THE CKM MORTGAGE TRUST
ARSN 090 880 890

Australian Securities and Investments Commission
Regulatory Guide RG 45

Benchmark and Disclosures Principles

The Australian Securities and Investments Commission (**ASIC**) has issued an updated Regulatory Guide 45 – *Mortgage schemes – improving disclosure for retail investors* (**RG 45**) setting out benchmarks and disclosure principles for unlisted mortgage schemes, against which the responsible entity of the scheme must report. If a mortgage scheme does not meet any benchmark, the responsible entity must give details of why that benchmark is not being met ("if not, why not").

There are 8 benchmarks and 8 disclosure principles that apply to The CKM Mortgage Trust (**Trust**). These reflect the information that ASIC considers key to retail investors analysing the risks of investing and continuing to hold interests in unlisted pooled mortgage schemes, such as the Trust.

The information below outlines the risks identified by ASIC and the benchmarks and disclosure principles adopted by ASIC in respect of those risks. The current status of the Trust in respect of those benchmarks is also explained. This information has been prepared by Sydney Wyde Mortgage Management Limited ABN 19 090 567 150, AFSL 245506, ACL 245506 (**Responsible Entity** or **Sydney Wyde**), the responsible entity of the Trust, for the information of current and prospective investors in the Trust. Sydney Wyde makes no representation and gives no warranty that, or to the effect that, this information is necessary or materially relevant to any decision you may make in respect of investing or continuing to hold an investment in the Trust.

To the extent that this information is advice, it is general advice only. It does not take into account your current circumstances, financial situation or needs. Investors and prospective investors should read the current product disclosure statement for the Trust dated 21 September 2017 (**PDS**) (issued by and available from Sydney Wyde on request and on the website for the Trust) in full prior to making any decision to invest in, or to continue to hold units in, the Trust.

If you are accessing this information on-line, you may print a copy of the information for your personal use only. Alternatively, a copy can be sent to you on request. Sydney Wyde may be contacted as follows:

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Unless otherwise stated, this information is current as at 31 December 2018 (or as specified in the particular item). It will be updated as soon as practicable after any material adverse change and, in any event, semi-annually. Updated information will appear on The CKM Mortgage Trust website (www.swmm.com.au).

Benchmarks

Benchmark 1: Liquidity		
Description of the Risk	**Details of the Benchmark**	**Meeting the Benchmark**
The liquidity of the Trust is key to its ability to meet its representations about whether investors can withdraw from the Trust and whether the Trust can meet its other ongoing commitments.	The Responsible Entity has cash flow estimates for the Trust that: • demonstrate the Trust's capacity to meet its expenses, liabilities and other cash flow needs for the next 12 months; • are updated at least every 3 months and reflect any material changes; and • are approved by the directors of the Responsible Entity at least every 3 months.	***Sydney Wyde meets this benchmark***

For further detail see Disclosure principle 1*: Liquidity* below.

Benchmark 2: Scheme borrowing		
Description of the Risk	**Details of the Benchmark**	**Meeting the Benchmark**
Some schemes borrow against the assets of the scheme to fund distributions, redemption requests or scheme operations generally.	The Responsible Entity does not have current borrowings and does not intend to borrow on behalf of the Trust.	***Sydney Wyde meets this benchmark***

For further detail see Disclosure principle 2*: Scheme borrowing* below.

Benchmark 3: Loan portfolio and diversification		
Description of the Risk	**Details of the Benchmark**	**Meeting the Benchmark**
The criteria that the Responsible Entity uses to decide what loans to make are variable and prone to risk, especially where: • loan to valuation ratios are often much higher than for traditional lending; and • the loans made may be highly concentrated to particular types of commercial activities,	As the Trust is a pooled mortgage scheme: (a) the Trust holds a portfolio of assets diversified by size, borrower, class of borrower activity and geographic region; (b) the Trust has no single assets in the Trust's portfolio that exceeds 5% of the total Trust assets;	***Sydney Wyde does not meet this benchmark*** Sydney Wyde meets the diversity aspect of this benchmark. 4 loans in the portfolio of loans at 31 December 2018 exceeds 5% of the

locations or borrowers.		Trust assets described below.
	(c) the Trust has no single borrower who exceeds 5% of the Trust assets; and	There are 4 borrowers, the loans to whom exceed 5% of the Trust's total Trust assets.
	(d) all loans made by the Trust are secured by first mortgages over real property (including registered leasehold title).	Sydney Wyde meets the first mortgage security aspect of this benchmark.

Cash holdings

As at 31 December 2018 the Trust's assets included $5,274,789 held in cash deposits with Australian banks, being approximately 6.11% of the total assets of the Trust. The Responsible Entity assesses cash holdings with the main disadvantage to investors of holding cash being that the rate of return is lower than if that cash were invested in mortgage investments, thus reducing the overall rate of return to investors.

Loans exceeding 5% of the total Trust assets

As at 31 December 2018, the Trust had 4 loans where the amount outstanding represented 5% or more of the total value of the Trust's assets. Details of those loans (and the valuations in respect of those loans) are as follows:

Property 1 (related borrower to property 2)	
Location	Claremont Meadows
Type	Vacant residential
Valuation Date	29/08/18
Valuation Amount	$13,100,000
Loan Balance	$6,000,000
LVR	45.80%
% of total assets	6.95%
Valuer	Egan National Value
Basis of valuation	Rate per sq m comparable sales

Property 2 (related borrower to property 1)	
Location	Quakers Hill
Type	Residential house
Valuation Date	24/08/18
Valuation Amount	$1,550,000
Loan Balance	$1,000,000
LVR	64.50%
% of total assets	1.16%
Valuer	Egan National
Basis of valuation	comparable sales

Property 3	
Location	Rouse Hill
Type	Vacant
Valuation Date	02/08/2018
Valuation Amount	$25,000,000
Loan Balance	$7,000,000
LVR	28.00%
% of total assets	8.11%
Valuer	Brett Nelson
Basis of valuation	Rate per sq m comparable sales

Property 4	
Location	Campsie
Type	Commercial / vacant residential
Valuation Date	16/11/2018
Valuation Amount	$23,600,000
Loan Balance	$14,100,000
LVR	59.75%
% of total assets	16.33%
Valuer	TRH Valuation Services
Basis of valuation	Rate per sq m comparable sales

The Responsible Entity has no policy that limits the amount of the loan that it may make to a single borrower and associates. However it will not make loans to any one borrower and associates exceeding 20% of the net value of the assets of the Trust without the prior approval of the board.

The Responsible Entity considers that this policy is reasonable and prudent and has been adopted as a result of experience of the current and the former responsible entity over many years. It is the opinion of the Responsible Entity that the policy does not detract from the overall approach to portfolio diversification for the Trust. The ASIC 5% benchmark relates to a single loan or borrower whereas the Responsible Entity's policy relates to all borrowers in a corporate group and any associated entities. In the Responsible Entity's experience, exposure to a group is more relevant than exposure to a single borrower. The Responsible Entity considers the relative size of the loan to be one factor amongst many to weigh up in assessing a loan, and size exceeding 5% will not of itself prevent the Responsible Entity proceeding with an otherwise strong loan proposal. It also considers that this level of consideration in the requirement that the board approve any loan that exceeds 20% of the net value of the assets of the Trust Sydney Wyde adequately addresses portfolio 'concentration' risk.

Benchmark 4: Related party transactions		
Description of the Risk	**Details of the Benchmark**	**Meeting the Benchmark**
Some schemes lend to, invest scheme funds in, and transact with, associated companies or businesses.	The Responsible Entity does not lend to related parties of the Responsible Entity or to the Trust's investment manager.	***Sydney Wyde meets this benchmark***

Note: The Responsible Entity has not appointed an investment manager but if it were do so, the Responsible Entity would not make a loan to that person.

For further information, see Disclosure principle 4: *Related party transactions* below.

Benchmark 5: Valuation policy		
Description of the Risk	**Details of the Benchmark**	**Meeting the Benchmark**
Robust and objective valuations are needed to ensure that a scheme's financial position is correctly stated. It is important for investor confidence that suitably qualified independent	In relation to valuations for the Trust's mortgage investments 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	***Sydney Wyde meets this benchmark***

experts perform the valuations, and that the process is transparent. The valuations that schemes rely on are carried out on a variety of bases, with differing assumptions and instructions. These valuations are fundamental to determining how much the scheme may lend.	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 the security property for a loan, an independent valuation to be obtained: (i) before the issue of a loan and on renewal; (A) for development property, both on an 'as is' and 'as if complete' basis; and (B) for all other property on an 'as is' basis; and (ii) within two months after the directors form the view that there is a likelihood that a decrease in the value of the security property may have caused a material breach of the loan covenant.	

All valuations of properties are prepared on an "as is" basis by a member of the panel of valuers. "As if complete" valuations are not accepted.

Further details of the Responsible Entity's Valuation Policy are provided below at Disclosure principle 5: *Valuation Policy*.

Benchmark 6: Lending principles – loan to valuation ratios		
Description of the Risk	**Details of the Benchmark**	**Meeting the Benchmark**
Higher loan to valuation ratios is one indicator of how conservative or aggressive a fund's lending practices are. Higher ratios make a fund more vulnerable to risk in that a downturn in market conditions may mean the fund is unable to fully recover the loan. Funding for development activities should only be provided where the development shows satisfactory progress.	As the Trust 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 Trust does not lend more than 70% of the latest 'as if complete' valuation of property over which security is provided; and (c) in all other cases – the Trust does not lend more than 80% of the latest market valuation of property over which security is provided.	***Sydney Wyde meets this benchmark***

The lending policies of the Responsible Entity provide that:

- for all loans secured by a first mortgage, the loan to valuation ratio (**LVR**) must not exceed 66.66% of the valuation of the security property as at the date of the valuation report; and

- for all loans secured by a second mortgage, the amount of the loan, when aggregated with other prior or equal ranking mortgages, must not exceed 80.0% of the valuation of the security property as at the date of the valuation report.

Advances are not necessarily made to the maximum ratio of 66.66% (or 80.00%) of valuation.

For further details see Disclosure principle 6: *Lending principles – Loan to valuation ratios* below.

Benchmark 7: Distribution practices		
Description of the Risk	**Details of the Benchmark**	**Meeting the Benchmark**
Where distributions are not sourced solely from scheme income, there is a risk that these distribution practices may not be sustainable over the long term. This risk may be heightened where a scheme promotes a fixed return on investments.	The Responsible Entity will not pay current distributions from scheme borrowings. .	***Sydney Wyde meets this benchmark***

See the further information in Disclosure principle 7: *Distribution practices* below.

Benchmark 8: Withdrawal arrangements		
Description of the Risk	**Details of the Benchmark**	**Meeting the Benchmark**
Some mortgage schemes promote a short withdrawal period to attract investors, although the maximum period allowed in the scheme's constitution is much longer.	If the Trust is a **liquid scheme**: (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 request within the period allowed for in the constitution; and (c) the Responsible Entity 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 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 a **non- liquid scheme** the Responsible Entity intends to make withdrawal offers to	***This liquid scheme benchmark is not applicable to the Trust*** ***Sydney Wyde meets this***

	investors at least quarterly.	***benchmark for the Trust as a non-liquid scheme***

For further details as to the basis on which withdrawals may be made for the Trust see Disclosure principle 8: *Withdrawal arrangements* below.

Disclosure Principles

Disclosure Principle 1: Liquidity
The Responsible Entity should disclose information about: (a) the current and future prospects of liquidity of the Trust; (b) any significant risk factors that may affect the liquidity of the Trust; and (c) the policy of the Trust on balancing the maturity of its assets with the maturity of its liabilities.

Current and future prospects of liquidity

The Responsible Entity has a policy in place to manage liquidity. The liquidity of the Trust is sufficient to meet current projected cash needs, and it is anticipated this will remain so in future.

Cash flow estimates and projected cash needs

In addition to the information provided in the PDS, the Responsible Entity discloses that:

- it ensures that at all times the Trust has cash or cash equivalents sufficient to meet its projected cash needs over the next 12 months; and
- it has no reason not to believe that it will have cash or cash equivalents sufficient to meet its projected cash needs over the next 12 months.

The Responsible Entity updates its cash flow needs to meet the Trust's expenses and liabilities, as well as any other cash flow needs every month. These estimates are approved by the board of the Responsible Entity at least every 3 months. The assumptions used to monitor liquidity are reviewed by the board on a regular basis.

Responsible Entity's policy on balancing maturities

The Responsible Entity's policy is to ensure that the Trust has sufficient cash or cash equivalents to meet the Trust's projected cash needs over rolling 12 month periods and to accommodate withdrawals at least up to the minimum withdrawal amount contained in the current withdrawal offer. (See Benchmark 8: *Withdrawal Arrangements* below.)

Disclosure Principle 2: Scheme borrowing
If the Trust has borrowings, the Responsible Entity should disclose a number of matters including those relating to: • the amounts owing, maturity profile, and undrawn amounts of any credit facility and the likelihood of refinancing or sale of assets; • why the Responsible Entity has borrowed the money, including whether the borrowed funds will be used to fund distributions or withdrawal requests; • any material loan covenant breaches; • the fact that the amounts owing to lenders and other creditors rank before an investor's interests in the Trust; and • the risks associated with the Trust's borrowings and credit maturity profile.

The Responsible Entity confirms that it has no borrowings and no borrowings are intended by it or for the Trust.

Disclosure Principle 3: Loan portfolio and diversification
The Responsible Entity should disclose the nature of the loan portfolio of the Trust. The information to be provided includes: • by number and value: matters such as the class of activity of loans; geographic regions; the proportion of loans that are in default and arrears for more than 30 days; ranking of security; level of undrawn loan commitments; maturity profile; loan to valuation ratios; and interest rates • the proportion of total loan monies lent to the largest borrower and the 10 largest borrowers • the percentage of loans (by value) that are secured by second ranking mortgages • the use of derivatives (if any) • a clear description of the non-mortgage assets of the Trust, including their value • the Trust's diversification policy and how the assets correlate to that policy. The Responsible Entity should also disclose its policy in respect of these matters as well as its general lending policy as to, for example: • the maximum loan amount for any one borrower • the method of assessing borrowers' capacity to service loans • the revaluing of security properties when a loan is rolled over • the nature of securities that must be provided, including whether it must be income producing. If the Trust invests in or may invest in, other unlisted mortgage investment schemes, the Responsible Entity must disclose its policy, including the extent to which the Responsible Entity expects those schemes to meet the benchmarks and apply the disclosure principles.

Portfolio – what mortgage investments are made

In addition to the information in the PDS, as to what mortgage investments are made, the following information is provided as at 31 December 2018:

Types of securities

Loan by class of activity	No. of loans	Value of loans ($)	% of value of loans
Residential	27	32,587,000	40.21
Commercial	6	18,970,000	23.41
Industrial	1	253,000	0.31
Land value of development projects	-	-	-
Vacant land - residential	10	29,235,000	36.07
Total	**44**	**81,045,000**	**100.0**

None of the above loans is a "specialty" loan (that is, a loan secured over hotel, motel, squash court, caravan park, nursing home and the like), apart from one loan for $500,000 (included under the heading 'commercial' above) secured over a child care centre with a loan to valuation ratio of 34%. The policy of the Responsible Entity is that such loans would not be made without the Responsible Entity adopting further lending policies that would identify and assess the potential higher risks that the Trust may face in making loans on that security.

The Trust does not invest in "reverse mortgages". (A reverse mortgage is a mortgage that allows the borrower to borrow cash against the value of his or her home in circumstances where the borrower does not have to make principal or interest payments until he or she leaves the security property.

When the loan ends the borrower or his or her estate, must repay what is owing, usually out of the proceeds of the sale of the security property).

Location of security properties

Location	No. of loans	Value of loans ($)	% of value of loans
Sydney	39	67,661,000	83.5
Wollongong Southern Highlands area	4	11,518,000	14.2
Newcastle and Central Coast	-	-	-
Melbourne	1	1,866,000	2.3
Total	**44**	**81,045,000**	**100.0**

Until the change of responsible entity for the Trust, the policy in relation to the geographical location of the security properties was that the responsible entity would will consider lending against properties situated in the Sydney metropolitan area, areas between Wollongong the Southern Highlands and Newcastle, other regional areas in NSW with populations over 10,000, or in Canberra, Melbourne and south east Queensland. The former responsible entity did not have a policy as to the proportion of its loan portfolio secured against properties located in each of these areas.

The current responsible entity, Sydney Wyde, has changed that policy so that it will focus lending against properties situated in the Sydney metropolitan area, for the immediate future. This policy may change from time to time.

Loans in default

Interest on loan

A loan is considered to be in default if interest is not received within 7 days after the due date for payment and that interest payment is still outstanding. As at 31 December, 2018, loans in arrears were as follows:

No of days in arrears	No. of loans	Value of loans ($)	% of value of loans
less than 30 days	1	320,000	0.39
30 days to 60 days	1	1,755,000	2.17
more than 60 days	5	5,796,000	7.15
Total	**7**	**7,871,000**	**9.71**

As at 31 December, 2018, recovery action had commenced in respect of all 7 loans in default where interest payments were in arrears. This represents approximately 15.91% by number, or approximately 9.71% by value, of the then current loans. Past experience shows that many defaults are resolved by the repaying of arrears by the borrower, or by the refinancing of the mortgage. In other cases it is necessary for the Responsible Entity to conduct mortgagee sales of the security properties.

Principal of loan

A loan may also be considered to be in default if the borrower, while continuing to pay all interest payments within the time provided, has not repaid the loan as at the due date. As at 31 December 2018 the Trust had 2 loans listed above with a total value of $333,000. This amount represented 0.41% of the value of the Trust's loan portfolio and is included in the overall arrears. This past due loan is included in the overall arears table above.

Ranking of securities

In accordance with the Responsible Entity's policy, all loans were secured by first registered mortgages (or a registered first mortgage followed by a registered second mortgage) to at least the minimum loan to valuation ratio for that loan. Other security may also be held.

Loans approved but undrawn

Details of loans that have been approved by the Responsible Entity but not yet advanced or the balance of any loan approved but not yet fully drawn are set out in the following table:

Expected draw-down date of loans	No. of loans	Value of loans ($)	% of value of loans
Not applicable	Nil	Nil	Nil

However, in accordance with the Responsible Entity's policy, it would not approve a loan unless the funding for the loan were fully covered by the cash or cash equivalents currently held by the Responsible Entity as assets of the Trust.

Term of loans (maturity profile)

The majority of the loans made by the Trust are for terms of 2 years or less. The table below indicates the maturity profile of these loans as at 31 December 2018:

Loan term	No. of loans	Value of loans ($)	% of value of loans
0 to 12 months	36	53,809,000	66.39
13 to 24 months	8	27,236,000	33.61
25 to 36 months	-	-	-
Total	**44**	**81,045,000**	**100.0**

The Constitution provides that a mortgage investment must be repayable no later than 5 years after the investment date unless repayable on demand.

In accordance with the way in which the Responsible Entity meets Benchmark 1: *Liquidity*, the maturity profile of the loan portfolio is monitored and assessed in relation to the cash needs of the Trust at least every 3 months.

Interest rates

The following table indicates the range of the interest rates charged to borrowers in respect of the loans as at 31 December 2018:

Interest rate	No. of loans	Value of loans ($)	% of value of loans
10.0% +	5	10,429,000	12.87
9.0% to 9.99%	22	53,095,000	65.51
8.0% to 8.99%	9	11,605,000	14.32
7.0% to 7.99%	6	4,996,000	6.16
6.0% to 6.9%	2	920,000	1.14
Total	**44**	**81,045,000**	**100.0**

The interest rates charged to a particular borrower at any time reflects a balancing of current official interest rates, interest rates charged by other mortgage providers and the risks associated with the borrower or the nature of the security provided.

In accordance with its policy, the Responsible Entity does not hedge any interest rates.

Capitalisation of Interest

The Responsible Entity continues to implement its policy that it does not make loans where the borrower is permitted to capitalise interest.

Size of loans

The average loan size at 31 December 2018 was $1,841,932.

The largest separate loan, being for $14,100,000, represented approximately 17.40% of the total loans (and 16.33% of the net asset value of the Trust. The security property for that loan was valued on an "as is" basis (see Benchmark 5: *Valuation policy* for an explanation of "as is" valuations).

The 10 largest loans made by the Trust as at 31 December 2018 represented approximately 61.90% of the total loans.

The current policy of the Responsible Entity as to the maximum loan that may be made to any one borrower is described above (see Benchmark 3: *Loan Portfolio and diversification*).

Second ranking mortgages

As noted above, the Trust does not lend on the security of second mortgages alone.

Use of Derivatives

The Responsible Entity does not use derivatives.

Trust assets other than mortgage loans

As at 31 December 2018 the total assets of the Trust were as follows:

Nature of Asset	**Value of Assets($)**	**% of Total value of Assets**
Loans	81,045,000	93.9
Cash deposits	5,274,789	6.1
Total	**86,319,789**	**100.0**

Diversification policy

As indicated above, the Responsible Entity does not have a general policy as to a required level of diversity of the loans that it will make, whether in terms of class of activity, location or size of loan or as to the nature of the assets of the Trust. Accordingly, there is no basis on which to disclose the extent to which its assets correlate to that policy.

General lending policy

The general features of the lending policy of the Responsible Entity are set out in the PDS. The following aspects are noted:

Borrowers and lending

There has been no change in the general profile of borrowers from that described in the PDS, nor of the loan approval procedures adopted by the Responsible Entity's Credit Committee. However, the Responsible Entity holds an Australian Credit Licence and may from time to time consider making a loan that is regulated under the *National Consumer Credit Protection Act 2009.*

Credit worthiness of borrowers

There has been no change in the procedures adopted by Responsible Entity's Credit Committee as to the manner or extent to which it assesses the creditworthiness of a borrower from that described in the PDS.

Re-valuations on loan rollover

Loan roll-overs are treated in the same way as new loans. This includes the requirement that a new valuation must be obtained that is not more than 3 months old.

Types of securities

There is no change in the types of securities on which the Trust will lend. See *Types of securities* above. There is no requirement that the security be income producing.

Financial position of guarantors

As indicated above and in the PDS, from time to time the Responsible Entity will take guarantees from associates of borrowers as security for the loan. Where that guarantee includes a mortgage over real property (third party mortgage) that security is included in the disclosures set out under this Benchmark. Where the guarantee is not secured by a registered first mortgage over real property, it would ordinarily be enforced if there were a default and the loan not repaid in full out of the proceeds of the real property security securing the loan and the assets of the borrower.

However, such unsecured guarantees are not included in the loan assessment and the financial position of the guarantor is disregarded in the assessment process.

Loan documentation

There has been no change in the type of loan documentation from that described in the PDS.

Investment in other unlisted mortgage funds

As part of the Trust's portfolio diversification, the Trust may also invest in other registered mortgage schemes managed by the Responsible Entity. As at 31 December 2018 the Trust has made 16 such investments totalling $12,451,000. The registered mortgage scheme into which the Trust makes these investments is required to meet the benchmarks and apply the disclosure principles. The investments are made in a 'contributory mortgage scheme' called the Sydney Wyde Mortgage Fund. The responsible entity of that Scheme, Sydney Wyde Mortgage Management Limited, is also the Responsible Entity of this scheme.

Disclosure Principle 4: Related party transactions

If the Responsible Entity enters into with related party transactions, the Responsible Entity should disclose details of those transactions including:

- the value of the financial benefit;
- the nature of the relationship (i.e. the identity of the related party and the nature of the arrangements between the parties, in addition to how the parties are related for the purposes of the *Corporations Act 2001*—for group structures, the nature of these relationships should be disclosed for all group entities);
- whether the arrangement is on arm's length terms, is reasonable remuneration, some other exception applies, or ASIC has granted relief;
- whether scheme member approval for the transaction has been sought and, if so, when (e.g. if member approval was obtained before the issue of interests in the scheme);
- the risks associated with the related party arrangement; and
- the policies and procedures that the Responsible Entity has in place for entering into

related party transactions, including how compliance with these policies and procedures is monitored.

As indicated in the PDS and above, loans may not be made by the Trust to parties associated with the Responsible Entity. Nor has the Responsible Entity entered into any other related party transaction.

The Responsible Entity does, however, accept applications for units from persons associated with the Responsible Entity. These are on precisely the same terms and conditions as for any other investor. In no event may the Responsible Entity act in a manner that prefers the interests of the Responsible Entity, or any of its associates, over that of the members of the Trust.

As from the date of change of the responsible entity of the Trust certain services relating to the administration of the Trust are provided to the Responsible Entity by Russto Pty Ltd (**Miscellaneous Services Provider**), a related body corporate of Sydney Wyde. Under the agreement, the Responsible Entity is to pay to the Miscellaneous Services Provider a fee for the services provided. The fee is payable by the Responsible Entity from its own fees, and is not payable by the Trust or by any investor. While the agreement provides for no set fee, the total amount of the fees charged by the Miscellaneous Services Provider will at no time exceed the total amount of fees paid to the Responsible Entity from the Trust. The agreement was entered into on arm's length terms. No approval was sought from unit holders but the arrangement was disclosed at the time of the change of the responsible entity of the Trust.

The risks associated with related party transactions in the nature of such an arrangement with the Miscellaneous Services Provider include the quality of the services provided and the monitoring and review of those services. These are covered by the terms of the agreement and the provision of the services is reviewed on an annual basis in accordance with the Outsourcing Policy adopted by the Responsible Entity. The agreement may be terminated both on notice and for breach. However, it is noted that the engagement of a related party to provide services may be more difficult to enforce than where those services are provided by external parties.

The Responsible Entity's related party transaction policy and management of conflicts of interest policy are described in the PDS.

Disclosure Principle 5: Valuation policy

The Responsible Entity must disclose:

- where investors may access the Trust's valuation policy
- the processes that the directors employ to form a view on the value of the security property
- the frequency of valuations
- any material inconsistencies between any current valuations over security property and the Trust's valuation policy.

Valuation Policy

A copy of the *Valuation Policy* adopted by the Responsible Entity is available, free of charge on request from the Responsible Entity. It is also on the website at www.swmm.com.au.

Valuation Processes

The processes that the board employs to form a view on the value of the security property is described in the *Valuation Policy*. The matter is first considered by the Lending Committee in the course of recommending to the board whether a particular loan is to be made. Central to the processes is the obtaining of a formal valuation in the circumstances described in Benchmark 5: *Valuation Policy* above.

Frequency of valuations

For new advances, the valuation report must not be more than 3 months old. If the valuation states that it can only be relied upon for a shorter period, then Sydney Wyde requires the valuation to be refreshed or updated if settlement of the loan occurs outside that period.

During the term of a loan an updated valuation will be obtained within two months after the directors form the view that there is a likelihood that a decrease in the value of the security property may have caused a material breach of the loan covenant, as described in Benchmark 5: *Valuation Policy* above.

Material inconsistencies between any current valuation and valuation policy

There are no material inconsistencies between any current valuation and the valuation policy adopted by the Responsible Entity.

Disclosure Principle 6: Lending principles – loan to valuation ratios
As the Trust directly holds mortgage assets the Responsible Entity must disclose: (a) the maximum and weighted average loan to valuation ratios for the Trust as at the date of reporting (b) where funds are lent for property development: (i) the criteria against which the funds are drawn down (ii) the percentage (by value) of the completion of any property that is under development as at the date of reporting (iii) the loan to valuation ratio of each property development loan as at the date of reporting.

Loan to valuation ratios

The maximum loan to valuation ratio (**LVR**) as at the date of reporting was 66.67%. The weighted average LVR as at the date of reporting was 56.25%.

The table below indicates the range of LVRs as at 31 December 2018:

LVR range	No. of loans	Value of loans ($)	% of value of loans
60.00 to 66.67%	26	33,921,000	41.85
50.00 to 59.99%	6	29,886,000	36.90
40.00 to 49.99%	6	6,988,000	8.60
Less than 40.00%	6	10,250,000	12.50
Total	**44**	**81,045,000**	**100.0**

While no loan may exceed the LVR limits set out in Benchmark 6: *Lending principles – loan to valuation ratios* above the Responsible Entity does not have a policy as to whether a proportion of its loan portfolio, whether by number or by value, or whether in relation to the types of security provided or its geographical location, as at any time must be within a certain LVR range.

Property development loans

ASIC requires that certain information must be disclosed where funds are lent for property development, by which it means "loans whose main or primary purpose is for real estate development or construction".

A number of loans have been made through the Trust where the borrower has advised the responsible entity that it will use the moneys borrowed for development or construction purposes. However:

- the Responsible Entity does not make loans that are advanced for the purpose of development or construction on the security property where the loan is drawn down in progress payments based on the progress of the development; and
- the Responsible Entity does not make loans where the LVR is other than on an 'as is' basis. It therefore does not obtain, or rely on, a valuation of any security on an 'as if complete' basis.

Accordingly, Sydney Wyde is of the opinion that the information to be disclosed as to property development loans is not applicable to the Trust.

Disclosure Principle 7: Distribution practices
The Responsible Entity makes distributions to members from the Trust, on a semi- annual basis. The Responsible Entity should therefore disclose: • the source of the current and forecast distributions (eg from income earned in the relevant distribution period, operating cash flow, financing facility, capital, application money) • if the distribution is not be solely sourced from income received in the relevant distribution period, the reasons for making those distributions and the risks associated with such distributions • if the distributions sourced other than from income, whether this is sustainable over the next 12 months • when the Responsible Entity will pay distributions and the frequency of payment of distributions.

Two semi-annual income distributions are made from the net income of the Trust for the relevant year. The cash distributions are made, and will continue to be made, solely out of the income of the Fund earned in the relevant 6 month period.

It is expected that the net annual return to investors will continue to vary in accordance with changes in cash rates and other factors. Any forecast returns that may be made by the Responsible Entity from time to time are based on the Responsible Entity's estimate of returns from these sources. Investors must be aware that past performance should not be used to predict future performance. Importantly, it is also not a guarantee of future performance.

Disclosure Principle 8: Withdrawal arrangements

The Responsible Entity should disclose:

- the Trust's withdrawal policy and any rights that the Responsible Entity has to change the policy;
- the ability of investors to withdraw from the Trust when it is liquid;
- the ability of investors to withdraw from the Trust when it is non-liquid;
- any significant risk factors or limitations that may affect the ability of investors to withdraw from the Trust;
- how investors can exercise their withdrawal rights, including any conditions on exercising these rights;
- the approach to rollovers and renewals, including whether the 'default' is that investments in the Trust are automatically rolled over or renewed;
- if the withdrawals from the Trust are to be funded from an external liquidity facility, the material terms of this facility, including any rights the provider has to suspend or cancel the facility;
- the maximum withdrawal period that applies to the payment of withdrawal requests when the Trust is liquid;
- any rights the Responsible Entity has to refuse or suspend withdrawal requests; and
- the policy of the Trust on balancing the maturity of its assets with the maturity of its liabilities and the ability of its members to withdraw (e.g. if the Trust has a policy of ensuring that sufficient assets are held in readily realisable investments to meet future withdrawal requests, the Responsible Entity should state this in its PDS, provide details of the source of the realisable investment and report against this in its ongoing disclosure).

If the Trust promotes a fixed redemption unit price for investments (e.g. $1 per unit), the Responsible Entity must clearly disclose details of the circumstances in which a lower amount may be payable, details of how that amount will be determined and the impact of a default under the Trust's mortgage assets on investors (e.g. on investor distributions and the unit price).

Redemptions

The Trust is currently a non-liquid scheme within the meaning of section 601KA of the *Corporations Act 2001* in that less than 80% of its assets are liquid assets as that expression is defined in that section. Withdrawals from the Trust may only be made in accordance with the legal provisions that apply to non-liquid schemes. The current withdrawal arrangements for the Trust are described in the PDS. There have been no changes in the procedures since the date of the PDS.

All redemption requests made since the date of the issue of the PDS have been met in accordance with the procedure. The Responsible Entity has no reason to believe that this will not continue to be the case. In accordance with the procedure, however, unit holders will be advised if an offer made under the redemption facility arrangements is withdrawn.

Risks and limitations

As stated in relation to Benchmark 1: *Liquidity*, the Responsible Entity has adopted and implements internal policies and procedures for the monitoring of the liquidity of the Trust on an on-going basis. Notwithstanding these policies, there is a risk that there will be insufficient liquidity in the Trust to fund redemption requests. In these circumstances, investors will receive a proportionate redemption and will be free to make a further request for the balance if the redemption facility remains open. If there is no money available to fund redemption requests, investors will be obliged to remain in the Trust until liquidity is restored.

Rolling over investments

The Trust does not offer fixed term investments and there is no policy or arrangement in place whereby investments are rolled over.

Reduction in fixed redemption price

The withdrawal amount is $1.00 per unit and no fees or other costs are deducted from the redemption price. If the Trust suffers losses resulting in a reduction in the net asset value of the Trust, the value of each unit then on issue will reduce in proportion to the amount of the loss and the number of units on issue. The Responsible Entity will strive to make up capital losses in subsequent years but any redemption effected while the capital value is less than $1.00 will be made at that lower unit value resulting in a capital loss to unit holders.

Funding Withdrawals

Withdrawals are funded entirely out of the net assets of the Trust and no external funding or liquidity sources are used.

Sydney Wyde Mortgage Management Limited
31 January 2019