

A low-angle, upward-looking photograph of several modern skyscrapers with glass facades. The sun is positioned directly behind the central building, creating a bright, glowing sunburst effect that illuminates the scene. The sky is a clear, light blue. The buildings are dark against the bright light, and their lines converge towards the top of the frame.

MILLBROOK

Mortgage Fund

Product Disclosure
Statement

Corporate Directory

Millbrook Mortgage Fund

ARSN 125 042 480

Responsible Entity

Millbrook Mortgage Management Ltd

ABN 81 123 219 732

AFS LICENCE 335001

AUSTRALIAN CREDIT LICENCE 335001

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This PDS consists of 2 parts:

Part A contains Important Notices on page 1 that you should refer to, explains the Fund's features and the nature of your investment and your rights as a member of the Fund; and

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

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IMPORTANT NOTICES

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

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

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

Millbrook reserves the right to withdraw this offer without notice.

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

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

Definitions

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

“Borrower”

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

“Certified Valuer”

A property valuer who Millbrook believes in good faith:

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

“Compliance Plan”

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

“Constitution”

The constitution deed dated 20 December 2019 entered into by Millbrook that sets out the rights and obligations of members in the Fund and the Responsible Entity. All members of the Fund are bound by the constitution as amended from time to time.

“Corporations Act”

The *Corporations Act* 2001 (Cth).

“Credit and Lending Guidelines”

The assessment criteria used by Millbrook from time to time to select a Borrower loan and the Security to constitute a Mortgage Investment. Specific areas assessed are listed under *Investing in the Fund – 3. What does the Fund invest in? – Mortgage Investments*.

“Credit Checks”

Part of our mortgage lending guidelines and are undertaken on all loan applicants to check their credit history through our subscription with mercantile agents as part of the loan assessment process.

“Defaulting Mortgage Fee”

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

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

Should Millbrook choose not to compensate Investors by continuing the normal interest payments, the Investors in the defaulting Mortgage Investment (sub-scheme) are then entitled to receive 80% of the Defaulting Mortgage Fee payments (to the extent paid by the Borrower to remedy the default). The remaining 20% of the Fee is paid to Millbrook to offset their time and costs in managing the recovery process.

“Director”

A person holding office as a director of Millbrook.

“Fees”

Refer to **Part B** for fees applicable to Investors in the Fund. Where possible any fees associated with the assessment, approval, settlement and management of a Mortgage Investment will be charged to and paid by the Borrower. The exception to this is if after a property has been sold and if there is a shortfall in the realisable value of the property held as the Security, which would affect the return of interest and/or capital to the Investor. Refer *Investing in the Fund – 8. What are the investment risks and how are they managed?*

“Fund”, “the Scheme”

The Millbrook Mortgage Fund ARSN 125 042 480 which comprises the ITD and Mortgage Investments (“**the sub-schemes**”) on issue from time to time.

“Interest”

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

Investors in the Pooled Option receive a pre-determined rate of interest as set from time to time by us. Where Borrower payments exceed the pre-determined rate of interest due to Investors, we retain that surplus in compensation for the costs of managing the sub-scheme and the risk associated with guaranteeing the interest of Pooled Option investors.

"Investor", "you", "your"

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

"ITD"

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

"License"

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

"Loan to Valuation Ratio", "LVR"

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

"Market Value for mortgage purposes"

Market value is determined by a Certified Valuer on an "as is" basis in accordance with specific written instructions by Millbrook.

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

"Market Value — is the estimated amount for which an asset should exchange on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing

wherein parties had each acted knowledgeably, prudently and without compulsion".

"Millbrook", "Manager", "Responsible Entity", "we", "our", "us"

Millbrook Mortgage Management Ltd
ABN 81 123 219 732.

"Millbrook Group"

Refers to Millbrook Mortgage Management Ltd, Millbrook Finance Pty Ltd and Millbrook Funds Ltd.

"Mortgage"

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

"Mortgage Allocation Facility"

A facility offered by Millbrook to investors in the ITD under which Millbrook is authorised to allocate part or all of an Investor's ITD interest to a Mortgage Investment. In the case of a Specific Mortgage Investment, Millbrook will still provide the appropriate information on the Mortgage Investment to the Investor via a SPDS and the Investor still has the opportunity to "opt out" of (i.e. not to invest in) the proposed Mortgage Investment (Refer *Investing in the Fund - 4. How do I invest in the Fund?*).

"Mortgage Investment"

Refers to investments in either the Fund's Specific or Pooled Options.

"Mortgage Investment Certificate"

A certificate issued by the Fund Manager detailing an Investor's investment in the Fund.

"NCCPA"

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

"Non-specialised properties"

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

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

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

"Options"

Refers to the Fund's Specific or Pooled investment options.

"PDS"

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

“Pooled Option or Pooled Mortgage Investment”

An investment option of the Fund constituted by a single sub-scheme comprising of loans to a number of Borrowers secured by registered mortgages and cash which will be held in the sub-scheme’s name in the Fund’s Investor Trust Deposit Account.

“Registration Form”

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

“Security”; “Secured”

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

“Supplementary Product Disclosure Statement”; “SPDS”

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

“Specific Option or Specific Mortgage Investment”

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

“Unit Value”

The value in dollar terms of one unit in the Pooled Option sub-scheme. See *Investing in the Fund – 4. How do I invest in the Fund? – To Invest in a Pooled Mortgage Investment.*

Millbrook Mortgage Fund

Offering
mortgage
security &
monthly returns



Introduction and Investment Overview

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

Millbrook Mortgage Management Ltd has acted as the Manager or Responsible Entity of the Fund since 2007 and holds a Financial Services Licence and Credit Licence issued by ASIC.

The Fund offers two investment options:

1. Specific Option

A contributory or peer-to-peer mortgage investment where one or more Members invest in a specific mortgage loan. Their interest return is dependent on the Borrower of the loan invested in making loan repayments in a timely manner. Investors recovery of their principal is dependent on the Borrower repaying their loan and/or the Fund recovering the investors capital from realisation of the security held for the loan. Investors in a sub-scheme have no rights in respect of any Fund sub-scheme other than the one they are invested in.

This investment option permits investors to select a mortgage investment that meets their personal risk profile.

General Information

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

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

2. Pooled Option

This investment option provides investors with the ability to invest in a diversified range of mortgages with different security, terms and LVR's for a term of their choosing while knowing their initial interest return is underwritten by the Fund Manager.

Investments in this Option have a minimum term of 6 months after which they may be withdrawn subject to the terms of any withdrawal offer made by us and currently open. See *"Disclosure Principle 8: Withdrawal Arrangements"* above for further information.

The rate of return on this investment option is variable as determined by us from time to time. We guarantee you will receive the initial rate of return applied to every new investment (as disclosed in your Mortgage Investment Certificate) for a minimum term of 12 months from the commencement date of that investment. Any change in the Pooled Option's rate of return will be advised to all investors in the Pooled sub-scheme with the change not taking effect until 90 days after the date of issue of that advice. Any reduction in return will not affect investments that have been in place for less than 12 months.

Repayment of your principal is dependent on the sub-scheme's Borrowers repaying their loans and/or the Fund achieving full recovery from realisation of the Security held for the loans.

Investors in this sub-scheme have no rights in respect of any other Fund sub-scheme.

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

ASIC Benchmarks and Disclosure Principles

Australian Securities & Investments Commission (ASIC) Regulatory Guide 45 "Mortgage Schemes – improving disclosure for retail investors" (RG 45) sets out eight benchmarks and eight disclosure principles developed by ASIC to assist retail investors understand the risk, assess the rewards being offered, compare this product

with others in the market and decide whether these investments are suitable for them. RG 45 requires that responsible entities of unlisted mortgage schemes, such as Millbrook, should disclose against the benchmarks on an 'if not, why not' basis and address the disclosure principles.

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

ASIC Benchmarks

DISCLOSURE PRINCIPLE 1: LIQUIDITY

Benchmark

For a pooled mortgage scheme, the responsible entity must have cash flow estimates for the scheme that:

- demonstrate the scheme's capacity to meet its expenses, liabilities and other cash flow needs for the next 12 months;
- are updated at least every three months and reflect any material changes; and
- are approved by the directors of the responsible entity at least every three months.

Statement

This Benchmark is not applicable to the Fund's Specific Option as it is a contributory mortgage option, not a pooled scheme.

This Benchmark is met in respect of the Fund's Pooled Option sub-scheme.

DISCLOSURE PRINCIPLE 2: SCHEME BORROWING

Benchmark

The responsible entity does not have current borrowings and does not intend to borrow on behalf of the scheme.

Statement

This Benchmark is met as the Scheme has no borrowings and we will not borrow on behalf of the Scheme.

DISCLOSURE PRINCIPLE 3: PORTFOLIO DIVERSIFICATION

Benchmark

For a pooled mortgage scheme:

- a) the scheme holds a portfolio of assets diversified by size, borrower, class of borrower activity and geographic region;
- b) the scheme has no single asset in the scheme portfolio that exceeds 5% of the total scheme assets;

- c) the scheme has no single borrower who exceeds 5% of the scheme assets; and
- d) all loans made by the scheme are secured by first mortgages over real property (including registered leasehold title).

Statement

This Benchmark is not applicable to the Specific Option as it is a contributory mortgage option, not a pooled scheme.

The Manager will endeavour to ensure diversification in respect of the Pooled Option sub-scheme's assets. However, as the sub-scheme may only hold a limited number of loans it is likely that single borrowers will exceed 5% of the sub-scheme's assets and as such the Benchmark would not be met.

DISCLOSURE PRINCIPLE 4: RELATED PARTY TRANSACTIONS

Benchmark

The responsible entity does not lend to related parties of the responsible entity or to the scheme's investment manager.

Statement

This Benchmark is met as the Fund does not and will not lend to any of our related parties.

DISCLOSURE PRINCIPLE 5: VALUATION POLICY

Benchmark

In relation to valuations for a scheme's mortgage assets and their security property, the board of the responsible entity requires:

- a) a valuer to be a member of an appropriate professional body in the jurisdiction in which the relevant property is located;
- 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:
 - i. before the issue of a loan and on renewal:
 - (1) for development property, on both an 'as is' and 'as if complete' basis; and
 - (2) 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.

Statement

This Benchmark is not met. While valuations of Security for a loan to a Borrower will be conducted prior to the initial issue of most loans, at our discretion we may not require a formal valuation of Security where the LVR is 50% or less of our opinion of the value of the Security based on the range of evidence as available to us (see *Investing in the Fund – 3. What does the Fund invest in? – Valuation of 'Low LVR' Securities* for further information).

Also, where a loan for an initial term of 12 months or less is renewed at maturity, a revaluation of the Security is not necessarily made where the previous valuation is dated less than 15 months prior to the renewal date. The decision whether to revalue is at our discretion and in making that decision we will consider aspects such as the loan LVR and any factors we believe may have materially reduced the market value of the Security. As a result, it cannot be said that valuations will always be obtained before the renewal of a loan to a Borrower.

DISCLOSURE PRINCIPLE 6: LENDING PRINCIPLES - LOAN TO VALUATION RATIOS

Benchmark

If the scheme directly holds mortgage assets:

- a) where the loan relates to property development—funds are provided to the borrower in stages based on independent evidence of the progress of the development;
- 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 (less any costs to complete the development) of property over which security is provided; and
- 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.

Statement

The Benchmark is met. As at the date of this PDS the Fund does not hold any loans for property construction or development but may do so in the future (in which case the LVR will not exceed 70% of the as if complete value less any remaining costs to complete that development/construction). In respect of all other loans the LVR (based on the latest valuation) does not exceed 80%.

DISCLOSURE PRINCIPLE 7: DISTRIBUTION PRACTICES

Benchmark

The responsible entity will not pay current distributions from scheme borrowings.

Statement

This Benchmark is met as the Fund does not have any scheme borrowings and therefore does not make any distributions from scheme borrowings.

Provided that a Mortgage Investment is not in default, distributions to members are generally sourced from income by way of interest paid by Borrowers and are paid by us on a monthly basis to Investors. However, if a Specific Option loan is in default, we may, as we determine in our absolute discretion, compensate Investors by paying distributions as if there were no default. Any such compensating distribution payments are paid from our own funds and as such are completely separate from any sub-scheme's assets.

Where we have compensated Investors in respect of a Mortgage Investment that is in default, we are then entitled to receive any Defaulting Mortgage Fee payments to the extent paid by the Borrower to remedy the default.

Distributions to investors in the Pooled Option sub-scheme are made at a rate as determined by us from time to time. Should repayments received from Borrowers in that sub-scheme fall short of the distribution due to investors, we undertake to pay that shortfall from our own equity.

DISCLOSURE PRINCIPLE 8: WITHDRAWAL ARRANGEMENTS

Benchmark

For liquid schemes:

- a) the maximum period allowed for in the constitution for the payment of withdrawal requests is 90 days or less;
- b) the responsible entity will pay withdrawal requests within the period allowed for in the constitution; and

- c) the responsible entity only permits members to withdraw at any time on request if at least 80% (by value) of the scheme property is:
- i. money in an account or on deposit with a bank and is available for withdrawal immediately, or otherwise on expiry of a fixed term not exceeding 90 days, during the normal business hours of the bank; or
 - ii. assets that the responsible entity can reasonably expect to realise for market value within 10 business days.

For non-liquid schemes, the responsible entity intends to make withdrawal offers to investors at least quarterly.

Statement

This Benchmark is not met. Once monies in a Specific Option are committed to loans this sub-scheme will be illiquid. Withdrawal from the Specific Option will not be available for a period of three years or longer. This takes into account:

- the term of a loan to a Borrower being up to a period of 3 years; and
- the potential for Borrowers to default in repayment of the loan at maturity.

Withdrawals by Investors are funded by repayment of the loan by the Borrower or in the case of default by a Borrower, the enforcement of the Security relevant to the loan.

While the Pooled Option sub-scheme is liquid, investment may be withdrawn subject to:

- 90 days written notice to us,
- the investment having been in place for at least 6 months, and
- the sub-scheme having sufficient cash on hand.

We will manage the cash flow of the sub-scheme to ensure as far as possible liquidity is available to meet withdrawal requests. There is no withdrawal right from the Pooled Option unless we issue a withdrawal offer. While we endeavour as far as possible to meet all withdrawals taken up under an open withdrawal offer in full, where there is insufficient cash available, withdrawals will be paid by us on the last day of each month in accordance with the following formula:

The amount of money available	X	$\frac{\text{The amount an Investor has requested to withdraw}}{\text{Total of all amounts Investors request to withdraw}}$
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The ITD will be liquid. While monies are held in the ITD that have not been allocated to a Sub-scheme and there is sufficient cash on hand available, withdrawal will be permitted on giving 48 hours notice.



Investing in the Fund

1. The Fund

The Fund is a registered mortgage investment scheme available for minimum investments of \$10,000. The Fund comprises sub-schemes that each have their own members from time to time and separate and distinct assets from each other. Investors join the Fund by:

- (a) becoming members of the ITD, and then subsequently participating in specific Mortgage Investments, or
- (b) becoming members of the Pooled sub-scheme.

Investors have rights to receive income or capital distributions in each sub-scheme in which they invest and are a member, in proportion to their share of ownership of the sub-scheme. In the case of the Pooled sub-scheme, members are entitled to receive income distributions (but not capital distributions) at a guaranteed rate determined by the us from time to time.

The Fund provides Investors with the following investments:

- (1) The ITD is a holding account nominated by us as a Trust account where cash investments earn interest pending allocation to a specific Mortgage Investment.
- (2) Mortgage Investments (referred to as sub-schemes) under either the Specific or Pooled Options. The difference in these investment Options are detailed below:

	Specific Option	Pooled Option
The nature of the investment:	Investors invest in a single mortgage loan with their risk and return dependent on the performance of that mortgage alone. It enables selection of investments that suit individual investors risk/reward profile.	Investors invest in a sub-scheme that contains a number of mortgage loans with their risk to capital dependent on the overall performance of the sub-scheme's loans. Investors have no choice regarding the profile of the sub-scheme loans.
Security type:	1st mortgage over real estate.	
Type of property lent against:	Any improved or unimproved residential, commercial, industrial or rural property located in Australia identified as having appropriate resale potential. Unless a loan evidences a very low LVR or collateral security is held, the Fund does not lend against specialised assets (such as childcare centres, hotels, service stations, nightclubs, broadacre farms etc).	
Interest:	Interest is calculated monthly in arrears on the last day of each month and paid to investors by the 15th day of the following month. Payment of interest and repayment of capital is dependent on the Borrower of the loan invested in meeting their repayments to the Fund.	Interest is calculated monthly in arrears on the last day of each month and paid to investors by the 15th day of the following month. Payment of interest at the investment's initial rate of return is guaranteed by us for a period of 12 months from the commencement date of that investment. Repayment of capital is dependent on sub-scheme Borrowers meeting their repayments to the Fund. The interest rate on investments is variable as determined by us from time to time. Any change in interest rate will be advised to investors 90 days prior to being applied and will only effect investments that have been in place for more than 12 months.
Investment term:	The same term as the loan invested in – which can be 3 months to 3 years. The average term of a Fund loan is approximately 12 months.	A minimum term of 6 months applies.
Withdrawals:	Withdrawal prior to repayment of the loan invested will not be available. However, at our sole discretion, we will consider requests to allocate or substitute another investor. See "Disclosure Principle 8: Withdrawal Arrangements" above for further information.	Withdrawals will be available in accordance with the terms of any withdrawal offer issued by us and currently open. See "Disclosure Principle 8: Withdrawal Arrangements" above for further information.
Management Fee:	As disclosed in your SPDS but usually in the range of 1.0% – 2.0%	The difference between the interest received from the sub-scheme's Borrowers less the interest paid to the sub-scheme's Investors.

2. The Responsible Entity

The Manager

Millbrook Mortgage Management Ltd manages the Fund in accordance with the Fund's Constitution, the Corporations Act and our Financial Services Licence (which permits the Fund to invest in mortgage assets for retail clients).

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

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

3. What does the Fund invest in?

Investor Trust Deposit (ITD)

The ITD account is essentially a holding account until specific Mortgage Investments are allocated to investors in the Fund's Specific Option.

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

Mortgage Investments

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

For proposed Mortgage Investments, we will have received a loan application from the proposed Borrower and assessed it in terms of the Fund's Constitution and Credit and Lending Guidelines (as reviewed and amended by us from time to time).



Our Directors

David Lyall

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

David established Millbrook Finance Pty Ltd, a specialist non-bank property lender, in Melbourne in 2005 and today additionally operates two mortgage fund managers, Millbrook Mortgage Management Ltd and Millbrook Funds Ltd. Between then, these three finance entities control funds approaching \$100M.

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

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

Matthew Bush

Matthew has been involved in banking and finance for over 40 years and has extensive skills in retail and commercial lending, and loan administration. Since 2000 Matthew has been a Director of Capital Access Victoria Pty Ltd which operates as a specialist consultant in commercial property and business finance.

Matthew is a Fellow of the Financial Services Institute of Australasia and holds a Diploma in Accounting, Diploma of Financial Services (Finance/Mortgage Broking Management).

George Lyall

George had several years' experience as a credit analyst for a major mortgage fund manager in Melbourne before moving to the UK and working for a firm of specialist private lenders. He joined Millbrook in 2020.

George holds a Bachelor of Finance from the Swinburne University of Technology and a Diploma of Building and Construction from the RMIT, Melbourne.

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

- **Borrower** — Self-employed individuals, business entities (companies) or investors.
- **Term** — 3 months to 3 years but generally 12 months.
- **Loan purpose** — Predominantly for business and investment use but may include bridging finance to purchase or change properties.

While the above is a very broad definition, it is intended the Fund have a wide range of Borrowers and loan terms on the basis it represents good management policy. Diversification permits the Fund to avoid a concentration of Borrowers and loans sharing similar risk profiles. No such advantage applies to individual Investors in a Specific Option sub-scheme because an individual investment is in itself, not diversified. Conversely, we intend that the Fund's Pooled Option sub-scheme will be backed by a diverse range of loan terms as well as security and borrower profiles, thereby mitigating some concentration risk.

To ascertain the value of the Security offered for a Mortgage Investment and thus determine the maximum loan advance to the Borrower, Millbrook will typically instruct a member of its panel of Certified Valuers to inspect the proposed Security and determine its Market Value for mortgage purposes. However, where we believe the LVR is 50% or less of our opinion of value (based on a range of evidence) we may not require a formal valuation of Security.

When assessing a loan application, Millbrook considers the following factors prior to preparing a specific proposal for a Mortgage Investment:

- A credit check of the Borrower, and where applicable, any loan guarantor.
- An ASIC company search for any corporate Borrower.
- A completed statement of the Borrower's assets and liabilities.
- If considered necessary additional financial information and/or a statement of income supporting serviceability may be sought.
- The property forming security for the loan must meet our Credit and Lending Policy as reviewed and approved by its Board from time to time.
- A market value assessment of the Security by a Certified Valuer to our specific instructions on an "as is" basis (where conducted). For construction or development loans the valuer

will determine an 'as if complete value' and an estimated cost of completion of the construction or development works.

- Where a loan is for construction or development purposes, during the period of the construction or development works, we can at our discretion accept a more limited valuation or a report by an independent quantity surveyor or civil engineer instead of a valuer, in relation to the assessment of drawdowns. We use independent valuers, quantity surveyors and engineers with experience and skills in their areas of professional practice.
- The Loan to Valuation Ratio (LVR) which will generally not exceed 75%.
- The overwhelming majority of loans advanced by the Fund will be for commercial, business or investment purposes. We hold an Australian Credit Licence meaning the Fund can consider loans regulated by the National Consumer Credit Protection Act (NCCP). However, Millbrook only considers regulated loans in exceptional circumstances and when doing so complies with the requirements of responsible lending.

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

Once we have confirmed our Credit and Lending Guidelines have been satisfied the loan is advanced by us as an asset of the Pooled Option sub-scheme from cash held in that sub-scheme; OR prospective Investors in the Fund's Specific Option are sent a SPDS containing information about the proposed loan including:

- the investment rate of return;
- the investment term to maturity;
- the Borrower's details;
- details about the security property for the mortgage; and
- the date and amount of the Certified Valuer's market valuation of the Security (where conducted).

Valuation of 'Low LVR' Securities

Occasionally, we have the opportunity to obtain mortgage business with low LVR's providing we can settle the loans quickly, often with insufficient time to arrange a formal valuation. Where the LVR is less than 50% we may not require a formal valuation and arrive at our own opinion of value based upon a mixture of evidence from one or more of the following:

- valuations provided by the borrower that are less than 12 months old;
- informal expressions of likely sale price value from local real estate agents or from one of our panel valuers (including comparable sales information);
- contracts of sale for the property that are less than 12 months old; and
- Council rate information (valuations undertaken by Council valuers and used for rating and land tax purposes).

Where the property value is reliant on improvements, we will obtain a kerbside inspection by our agents or staff to ensure as far as possible that those Improvements are Intact.

These sources of evidence referred to above are not prepared for our purpose and do not provide formal advice intended to create a legal relationship or reliance as would be the case were a formal valuation subsequently prove to have been negligently prepared. The SPDS we provide to you will outline the methodology used in arriving at our opinion of value, but we are not valuers and you need to rely on your own assessment of value in such cases.

How will my investment be managed?

Your investment in the ITD, the Pooled Option, or a specific Mortgage Investment under the Fund's Specific Option will be managed by our Directors and staff who possess a wealth of expertise in managing Mortgage Investments.

4. How do I invest in the Fund?

Complete the Registration/Application Form

To be accepted as an Investor in the Fund, you need to complete and forward to us the Registration Form attached to the back of **Part B** of this PDS together with payment for your investment. Funds can also be transferred by way of electronic funds transfer (EFT) to our bank account by arrangement with us. We must receive a properly completed Registration Form before your investment will earn interest. You can then request us to invest your funds in either our Specific or Pooled investment Options. If you select the Pooled Option your investment will immediately begin earning interest at the rate applicable to that Option. If you ask that your funds be directed to our Specific Option they will be held in the Fund ITD account while you select an appropriate Mortgage Investment.

Minimum investment and balance

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

Holding money in the ITD

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

All monies held in the ITD earn income at a rate determined from time to time by us. All registered members of the Fund will be advised in writing of any changes to the interest rate payable on the ITD and the effective future date of that change. Details of the rate of interest currently paid by the ITD is available upon request from our office.

Interest is calculated daily and distributed to Investors in the ITD monthly in arrears (no later than the 15th of the month). Refer *Investing in the Fund – 7. What returns will my investment provide?* and **Part B** of this PDS for more information.

To invest in a Specific Option Mortgage Investment

While you are a member in the ITD under the Specific Option, we may send you one or more SPDSs that provide information about potential Mortgage Investments for you to consider.

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

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

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

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

To invest in a Pooled Option Mortgage Investment

When you invest in the Fund's Pooled Option your money earns interest at that Option's then current interest rate from the date of receipt.

While the Fund has never lost the capital of any Investor it has offered a Mortgage Investment to, no investment is risk free and there remains a risk of loss of all or part of capital invested in this Option's sub-scheme. If the Pooled sub-scheme were to realise a loss on a loan it holds, each Investor in the sub-scheme would have the value of their investment reduced by an amount equal to that loss in the proportion that their investment bears to the total value of loans in the sub-scheme.

Example: Assuming the Pooled Option sub-scheme holds \$10 million of loans of which \$100,000 is lost on realisation of a loan of \$1 million. The sub-scheme will then hold \$9,900,000 of assets (\$9 million of loans and \$900,000 cash) backing the \$10 million in funds initially invested in the sub-scheme by its Investors. Each \$1.00 originally invested by Investors would now be worth \$0.99 and this would be the amount they would receive if they chose to withdraw their investment. Under this scenario an investor who originally invested \$100,000 prior to the sub-scheme recording any losses would only receive \$99,000 when withdrawing their investment. Conversely, new investors in the sub-scheme would be entitled to \$1.0101 of the assets of the sub-scheme for each \$1.00 they invest.

The value of the Pooled Option sub-scheme's assets is referred to as its Unit Value and in the example above, Unit Value would be \$0.9900. The Unit Value of the sub-scheme is calculated as at the end of each month and will appear on Pooled Option Investors monthly interest statements. The current unit value can also be found on our Pooled Option web page at (millbrookgroup.com.au/mortgage-fund/) or upon request from our office. The Unit

Value applicable to new investments in the Pooled Option sub-scheme will be disclosed in the Investment Certificate provided to Investors in that sub-scheme.

No Advice

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

5. Cooling off period

A cooling off period applies when you invest in the ITD under our Specific Option for the first time. The cooling off period is the period of 14 days starting on the earlier of the day on which you received confirmation of your investment and the end of the fifth business day after the day on which the product was sold or issued to you. During the cooling off period you can write to us (including electronically — davidl@millbrookgroup.com.au) to have your registration money repaid.

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

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

6. Mortgage Investment settlement

With the Fund's Specific Option we will co-ordinate subscription for a particular Mortgage Investment until the loan amount and any related costs (if applicable) has been reached. Upon settlement of a Mortgage Investment and registration of the Mortgage, we will send the participating Investors a Mortgage Investment Certificate confirming their interest.

7. What returns will my investment provide?

ITD

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

Investments under the Specific Option

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

Investments under the Pooled Option

The interest return of this Option is variable, as determined by us from time to time and the initial rate of return applied to each investment is guaranteed by us for a period of 12 months from the date that investment is made. Calculated daily, your return will be paid to you monthly in arrears (by the 15th of the following month) by means of direct credit to your nominated bank account.

We review the Option's return from time to time and may vary it at our discretion. Any change in the return will be advised to all Members of that sub-scheme with any change not commencing until 90 days from the date of that advice.

For further information regarding withdrawal from the Fund, see *Disclosure Principle 8: Withdrawal Arrangements* on page 7.

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

The investments of the Fund, including the ITD have not been rated by any credit rating agency.

We guarantee the interest return of investments in the Pooled Option for the first 12 months after an investment is made.

However, other risks to income and capital as outlined below for Specific Mortgage Investments also apply to the Pooled Option.

With the Specific Investment Option:

- We do not guarantee the performance of the ITD or any particular Mortgage Investment (including the repayment of capital invested).
- The principal investment risks are risks to capital and risks to income due to Borrower default on a loan, which will affect the Investors who participate in that Mortgage Investment but not other Mortgage Investments.
- Borrowers of the Fund may be subject to circumstances that make it difficult to obtain finance from traditional or lower cost lenders. Examples of reasons why such a situation may arise could be because the Borrower:
 - requires the loan funds more urgently than a traditional lender can provide.
 - may not have up to date and/or complete financial statements.
 - may have some past credit defaults.
 - may have recently commenced a new venture and as such their future income is not ascertainable.
 - may simply prefer to deal with a non-traditional lender.
- For construction or development loans, additional risks arise related to timing, completion and sale of the project. Partially completed projects are generally more difficult to sell upon a default by a borrower. Due to the construction or development process, properties may take longer to come to market and so they may be exposed to downward shifts in the property market, which can affect our ability to recover the amount owing under the loan upon completion of the project. These risks are mitigated by some or all of the following:
 - the valuation process;
 - a requirement for a fixed price contract with the builder/contractor to ensure that the agreed cost of the project is not exceeded;
 - a requirement for a certain level of presales before loan drawdown; and
 - ensuring that the amount remaining undrawn on the loan is equal to or more than the "cost to complete" as certified by the valuer, quantity surveyor or civil engineer.

Some of the items listed above may increase the risk of the Borrower defaulting on their obligations. Millbrook will seek to limit any perceived risk and should the loan be approved, may impose special lending terms and conditions on the Borrower. Should this be the case these special conditions will be disclosed in the SPDS sent to each Investor.

Interest Rate Risk

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

Fixed Interest rates – A rate fixed for the term of the Mortgage Investment (such as usually paid by the Fund's Specific Option) does not vary, for instance, with changes in market rates. If those rates fall, Investors will still be entitled to the interest rate that we have agreed to pay. However, if interest rates rise, we are not obliged to increase the rate of interest being paid. Increasing interest rates would also affect the ability of Millbrook to substitute Investors in Mortgage Investments, refer *Investing in the Fund – 10. Can I withdraw from a Mortgage Investment prior to maturity?*

Risk to capital

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

Risk to income

The income of each Investment in the Fund's Pooled Option is guaranteed by us and unaffected by Borrower defaults in that sub-scheme for a period of 12 months from the date the Investment is made. Apart from this initial 12 month period of Investment in the Pooled sub-scheme, the income of Investors in the Fund is at risk if Borrowers default under the terms of their mortgages and fail to make agreed loan repayments as they fall due.

Furthermore, if we suffer an insolvency event during the 12 month guarantee period then we may not be able to meet payments

under the guarantee. For this reason there is an exposure of Investors to the solvency of the responsible entity.

Consequences of a defaulting mortgage

With our Pooled Option your interest return (but not capital) is guaranteed for the first 12 months of every investment regardless of whether a loan in that sub-scheme defaults or not.

From time to time, a loan may fall into default and we will review and manage that defaulting loan as described in *Investing in the Fund – 11. What happens if the Borrower is late or fails to make repayment?*

We will endeavour to ensure that a full return of principal and interest will be made to all Investors in respect of defaulting loans. Where a Specific Option sub-scheme Borrower is in default under a mortgage, we reserve the right to continue to pay the normal rate of interest to you, and if so, we will be entitled to retain any penalty interest payable by the Borrower (including the Defaulting Mortgage Fee refer **Part B** of this PDS) as a consequence of default. In the event we elect not to continue to pay the normal rate of interest, then 80% of any penalty interest recovered from the Borrower will be paid to you. The other 20% will be paid to us to offset our time and costs in managing the recovery process.

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

Risk Management Strategy

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

- a) loan applications for Mortgage Investments are assessed in accordance with our Credit and Lending Guidelines;
- b) a market valuation of most Securities by a Certified Valuer who is a member of the Australian Property Institute, is instructed by us and where that valuer holds an appropriate level of confirmed Professional Indemnity insurance cover (see *Investing in the Fund – 3. What does the Fund invest in? – Valuation of 'Low LVR' Securities* for further information);
- c) loans advanced for Mortgage Investments generally do not exceed 65% of the Security's market valuation;

- d) our lending policy requires Borrowers to have up-to-date building insurance adequately covering the value of improvements on the property offered as Security, and noting our interest;
- e) the assets of the ITD and each Mortgage Investment sub-scheme are clearly identified and separately held from the assets of Millbrook and each other sub-scheme;
- f) we review and actively manage loan repayments on a monthly basis;
- g) our staff are experienced and knowledgeable in dealing with defaulting Borrowers and will actively manage the collection of loan payment arrears and the default process; and
- h) we have an internal and external investor complaints handling process.

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

9. Can I withdraw from the ITD?

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

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

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

Pooled Option investments have no fixed maturity date and may only be withdrawn while a redemption offer is open. The terms of withdrawal will be in accordance with the terms of the redemption offer. See "Disclosure Principle 8: Withdrawal Arrangements" above for further information.

Specific Option investments are made for a fixed term and you have no right to withdraw from a sub-scheme prior to maturity. We will however use our best endeavours to accommodate your

written request for early withdrawal as long as we are able to identify a replacement Investor willing to accept the terms and conditions of your Mortgage Investment.

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

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

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

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

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

If a default occurs, we will inform Specific Option investors in that sub-scheme within 30 days of being aware of the default and whether the rate of return for the specific Mortgage Investment will be affected.

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

If we do not maintain the level of return in the event of a loan default, Specific Option Investors are entitled to receive 80% of the higher interest rate (default rate) with the remaining 20%

being paid to us to offset our time and costs in managing the recovery process. However, Investors actual rate of return will be determined by the repayments actually received from the Borrower and/or the amount recovered from the sale of the Security (i.e. mortgagee's auction), less a Defaulting Mortgage Fee (refer to **Part B** of this PDS) due to us in compensation for our costs in managing the recovery process. In these circumstances the Defaulting Mortgage Fee will be the amount specified in the SPDS for the sub-scheme, which can not exceed 5% per annum of the defaulting loan amount.

The interest return of Pooled Option Investors is guaranteed by us for the first 12 months after each Investment is made. After that 12 month period has expired the Investment will earn the current rate of return applicable to the sub-scheme as a whole and as determined by us from time to time. A Borrower default in the Pooled sub-scheme that requires a provision for an anticipated loss (and subsequently adjusted for the actual loss) will result in a reduction in the Unit Value of investments in the sub-scheme (i.e. a proportional loss of Investor's capital). The current value of each Investor's Investment in the Pooled sub-scheme is calculated by multiplying the original investment amount by the Unit Value of the Fund (initially \$1.0000) will appear on each Investor's monthly statement. See *Investing in the Fund – 4. How do I invest in the Fund? – To Invest in a Pooled Mortgage Investment* for more detail on calculation of the Fund's Unit Value. A report outlining Loan defaults exceeding 30 days in the Pooled Option sub-scheme will be updated quarterly and can be downloaded from our web site (millbrookgroup.com.au/mortgage-fund/).

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

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

- firstly, towards payment of other liabilities having priority at law to the Mortgage Investment;
- secondly, in payment of our fees including the Defaulting Mortgage Fee (refer **Part B** of this PDS), charges and other costs and expenses incurred in the proper performance of our duties;

- thirdly, in payment of the Investors' capital investment;
- fourthly, in payment of any interest to which the Investors are entitled but has not yet been paid.

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

12. What happens to a Specific Mortgage Investment at its maturity?

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

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

During this time (when you do not have any funds in a Mortgage Investment and the principal amount repaid on your Mortgage Investment is deposited in your name in the ITD), you may withdraw from the ITD by giving us written notice. We will send you further information about new investment opportunities.

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

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

13. What are my rights?

Constitution

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

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

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

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

No mortgage of interest

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

Right of secession

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

Complaints Handling Process

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

If you believe that we have not satisfactorily resolved your complaint within 45 days (or up to 90 days where we advise

you separately in writing that the investigation requires further time) you may take your complaint to the Australian Financial Complaints Authority (AFCA) of which we are a member (No 14439). The address for AFCA is:

Australian Financial Complaints Authority Limited

GPO Box 3, Melbourne Victoria 3001

Telephone: 1800 931 678

Email: info@afca.org.au

14. Keeping you informed

We will keep you updated with regular reporting, including:

- monthly interest statements which for Pooled Option Investors will disclose the Unit Value of the Fund and the current value of their investment;
- annual tax statements as at 30 June each year in relation to your investment;
- information concerning new Mortgage Investment opportunities and current interest rates;
- half-yearly disclosure updates against the ASIC benchmarks and information addressing the disclosure principles, including updates on the status of performance against the benchmarks and information provided under the disclosure principles;
- quarterly disclosure on our web site of Pooled Option sub-scheme Mortgage Loans in default by more than 30 days and the current Fund Unit Value (www.millbrookgroup.com.au/mortgage-fund);
- ongoing disclosure as set out immediately below under "Ongoing disclosure" in this clause 14.

Ongoing disclosure

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

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

15. Privacy statement

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

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

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

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

16. Taxation

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

Taxation of the ITD and Mortgage Investments

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

Taxation of Investors

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

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

17. Consents and other disclosures

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

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

18. Directors' Report

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

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

The Directors have authorised the issue of this PDS.

David Robert Lyall

Matthew Charles Bush

George David McVicar Lyall

To be read in conjunction with Part A – Fund Information

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

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

Information about taxation is contained in *Investing in the Fund – 16. Taxation* (Part A).

Did you know?

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

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

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

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

TO FIND OUT MORE

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

Fees Payable by Members of the Fund

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

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

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

Type of fee or cost	Amount	How and when
Fees when your money moves in or out of the managed investment product		
Establishment fee: The fee to open your investment.	Nil	N/A
Contribution fee: The fee on each amount contributed to your investment.	Nil	N/A

Type of fee or cost	Amount	How and when
Withdrawal fee (excluding early withdrawal):		
The fee on each amount you take out of your investment		
ITD – the fee for each withdrawal you make	Nil	N/A
Mortgage Investment – the fee to withdraw on or after the maturity date of the investment	Nil	N/A
Exit fee:		
The fee to close your investment		
Early withdrawal or transfer fee:	\$100.00	This fee is payable by the withdrawing Investor and will be deducted from the balance of funds withdrawn.
This is the fee charged to break the term of a Mortgage Investment and withdraw funds prior to the maturity date – refer to Part A of the PDS <i>Investing in the Fund – 10. Can I withdraw from a Mortgage Investment prior to maturity?</i> Examples include early repayment to a deceased estate, or transfers or assigns to any person resulting from an existing Investor withdrawing their investment prior to maturity.		
Management Costs	Amount	How and when
Administration and investment costs – Mortgage Investment	The actual fee varies for each specific Mortgage Investment and is stated in the applicable SPDS. With a Specific investment the range of fees is quoted as a percentage and varies from .75% to 5% of the loan amount. With a Pooled Option this fee will vary as it is the difference between the interest received from Borrowers and the interest paid to Investors in that sub-scheme. The Fund's Constitution allows a maximum fee of up to 5% per annum. <i>Example: On a \$50,000 Specific Mortgage Investment a 1% per annum fee equates to \$500.00 per annum.</i>	Specific Option
These are the fees for management of a Mortgage Investment by us and includes fees for the security documents, custody of mortgage documents and other expenses incurred in investing in assets of the Mortgage Investment. An example of this fee is provided on page 24.		Payable monthly in arrears by deduction from the specific Mortgage Investment prior to payment of the declared earning rate on the Mortgage Investment.
		Pooled Option
		Payable monthly in arrears.

Type of fee or cost	Amount	How and when
<p>Defaulting Mortgage Fee:</p> <p>This fee is charged when a loan defaults and is usually paid by the Borrower. It is payable monthly when the loan is in default. However, should the Borrower be unable to pay the fee monthly it will be deducted from the proceeds of the sale of the property held as security.</p> <p>Where we have compensated Investors in the defaulting Mortgage Investment (sub-scheme) by paying the same rate of interest as if there was no default, we are entitled to receive the Defaulting Mortgage Fee to the extent paid by the Borrower to remedy the default.</p> <p>Should we choose not to compensate Investors by continuing the normal interest payments, the Investors in the defaulting Mortgage Investment (sub-scheme) are entitled to receive 80% of the Defaulting Mortgage Fee payments to the extent paid by the Borrower to remedy the default. The remaining 20% of the fee is paid to us to offset our time and cost in managing the recovery process.</p>	<p>The actual fee varies for each specific Mortgage Investment and will be stated in a notice we send to members of the Mortgage Investment if the loan defaults, within 30 days of the default occurring and the maximum payable is no more than 5% per annum of the default loan amount. See Definitions: <i>Defaulting Mortgage Fee</i> for a full explanation.</p> <p><i>Example: The maximum fee of 5% per annum on a loan of \$50,000 equates to \$2,500 per annum.</i></p>	<p>Deducted from any repayments recovered from the Borrower and/or proceeds of sale of the Security.</p> <p>If the sale of the property does not result in the full recovery of all of the principal loan, interest, fees and charges owing, then any unrecovered Defaulting Mortgage Fee will be paid by the members by it being deducted from the net proceeds due to them from the sale of the Security.</p>

Additional Service Fees	Amount	How and when
<p>Switching fee:</p> <p>The fee for changing investment options</p>	Nil	N/A

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

Additional Explanation of Fees and Costs

Fees and charges payable by Borrowers

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

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

- We charge Borrowers an early repayment fee for loan payout prior to the contracted maturity date. Where this occurs the fee will be divided equally between you and Millbrook. The fee is an amount equal to:

– ***In the case of a loan not regulated by the NCCPA***

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

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

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

Example of Annual Fees and Costs

Mortgage Investment

The “Administration and Investment Costs – Mortgage Investment” fee charged by us for managing the loan (Mortgage Investment) is deducted each month from the Borrower’s interest payment. Therefore, the yield or distribution to the Investor is the net amount disclosed on the SPDS. Our Management Fee is also disclosed on the SPDS. So if:

1. Interest paid by the Borrower is stated and calculated at 9.75% per annum, and
2. our Management Fee of 1.50% per annum is then deducted, the Investor would therefore be offered the Mortgage Investment at a net rate to them of 8.25% per annum.

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

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

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

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

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





Brokerage and Commissions

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

Applicant (Investor) Identity Verification

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

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

MILLBROOK
Mortgage Fund

Manager:
Millbrook Mortgage Management Ltd
ABN 81 123 219 732

Level 9
30 Collins Street
Melbourne
Victoria 3000
Australia

PHONE 03 8663 1800

millbrookgroup.com.au

Reference: _____

Issued by **Millbrook Mortgage Management Ltd**

ABN 81 123 219 732 | AFSL 335001

INVESTMENT DETAILS

I/We apply for investment of the following amount in the:

\$ _____ **(Minimum \$10,000 investment)**

Cheques should be made payable to "Millbrook Mortgage Fund". Cash is not accepted.

Electronic Funds Transfers direct to our bank account as detailed below are preferred.

Account name: Millbrook Mortgage Fund BSB: 083 004 Account Number: 294049570

You MUST SELECT ONE of the options below:

Specific investment Option

Pooled investment Option

YOU MUST ADVISE US BY PHONE OR EMAIL OF THE DEPOSIT HAVING BEEN MADE AND THE DEPOSIT MUST REFERENCE YOUR NAME.

Investor Details

Individual

Mr/Mrs/etc

Given Names

Surname

Date of birth

Joint Holding

Mr/Mrs/etc

Given Names

Surname

Date of birth

Company/Trustee

Company Name/Partnership/Trust

ABN

Contact Name

Address

No. and Street

PO Box

Suburb

State

Postcode

Contact

Phone (Office Hours)

Email

LIMITED POWER OF ATTORNEY

I/We hereby irrevocably appoint, Millbrook Mortgage Management Ltd ACN 123 219 732 (Millbrook) and any Director, agent, attorney or substitute nominated by it to be my/our attorney for the purposes of performing the duties of Responsible Entity under the Constitution of the Millbrook Mortgage Fund ARSN 125 042 480 and the applicable loan agreement and mortgage security documents in relation to any investment in the Investor Trust Deposit facility and any Fund sub-scheme in which I/we invest.

Tax File Number Quotation or Exemption

Tax File Number

or Exemption Reason

Quotation of a Tax File Number (TFN) is not compulsory (although as ABN must be quoted where held), however without it or unless you are exempt tax must be deducted from your Fund income. We will apply a quoted TFN or ABN automatically to all subsequent investments in your name unless you notify us that you do not wish your TFN or ABN to be applied to a particular investment.

Payment Details

All distributions payable from Fund will be paid by direct credit to your nominated account with a financial institution acceptable to Millbrook. Please complete details below. If an account is not nominated payments will be made by cheque however a fee is payable (refer Part B of the Product Disclosure Statement):

Name of Account Holder

Bank or Financial Institution

Branch

BSB and Account Number

MORTGAGE ALLOCATION FACILITY

While invested in the ITD, Investors can participate in the Mortgage Allocation Facility (refer Investing in the Fund in Part A of the Product Disclosure Statement, clause 4 "How do I invest in the Fund?" – point 4 "To invest in a Mortgage Investment"). Participating Investors will automatically be allocated available Mortgage Investments and then may opt out within the specified notice period. Refer to PDS as referenced above for full details prior to completion.

If you **DO NOT** wish to participate in the facility, please check this box:

Declaration and Attestation

I/We hereby apply for registration in the Millbrook Mortgage Fund and acknowledge, agree and understand that:

1. I/we declare that the details given in this form are true and correct.
2. I/we agree to be bound by the terms of the Constitution of the Millbrook Mortgage Fund ARSN 125 042 480.
3. I/we acknowledge and accept Millbrook may send us at its discretion from time to time one or more SPDSs in respect of Mortgage Investment opportunities.
4. I/we acknowledge that we have received and read a copy of this Product Disclosure Statement in Australia.
5. I/we authorise Millbrook to deduct any fee(s) to which it is entitled as stated in Part B of the Product Disclosure Statement on a monthly basis from my distributions.
6. I/we acknowledge Millbrook may accept or reject any registration application.
7. I/we hereby execute the Limited Power of Attorney in favour of Millbrook Mortgage Management Ltd specified overleaf on this Registration Form.

Signature

Date

Signature

Date

Executed by the Applicant by being signed by those persons who are authorised to sign for the Company:

Director

Print Full Name

Signature

Date

Director/Secretary

Print Full Name

Signature

Date

If this form is signed under Power of Attorney, the Attorney certifies that he or she has not received notice of revocation of that power. Trustees of trusts giving a power of attorney certify that they are authorised to do so by their trust deed. A copy of the Power of Attorney must be forwarded to Millbrook Mortgage Management Ltd with the completed Application form.

Please enclose all copies of your identity with this Form.