	Wholesale	Wholesale
Investment	Concentrated portfolio of property finance debt – 1st mortgages	Unlisted investment trust utilising equity to redevelop sites into boutique housing, using 'Ecologically Sustainable Design (ESD) initiatives to appeal to the local community and owner occupier market.	Unlisted investment trust utilising equity to develop a luxury townhouse site
Ideal Client	Seeking yield Comfortable taking more risk than a traditional deposit	Seeking yield Comfortable with property development style risk	Seeking yield Comfortable with property development style risk
Debt or Equity	Debt	Debt	Equity
Minimum Investment	$50,000	TBC – Tranche 2 March/April 2020	$50,000
Expected/Targeted Yield/IRR	Y 6-7% / IRR 9%	IRR 10-11% over 20 months	Y 13-15% / IRR 21.8% over 31 months
Prime Remuneration	Transaction fee: 1%	Placement fee: 3%	Transaction fee: 1% Placement fee: 2%
Key Risks	• No capital guarantees • Limited monthly liquidity at manager discretion • Concentrated portfolio of property finance debt • Borrowers may default • Borrowers may repay early, reducing interest accrued • Interest rate risk • Key employee risk	• Targeted returns not guaranteed. • Planning and building approval; amendments to the proposed development; unforeseeable delays; construction costs exceeding forecast budgets and contingencies; and the risk of contractor default may impact the realisable value of the project. • The value of Units within the Project is subject to rise and fall. • The illiquidity of the single Project asset means that all investment will remain illiquid.	• Property development risks: ○ Cost increases ○ Loan market conditions ○ Construction delays ○ Lower realisable sales values • Trust investment risks ○ Illiquidity ○ Project execution failure ○ Project term variations ○ Borrowing/gearing risks ○ Interest rate risk ○ Concentration risk – sales of off the plan apartments in a single location

	[Charter Hall Direct Office Fund]()	[Newmark Hardware Trust (NHT)]()	[PacificEastcoast]()
Segment	Retail & Wholesale	Retail & Wholesale	Retail & Wholesale
Investment	On & Off Platform. MAQ0842AU The fund comprises 14 properties and an investment in a Charter Hall managed wholesale office fund. The total portfolio is valued at $2.09 billion with a weighted average lease expiry of 8.6 years.	NHT owns 2 Bunnings stores plus 2 development sites under construction. The portfolio is valued at $110 million with a weighted average lease expiry of 7.5 years. Currently unlisted but seeking inclusion on Macquarie Wrap. May invest up to 20% in A-REITs.	Comprehensive property investment service, specialising in off-the plan boutique townhouse & apartments
Ideal Client	All clients. Provides clients with diversification, less volatility than listed property (REITs) and a steady income.	All clients. Provides clients with diversification, less volatility than listed property (REITs) and a steady income.	Affinity for direct property • Accumulators (geared) • Downsizers HNW Investors
Debt or Equity	Equity	Equity	Equity
Minimum Investment	n/a	$10,000	$750,000 +
Expected/Targeted Yield/IRR	Y ~5.7% paid qtly, limited liquidity	Y ~6% paid qtly, mthly liquidity	Y 5% / G 5% over 10 years
Prime Remuneration	Transaction fee: brok rate / 0.5% wrap.	Transaction fee: brok rate / 0.5% wrap.	Referral Fee: 2.5%
Key Risks	• Property investment risks – property value decline, decrease in fund income, property illiquidity • Property development risks – risk associated with timing, completion and cost of development • Fund investment risks – no guarantee of liquidity, capital gains/losses, fund gearing magnifying losses, debt facility & interest rates, diversification. • General investment risks – economic & market conditions, legal & regulatory changes, tax law changes.	• No performance guarantee • Risk of capital loss • Reduced distributions due to extraordinary expenses • Construction/development risk • Direct property valuation risk • Finance/refinance risk • Unrecoverable outgoings • Vacancy • A-REITs price risk • Cash yield lower than expected • Liquidity/withdrawal –up to 12 mths	• Gearing risks o Negative gearing requires cashflow to fund deficit o Increases both investment and interest rate risk o Magnifies losses o I/O loan conversion to P&I after 5 years • Property investment risks o Rental yield risk o Loss of value/no growth o Illiquidity • Vacancy

CVS Lane First Mortgage Fund

Suitable for
Wholesale clients seeking to improve the overall yield of their portfolio.

The Fund has a minimum investment commitment of $50,000.

The Manager
CVS Lane Capital Partners is a boutique property investment and finance business established in 2011. They specialise in providing capital across first and second mortgages, preferred equity and investment in land subdivisions, residential and commercial developments.

CVS Lane operate their investment committee within strict credit and governance standards; have a track record of investing over $1bn of private capital with no capital loss; and have a strong pipeline of potential first mortgage transactions through their network of property groups and offshore sophisticated investors.

The Investment
CVS Lane First Mortgage Fund, since fund inception in 2017, has deployed 98% of its $121m capital across a portfolio of first mortgages including land, construction and commercial property loans with an average Loan to Valuation Ratio (LVR) of 63%.

The fund has commenced paying quarterly income distributions of approx. 6-7%pa and achieved a total IRR of ~9% for the 12 months to 30 June 2019.

The fund now offers monthly investment and liquidity options at manager discretion.

Risks
Some of the key risks of investing in this fund are outlined below. Please refer to the Investment Memorandum for all the risks of investing in the Fund.

- Performance Risk: the level of returns targeted are not guaranteed.
- Allocation of Fund Capital: the manager may not be able to secure eligible investments that meet the fund mandate in the future.
- Loan default risk: borrowers may fail to meet their obligations.
- Diversification: investments will be concentrated in property finance transactions.
- Interest rate risk: increases in interest rates during the investment term may cause a borrower to have a lessened ability to pay interest expenses.
- Early repayment risk: borrowers may repay loans more quickly than anticipated, causing less interest to be accrued than expected.
- Liquidity risk: underlying investments relate to property finance transactions which are generally medium term investments and illiquid in nature. While the fund offers monthly liquidity at the discretion of the Manager, this is dependent upon the Fund's cashflow requirements. There can be no assurance that the Manager will be able to realise investments in a timely manner.
- Key employee risk – the success of the fund will be reliant on the contributions of key employees.

Lucent – Stewart Street Project

Lucent offers sophisticated and wholesale investors the opportunity to commit capital for funding boutique residential property developments aimed at the owner-occupier market. Lucent is also the development manager, utilising the planning services of Ratio Consultants and a range of respected building groups to deliver high quality, environmentally sustainable residential projects.

The Investment

- A boutique residential development at 269 Stewart Street, Brunswick East, adjacent to CERES Community Environment Park.
- The development comprises 69 homes designed for families and features several communal spaces to assist fostering connection and sense of community among the future residences. The proposed design has a 7.5 star average energy rating and includes a raft of Ecologically Sustainable Design (ESD) initiatives to appeal to the local community and owner occupier market.
- The project provides investors an opportunity to diversify into property and receive an anticipated annualised Internal Rate of Return (IRR) of 11%-12% over a 20-month time frame.
- One unit of investment will be $100,000 inclusive of the placement fees of 3%.

Risks of Investing in this Fund

- The level of returns targeted are not guaranteed.
- Planning and building approval; amendments to the proposed development; unforeseeable delays; construction costs exceeding forecast budgets and contingencies; and the risk of contractor default may impact the realisable value of the project.
- There is a risk that the required sale values are not reached, consequently resulting in a negative impact on the returns of the Project.
- There is no guarantee that the requisite finance will be obtained on the precise terms as predefined for feasibility purposes, which may result in less favourable lending terms. Terms of refinance may also not be secured on as ideal a basis as original debt financing.
- The value of Units within the Project is subject to rise and fall.
- Interest rates are subject to change.
- The illiquidity of the single Project asset means that all investment will remain illiquid.
- There is a regulatory risk that laws and regulations change.

Brighton Capital Trust

Suitable for
Wholesale clients seeking yield who are comfortable with property development style risk.

Minimum investment commitment of $50,000.

The Arranger & Trustee
Pallas Capital offers sophisticated and wholesale investors a range of high-yield, property backed investments such as preferred equity investment opportunities in development projects.

Pallas Capital operates with a highly successful team of professionals and market experts in relevant disciplines, including property lending and advisory, funds management, legal structuring, property development, construction and project management.

The Development Manager
Fortis Development Group, a subdivision of Pallas Capital, have a strong track record of delivering high-end residential real estate projects in blue-chip suburbs in Sydney and Melbourne. Fortis currently has 15 development projects underway with a total project end value of approximately $1,100 million.

The quality of the Fortis projects has led to them producing typical project yields for preference equity of 13-15%p.a. and for ordinary equity of 20-22%p.a. net of fees to investors.

The Project
Brighton, being one of Melbourne's premier suburbs, demands high-end blue-chip quality developments that present the opportunity for excellent returns.

Investments by unit holders will be used to assist in financing the redevelopment of a luxury residential site in Brighton, to construct a boutique residential property development of 18 two and three bedroom apartments designed by Carr Architects with a finished average gross realisation of $56 million.

The projected total return from the feasibility analysis of 53.6 cents for each $1 ordinary unit, over the life of the project. With the investment term expected to be 31 months, the average return represents around a 21.8%p.a. return over the expected life of the project.

Risks

Property Development Risks:

- Cost increases: the costs of delivering the Project may be higher than those adopted in the Feasibility Analysis;
- Loan market conditions: the property loans and/or the Construction Loan may not be available on the terms described in the IM;
- Delay risk: projected timelines are not met due to unforeseen delays such as construction delivery overruns or the issuance of titles for the completed apartments; and
- Sales risk: the sale of apartments in the Building may take longer than anticipated or produce a lower realisable value than projected.

Trust Investment Risks:

- Investment management risk: the Trustee and/or the Developer may fail to manage the investment risks appropriately or fail to properly execute the delivery of the Project;
- Illiquidity;
- Investment Term: there are circumstances that may result in the Investment Term being shorter or longer, as this will be determined by the term of the Project;
- General borrowing risks: the Developer will borrow under the property loans and the Construction Loan. Gearing a property investment can increase the potential for capital losses, as well as gains.
- Interest rate risk: there is a risk that unfavourable movements in interest rates may lead to increased interest expenses. This may ultimately result in a reduction in distributions to Unit Holders; and
- Concentration risk: the Developer relies on the proceeds of settlement of off-the-plan sales of apartments in the Building to fund payments under the Trust Loan Agreements, which (in turn) the Trust will use to fund the redemption of the Ordinary Units. Therefore, the Trust is ultimately dependant on a single property and is not diversified by asset class, geographic location of properties or exposure to different property sectors.

Charter Hall Direct Office Fund

Charter Hall Direct Property are one of Australia's leading direct property fund managers, having a strong track record of managing unlisted property funds since 1995.

The Investment
An unlisted property trust. Charter Hall manage a diversified portfolio of 14 high-quality Australian office properties with a focus on east coast CBD and established property markets. Charter Hall aim to invest in and actively manage the properties to generate a stable income and achieve capital growth.

In addition to the direct properties, the fund also has an investment in the Charter Hall Prime Office Fund (a wholesale fund managed by Charter Hall Group, no relationship with Prime Financial Group).

The fund is geared to 35% (within its target range of 25% to 45%)

The total portfolio is valued at $2.09 billion with 99% occupancy and a weighted average lease expiry of 8.6 years.

The fund pays quarterly distributions which are partially tax-deferred. For FY 2019 the fund delivered a total return of 10.68% of which 6.08% was income.

For direct clients, the fund currently operates a fixed term ending December 2019. Thereafter, regular Limited Withdrawal Offers are intended to be made every six months, subject to the fund having available liquid assets.

Risks

- Property investment risks – property value decline, decrease in fund income, property illiquidity, vacancy risk, leverage risk
- Property development risks – risk associated with timing, completion and cost of development
- Fund investment risks – no guarantee of liquidity, capital gains/losses, fund gearing magnifying losses, debt facility & interest rates, diversification, capital deployment risk
- General investment risks – economic & market conditions, legal & regulatory changes, tax law changes.

Newmark Hardware Trust

Newmark, the property funds management group was established in 2011 by Chris Langford and Simon Morris (ex-Lend Lease and Peninsula Development Group) with a view to targeting premium investment properties in the retail and commercial property space.

The Investment

The Newmark Hardware Trust (NHT) is a $110m unlisted property Trust managed by Newmark. The Trust owns property along Australia's eastern seaboard valued at over $100m.

NHT owns three existing properties in Launceston, Maroochydore and Lakehaven. Launceston houses Bunnings, Officeworks, JB Hi-Fi and Petstock stores and was most recently valued at $47m whilst the Maroochydore property was valued at $56m. Lakehaven was recently completed in early 2019.

Newmark will add a fourth property in Warragul, VIC to include another Bunnings once completed in March 2020. The Warragul property will also house a Kmart, Reject Shop and Auto Store.

The Trust will cap gearing at 55% and is seeking to have 70% of property leased to blue chip national retail businesses (Bunnings, Kmart, Officeworks, JB Hi-Fi.)

NHT will provide liquidity with daily applications and monthly redemptions for investors on a best endeavours basis and will invest up to 10% of its assets in cash and 20% in listed and unlisted property securities as a means of maintaining liquidity for investors.

The NHT will aim to return an 8.5c distribution to unitholders in 2019 which represents a 6% income stream for new investors.

Risks

- Property valuations can fluctuate. The use of leverage work as a positive and a negative for trust returns.
- Quality of the tenant and profitability of each tenant.
- NHT is a trust comprising 4 properties, all let to the same major tenant (Bunnings). Diversification is limited.
- Liquidity remains low since NHT is unlisted however the trust intends to ensure appropriate levels of liquidity are available by making 0.5% of the NAV of the Trust available each month to satisfy redemptions.

PacificEastcoast

Suitable For
Clients with an affinity for direct residential property investment, including:

- Accumulators: typically aged 40 – 55 who have equity in their main residence and can utilise their home equity as a 20% deposit for a geared investment property, to build wealth.
- Downsizers: typically aged 55+ who are seeking a boutique residential apartment or townhouse to replace the family home.
- HNW Investors: seeking an alternative investment opportunity in residential apartments or townhouses, commercial and retail properties in a strong, existing market.

About PacificEastcoast
PacificEastcoast have been helping the clients of financial advice firms find the right property investments for over 40 years. Since 1978 they have helped more than 10,000 clients invest in over $4 billion of direct property investments.

PacificEastcoast search for properties that are designed to attract a second buyer. Typically their recommendations will be residential apartments or townhouses in a strong existing market. These properties will be within historically inner ring zones and have the potential for resale into the owner occupier market to maximise capital gain potential.

The Advice
The typical Accumulator has a high income and are looking to property investment to build wealth. However, they don't know how to find the right property, how to finance the purchase, or whether the particular property will meet their long term objective of wealth creation.

Prime can give the client an indication of how much they can afford to spend, in whose name to hold the property for maximum negative gearing benefits, and how negative gearing property can work in the client's particular situation.

Prime look at the client's need, for example funding a retirement lump sum gap, and devise a strategy around property gearing to help close the retirement funding gap.

Pacific East Coast can help Prime educate the client on how it might best work for them, showing examples of what has been achieved for other clients in the past.

Our role is to educate clients on how to get 'property ready' by ensuring they understand their borrowing capacity and showing what the cash flows might look like for an upcoming project.

Typically, the client will access the 20% deposit using equity in their main residence and borrow the remainder 80% of the purchase price.

The client can access borrowing via their own mortgage broker, or we can refer the client to a Prime referral partner for mortgage broking and property conveyancing.

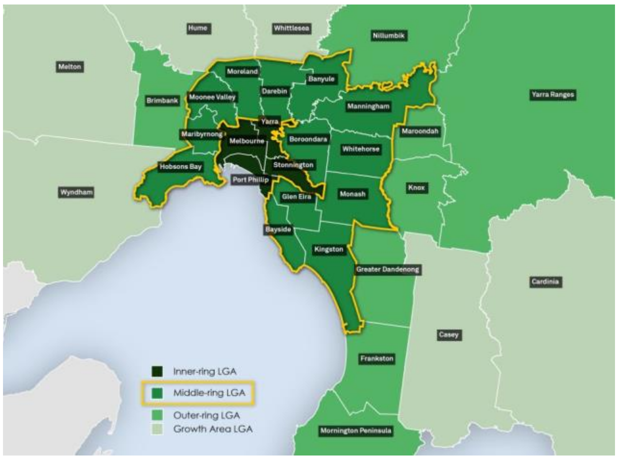
Prime will use the assumptions provided by the mortgage broker and Pacific East Coast for the particular geared property investment, to model the cash flows and potential capital growth for the client's situation.

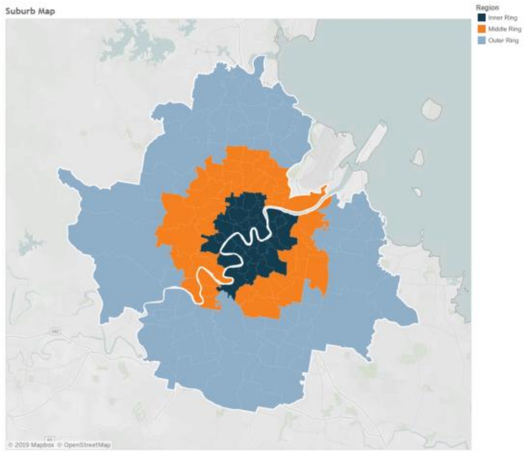
The aim is for each property to ‘wash its own face’ by being breakeven geared or just slightly negative geared, with annual growth of around 5% to compensate for any short term negative cash flows and to build wealth.

The Investment
The property would be purchased off the plan from the developer, in the three major population and industry growth cities – Melbourne, Sydney and Brisbane. The typical investment is $750,0000 - $1.5 million.

Typically, Pacific East Coast’s recommendations are:

- Boutique residential apartments or townhouses in a strong, existing market
- Have the potential for resale into the owner occupier market to maximise capital gain potential
- Are outside of the CBD high density markets but within the inner and middle ring zones





Property Attributes and Ongoing Management
Pacific East Coast looks for properties of excellent quality, that have features making them highly desirable to owner occupiers on resale.

The properties are priced at a fair value before the client commits their funds, that aims to deliver a 5%pa yield plus a 5%pa growth over a 10 year period. Should an adverse economic or property market event occur, the properties aim to hold their value while continuing to generate yield.

Assumptions: 5% yield based on actual results of past developments, 5% growth based on 25 year average growth rate of Australian residential units ~5.9%pa.

As a key part of successful property development is the ongoing management, maintenance and tenancy of the properties, most developers now have their own property management service.

The aim is for the client to have a property investment that they can essentially forget about, that doesn’t give them any ongoing headaches. The developer typically maintains part ownership of the development and will fix any maintenance issues that arise (dishwasher or aircon breaks etc). Any tenancy issues are dealt with by the property manager.

On an ongoing basis, Pacific East Coast can give the client guidance on whether to sell or hold given prevailing market conditions.

Risks

Risks of investing in geared residential property may include:

- Economic Climate – lack of wage growth, end of the property bull market, tighter APRA lending sanctions.
- Where to buy – you need to understand the market you are buying into. A familiar market will take you less time to research.
- Growth and yield – Generally, commercial property tends to produce a higher yield with lower growth, which is the opposite of residential property. How do you target your purchase to a growth area to compensate for the real loss of expenses exceeding income?
- Appeal – ensure that you buy in an area that has a low vacancy rate and that can attract a broad range of quality tenants.
- Property type – units may be easier to maintain than houses, although body corporate fees may be payable.
- Insurance – you will need to take out buildings insurance to cover you for building replacement (unless a strata levy covers you) and landlord insurance to cover you for malicious damage and rent arrears of tenants.
- Property management – time poor professionals will need to contract a property manager to collect the rent and deal with tenants and property repairs.
- Deficit funding – You must be prepared to fund the income deficit (more expenses than income) in the early years of the gearing arrangement.
- Change in employment income – income protection insurance is vital to protect against loss of income due to illness, injury or disability.
- Interest rates – A rise in interest rates will mean higher repayments and lower disposable income.
- Vacancy – There may be times when you must cover the costs yourself if you don't have a tenant.
- Inflexibility – You can’t sell part of your interest in a property. In a slowing market, it may take an extended period to secure a sale.
- Loss of value – If the value of the property goes down you could end up owing more than the property is worth, this is known as negative equity.
- High entry and exit costs – Expenses such as stamp duty, legal fees and real estate agent's fees make buying and selling property very expensive.
- Capital loss – a decline in value of a geared asset compounds capital losses.
- If a loss occurs, you are still liable to pay the borrowed funds.
- Current rules and regulations may change in the future – especially in regard to Capital Gains Tax (CGT) and interest deductibility.

Example Results – Aria Developments, Brisbane

Yield – average 5% pa

ARIA LIVING'S

PAST SIX DEVELOPMENTS

PROJECT	AVERAGE YIELD	AVERAGE RENT PER WEEK	AVERAGE LET UP TIME
THE DRAPERY	4.83%	$555	4.3 WEEKS
VALENCIA RESIDENCES	4.62%	$571	3.5 WEEKS
OXLEY + STIRLING RESIDENCES	4.85%	$627	4.1 WEEKS
ST JULIEN RESIDENCES	5.08%	$592	3.7 WEEKS
THE MELBOURNE RESIDENCES	5.42%	$588	4.5 WEEKS
BOTANICA RESIDENCES	5.68%	$587	4.2 WEEKS
AVERAGE ACROSS ARIA DEVELOPMENTS	5.08%	$587	4.1 WEEKS

Growth – 11% for 2 bed units

AVERAGE GROWTH	10%

1 BED AVERAGE GROWTH	4%
2 BED AVERAGE GROWTH	11%
3 BED AVERAGE GROWTH	59%

Strategy Example: Property Gearing

Borrowing Capacity & Loan Serviceability

Lenders calculate your borrowing power by extrapolating out your income and expenses. They apply some assumptions around the loan term, purpose, type of repayment and interest rate to arrive at the amount they are willing to lend you.

Most lenders have a lender calculator based on the APRA Prudential Practice Guidelines. The guideline was set with very prescriptive rules for serviceability. The APRA Prudential Practice lending guidelines include:

- Applying a long-term interest rate of the prevailing rate plus a buffer of 2.5%.
- As Interest Only (I/O) loans are restricted to a maximum 5-year term, with no guarantee they can be refinanced on an I/O basis and will therefore revert to Principal and Interest (P&I) repayments, P&I repayments are assumed for all existing and proposed debt.
- Higher rates apply to Interest Only (I/O) lending.
- Income from non-salary income like rent (net of property expenses) and bonus/commissions is discounted to 80% of the full rate.
- No negative gearing considerations (i.e. add-backs for the tax effect of claiming excess investment expenses as tax deductions).
- Verification of your income by reviewing your payslips, income tax returns or seeking information from your tax accountant (particularly if you are self-employed) will generally be required.

Generally, your maximum borrowing limit is around 4.5 times your after-tax income.

Illustration

The following illustration assumes purchase of a $750,000 investment property based on an 80% LVR with security over the investment property and the family home.

We assume interest only mortgage payments at the prevailing investment loan rate of ~4% plus an additional 1%, and that property growth is a conservative 1%-2% lower than long term average growth rate for Australian residential units.

Apartment Cost	Current	Proposed $750,000
Fully Geared, funded:		
Home Equity Loan 20%		$150,000
Mortgage 80%		$600,000
Inflows		
Rental Return (4.0%)		$30,000
Outflows		
Interest Cost (5.0%)		$37,500
Land Tax ($975 + 0.5% over $600,000)		$1,725
Insurance		$1,000
Body Corporate fees (pw)		$1,560
Council Rates		$1,000
Water Charges		$500
Property Agent's Commission		$2,100
Cashflow (Shortfall)		**-$15,385**

Taxation & Net Cashflow	Current	Proposed
Client's Salary (Wife)	$156,000	$156,000
Rent		$30,000
Gross Income	**$156,000**	**$186,000**
less **Deductions**		
- Outflows per above		-$45,385
- Capital Works Deduction & Asset Depreciation 2.5%		-$18,750
Total Deductions		**-$64,135**
Taxable Income	**$156,000**	**$121,865**
Tax Payable (inc MCL)	-$50,677	-$36,548
Tax Credit @ 39.0%		**$14,129**
Net Cashflow from Property Investment		**-$1,256**
Expected Growth from Property Investment (4.0%)		**$30,000**
Less Notional Capital Gains Tax on Property Growth		-$5,850
Total Net Return from Gearing Arrangement		**$22,894**
Total Net Return from Gearing Arrangement		**3.1%**

Disclaimer

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