

Balmain Private Investments

# Balmain Discrete Mortgage Income Trusts

Product Disclosure Statement

Balmain Discrete Mortgage Income Trusts ARSN 155 909 176  
Product Disclosure Statement Dated 22 April 2022  
Responsible Entity and Issuer Balmain Fund Administration Limited  
ABN 98 134 526 604 AFSL 333213

[www.balmainprivate.com.au](http://www.balmainprivate.com.au)



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# Disclaimer

This Product Disclosure Statement (**PDS**) is dated 22 April 2022 and is issued by Balmain Fund Administration Limited ABN 98 134 526 604, AFS Licence 333213 (**BFAL** or **Responsible Entity**) in its capacity as the responsible entity of the Balmain Discrete Mortgage Income Trusts ARSN 155 909 176 (**Trust**).

The Responsible Entity has appointed Balmain Funds Management Pty Limited ACN 134 652 707 (**Balmain Funds** or **Investment Manager**) as the Investment Manager to provide investment management and associated services in respect of the Trust.

Nothing in this PDS constitutes financial product advice. The information in this PDS is general and the Responsible Entity has not taken into consideration the objectives, financial situation or needs of any investor.

None of the Responsible Entity, the Investment Manager, or their respective associates and directors guarantees the success of the Trust, the repayment of capital or any particular rate of capital or income return.

This PDS contains important information and you should read it carefully. If you have any questions, please contact your financial adviser or the Balmain Private Investments Team on +61 (2) 9232 8888.

This PDS does not constitute an offer of units in any place in which, or to any person to whom, it would not be lawful to do so. The distribution of this PDS in jurisdictions outside Australia may be restricted by law and any person into whose possession this PDS comes (including nominees, trustees or custodians) should seek advice on, and observe those restrictions.

This PDS is available in electronic form on the Balmain Private Investments website at [www.balmainprivate.com.au](http://www.balmainprivate.com.au). If you apply for units you can use the online Application Form that accompanies this PDS or the Application Form found at the back of this PDS. Applications for units may only be made on an Application Form which is attached to, or accompanies, this PDS.

No person is authorised to provide any information or to make any representation in connection with the Trust which is not contained in this PDS. You should not rely on any information or representation not contained in this PDS as having been authorised by the Responsible Entity in connection with the Trust.

It is important that you consider the risks associated with investing in the Trust before deciding whether to invest. See Section 11 of this PDS for a summary of key risks.

The Responsible Entity, the Investment Manager and their respective related bodies corporate, directors and officers may hold units in the Trust from time to time.

Information in this PDS may change from time to time. Updated information which is not materially adverse to investors will be available electronically from the Balmain Private Investments website at [www.balmainprivate.com.au](http://www.balmainprivate.com.au). A paper copy of this information will also be available free of charge from Balmain Funds or the Responsible Entity. The Responsible Entity may issue a Supplementary PDS to supplement any relevant information not contained in this PDS, in accordance with its obligations under the Corporations Act. A copy of any Supplementary PDS and other information regarding the Trust will be made available on the Balmain Funds website and a printed copy will be available from Balmain Funds or the Responsible Entity free of charge upon request. This information may include details about investment performance and any Supplementary PDS and updated information should be read together with this PDS before making a decision to acquire units in the Trust.

In accordance with ASIC Regulatory Guide 198, the Responsible Entity advises that it will fulfil its continuous disclosure requirements by way of website disclosure which complies with ASIC's good practice guidance. Investors may access material information regarding the Trust from the Balmain Private Investments website at [www.balmainprivate.com.au](http://www.balmainprivate.com.au). Perpetual Corporate Trust Limited is the holder of Australian Financial Services Licence number 392673 and has been appointed to provide Custodial Services to the Trust. The Custodian's role is limited to holding assets of the Trust as agent of the Responsible Entity.

The Custodian has no supervisory role in relation to the operations of the Trust and is not responsible for protecting your interests. The Custodian has no liability or responsibility to you for any act done or omission made within the terms of the Custody Agreement.

Some key terms used in this PDS are defined in the Glossary, Section 19 of this PDS. Unless specified otherwise, all references to times are to Australian Eastern Standard Time and all references to amounts are in Australian currency.

## HOW TO CONTACT US

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# 1. Introduction

## 1.1 BACKGROUND

Balmain is Australia's leading non-bank commercial real estate debt organisation.

Established for 40 years Balmain has originated and settled over \$40 billion of commercial real estate Loans (**Loan**). Balmain has also built extensive experience in managing portfolios of Loans for both institutions and retail investors alike. Our clients range from the Big 4 trading banks and global investment banks through to mums and dads. Balmain employs over 150 staff in 8 offices in both Australia and New Zealand.

The Balmain Discrete Mortgage Income Trusts (**Trust**) is a 'managed investment scheme' as defined in the Corporations Act and is Balmain's retail funds' management platform. The Trust invests opportunistically in Loans and offers Loan Units linked to individual Loans for investment to its Investors. The responsible entity of the Trust is Balmain Fund Administration Limited (**BFAL**) which holds Australian Financial Services Licence (**AFSL**) No. 333213.

Our sister company AMAL Asset Management Limited (**AMAL**), which undertakes the loan administration function for the Trust, manages over \$7 billion of loans for some of Australia's largest banks and global financial services companies. AMAL is rated by the ratings agency Standard & Poor's (**S&P**) as a 'strong' servicer.

The Australian market for Loans is dominated by the 'Big 4' Australian banks. This provides significant opportunity for nimble, opportunistic, non-bank lenders to offer Borrowers the attentive service and prompt decisions on loan proposals that some borrowers feel the Big 4 fail to provide. Consequently, borrowers are prepared to pay more for a better service offering enabling non-bank lenders such as BFAL as trustee of the Trust to seek to achieve attractive returns for a given level of risk. It is solely in this sector that the Trust will operate.

The Trust is designed to provide its Investors with the opportunity to have exposure to individual Loans. Investors may choose in which Loans they invest and have no financial exposure to any other Loan in which they choose not to invest in.

Whilst past performance is not a reliable indicator of future performance, the Trust commenced operation in 2012 and, has since inception:

- settled in excess of 500 Loans;
- not suffered any Loan defaults as at the date of this PDS as offered under this PDS;
- offered and settled in excess of \$2.7 billion at an average Sub-Trust loan size of \$4.690 million, including offering and issuing over \$450 million of Sub-Trust Loans in the last 12 months;
- suffered no losses or loss provisions in respect of any Loan Unit as offered under this PDS by the Responsible Entity;
- on average paid a return on Loan Units of 7.59% per annum (annualised); and
- funds under management are in excess of \$700 million, being Cash Units and Loan units as issued to BDMIT investors under the PDS.

As stated previously, past performance is not a reliable indicator of future performance, and a unitholder is not guaranteed the repayment of capital or any particular rate of capital or income return. Persons considering making an investment should carefully consider this PDS and supplementary PDS (SPDS) which pertains to the relevant Loan.

Specifically, the Trust operates as follows:

- Investors first invest in Cash Units in the Trust, which are invested in a cash management account (**CMA**) with an Australian Bank. Cash Units pay monthly income in arrears and can be redeemed (repaid) from the Trust in full with 7 business days' notice. There is no management fee payable on Cash Units;
- Investors in Cash Units, and no-one else, are given access to 'view' the individual Loans available for investment. Details of each available Loan are contained in a Supplementary PDS which is available from the investor control console
- investors must consider the Supplementary PDS (SPDS) for each Loan to understand the benefits, risks, fees and costs of that Loan
- If after reading the SPDS, an investor elects to invest in a particular Loan, they may redeem their Cash Units in the Trust and subscribe for Loan Units in the Trust which provide exposure to the relevant Loan. This is done via subscribing for the relevant class of Loan Units in a simple on-line process. These Loan Units gain exposure to the relevant Loan by being invested in a special purpose sub trust which holds the relevant Loan. All Loan Units pay monthly distributions; and
- when a Loan is repaid by the Borrower, the Investor's Loan Units are converted back to Cash Units. Cash Units can then be redeemed (repaid) with 7 business days' notice by completing a redemption request via the ICC.

To assist in the alignment of the Investment Manager's and the Investors' respective interests:

- the Investment Manager defers 20% of the Investment Manager's fees in respect of a Loan until all Investor capital is returned; and
- the Investment Manager and its related parties are prohibited from being Borrowers under a Loan.

The Trust offers Investors a genuine opportunity to participate in a sector that is, until recently, almost the exclusive domain of the Big 4 and to participate in the returns that are available from this sector. In providing this opportunity to Investors, the Trust also affords Investors the ability to select exposure to the specific Loans which best suit their investment objectives.

The Trust is primarily designed for investors who, either directly or via their self-managed super fund, are looking for discrete investment opportunities with clearly defined risks and returns.

## 2. Summary of the Trust

The Trust as offered under this PDS is a unit trust which has 2 classes of Units, being Cash Units and Loan Units.

When a person invests in the Trust, they are issued Cash Units in the Trust. These subscription monies in Cash Units are invested by the Trust in a cash management account (CMA) with an Australian bank and the holders of Cash Units share in the returns from those deposits. The returns from the CMA investment accrues daily and is paid monthly in arrears to the holders of Cash Units on a pro rata basis.

Investors in the Trust will have the opportunity to invest in Loan Units in the Trust and thereby gain exposure to particular Loans. This is done by converting some or all of their Cash Units to Loan Units relating to the relevant Loan.

Each Loan Unit is designated to a particular class, which pertains to a particular Loan. Subscription monies on Loan Units are invested in the relevant Loan via the Trust investing those Loan units in a special purpose Sub-Trust which holds the relevant Loan and no other Loan. By investing in different classes of Loan Units investors are able to construct a portfolio of mortgage investments of their choosing. Investors in Loan Units share in the returns from the relevant Sub-trusts) that they are invested in.

Details of each class of Loan unit will be set out in the Supplementary PDS pertaining to that relevant Loan.

Each mortgage (Loan) is housed in an individual Sub-Trust, which are effectively bankruptcy remote. Meaning that if the underlying mortgage of one sub-trust defaulted, this default would not affect expected returns or performance of the other sub-trusts. This means that the returns to an investor holding Loan Units will depend on the performance of their particular Sub-Trust holdings (and the underlying Loan) to which those Loan Units relate to only.

Every mortgage loan and respective Sub-Trust has particular terms, conditions and risks. The pertinent information relating to a mortgage loan and the sub-trust will be contained in the Supplementary PDS pertaining to that loan and relevant Sub-Trust. The Supplementary PDSs relating to current investment opportunities are available to be downloaded from the Investor Control Console (ICC) located on the Balmain Private website.

Differences between Sub-Trusts and their underlying Loans might include:

- Loan term durations. Typically, loan terms range from 6 months to 3 years Please note that the scheduled maturity date of the Sub-Trust is a scheduled date that could be subject to change due to other factors beyond the manager's control. Such factors could include but are not limited to default by the mortgagor;
- Rates of interest and returns the various Sub-Trusts offer. Typically, the interest rate payable under loans range from 4.75 % to 10.5 %.
- Asset classes. For example, Commercial, Retail or vacant land;
- Loan to value ratios, these can vary from 20% to 70%;
- Risks pertaining to the relevant Loan;
- Fees payable to the Manager in respect of a Relevant Loan
- Security arrangements securing repayment of the Loan security arrangement.
- Prepayment of interest by the Borrower.

### How to invest in the Trust

The Trust is structured so that an investor can commence investing in the Trust either on-line or via their mobile phone once the investor has successfully completed the online Application Form and AML/CTF screening. Upon successful completion of the Application Form and AML/CTF screening, the investor then transfers via EFT, Bpay or by cheque, either the minimum investment amount, being \$50,000, or more to the Trust. The Trust invests these monies in the Trust's Cash Management Account (CMA). The investor will be allocated Cash Units corresponding to the amount they invest.

The investor will also be allocated their own individual password protected account, that will allow them to access the ICC. The ICC enables the investor to access details of and invest in further Cash Units as well as invest in Sub-Trust Loans. They can also access details of their Cash Unit and Sub-Trust Loan Unit holdings via the ICC, as well as being able to redeem their Cash Units via the ICC.



### How to acquire Sub-Trust Loan Units

Once Cash units have been acquired and allotted, the investor can choose to invest in one or more Loans by acquiring Loan Units which relate to the relevant Loan and Sub-Trust holding that Loan. If an Investor chooses to invest in a particular Loan, some or all of its Cash Units (depending on the amount the Investor wishes to invest) will be converted into of the relevant class of Loan Unit which are invested by the Trust in the relevant Sub-Trust which holds the desired Loan. Loan Units will be allocated to the investors ICC account.

Please note that you cannot invest in Loan Units which relate to any Sub-Trust or Loan via the ICC without first downloading the SPDS that relates to those Loan Units.

The SPDS contains specific information about the Sub-Trust and the loan, as well as the Loan Units. The SPDS contains amongst other things the following details:

- The target return, being the interest rate of the loan less management fees and expenses;
- The size of the loan;
- The term of the loan;
- Details of the Borrower;
- Details of the property subject to the mortgage;
- LVR details of the mortgage;
- Risk assessment of the Loan;
- Security arrangements; and
- Management fees and expenses of the Sub-Trust.

**Please remember that you must read the SPDS in conjunction with this PDS prior to making any decision to invest in Sub-Trust Loan Units. The PDS in conjunction with the SPDS are crucial documents for any potential and current investors when making a decision whether to invest in Cash Units or Sub-Trust Loan units. Both documents contain essential details that among other things include details of the risks and rewards associated with investing in the Trust, the CMA and the Sub-Trusts, as well as details about the Responsible Entity, the Investment Manager and an investor's rights.**

### How to withdraw money from the Trust

If an investor wishes to withdraw money from the Trust, they can only withdraw money by redeeming their Cash Units. The Cash Unit redemption application is accessed online via the ICC on the Balmain Private website.

### Can Loan Units be redeemed prior to the end of the Sub-Trust investment term?

No. Once invested into Loan Units of any Sub-Trust, investors have no right to withdraw and cannot redeem Loan Units at their discretion during the term of the Loan. Loan Units are only redeemed once the underlying loan of the Sub-Trust has been repaid.

### Payment of distributions

Both the CMA and the Sub-Trusts pay distributions monthly in arrears. CMA and Sub-Trust distributions can be re-invested into Cash Units or an investor can elect to have all of their distributions paid to their nominated bank, building society or credit union account.

## 2.1 Summary of Unit Classes

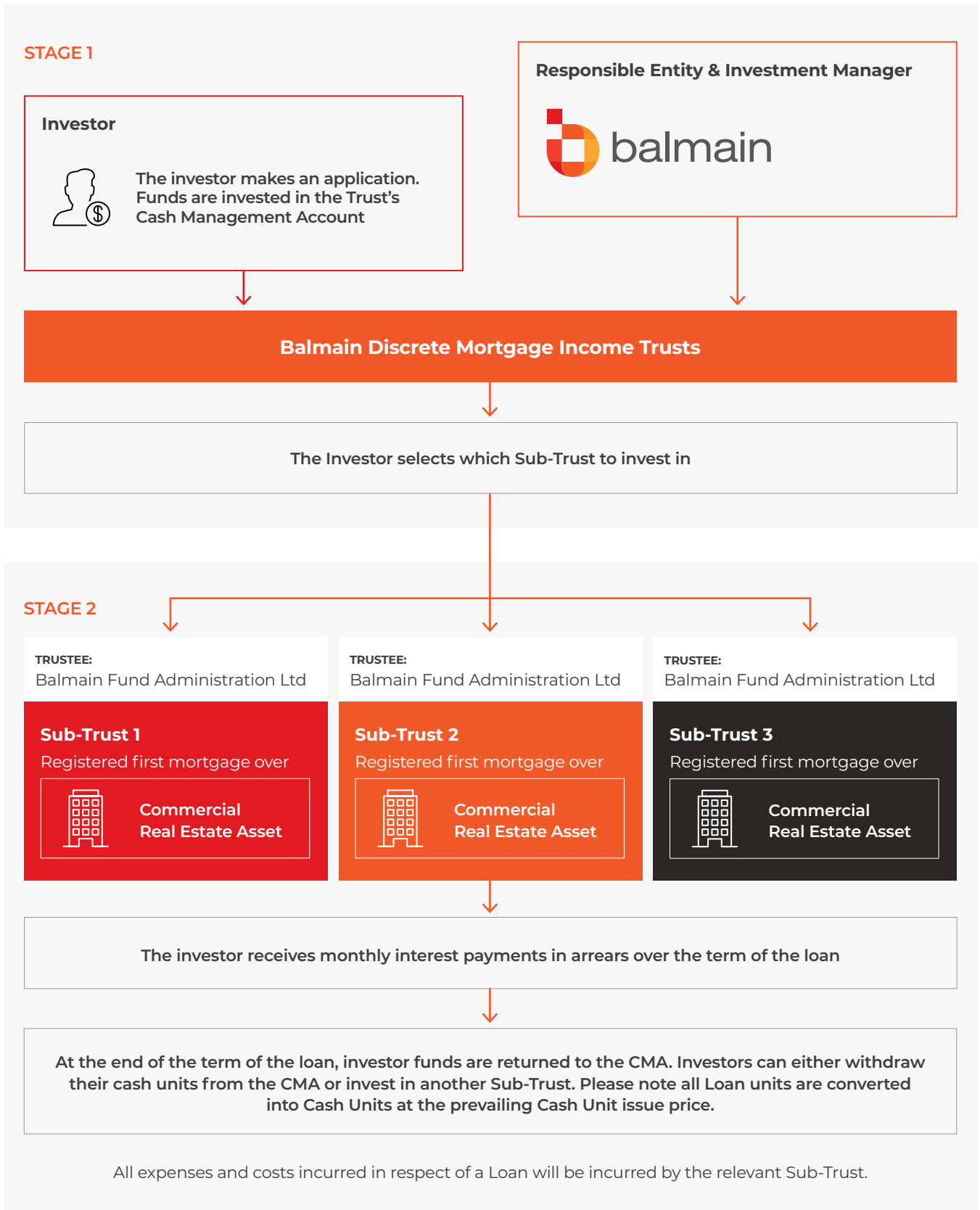
CASH UNITS	LOAN UNITS
Cash Units are invested in a Cash Management Account with an AA rated Australian Bank, currently National Australia Bank (NAB).	Each Loan Unit is of a class which via sub trusts is invested in a particular Loan which is secured by a registered first mortgage over commercial property in Australia and New Zealand.
<b>Current Return</b> 0.10% p.a. <sup>^</sup>	<b>Target Return on Loan Units net of fees</b> 4.75-10.5% p.a (annualized).*
<b>Term</b> No minimum or maximum term, but subject to Section 12.5 – Redemption by the Responsible Entity	<b>Typical Term of a Loan</b> 6-36 months*
<b>Minimum Initial Investment in Cash Units</b> \$50,000	<b>Minimum Initial Investment</b> \$10,000, but may vary from Loan to Loan subject to the manager’s discretion*
<b>Investment Risk</b> Low+	<b>Investment Risk</b> Varied depending on Loan characteristics†
<b>Liquidity</b> Investors in Cash Units may redeem their Cash Units upon 7 business days’ notice to the Investment Manager	<b>Liquidity</b> Nil. Investors in Loan Units are not able to redeem their Loan Units until the underlying Loan has been repaid.  At end of term proceeds are automatically invested in Cash Units
<b>Interest Payments</b> Monthly in arrears	<b>Interest Payments</b> Monthly in arrears
<b>Deposits/Investments</b> via EFT, BPAY or cheque	<b>Deposits/Investments</b> Proceeds of redemption of Cash Units are applied to subscribe for Loan Units
<b>Management Fees and Expenses</b> None*  (Please refer to Section 10 – Fees and Other Costs for further details)	<b>Management Fees and Expenses</b> Estimated at up to 1.65% p.a. but not to exceed 2.05% p.a.  (Please refer to Section 10 – Fees and Other Costs for further details)
<b>Investor Account Access</b> 24/7 via your Investor Control Console	

\* As disclosed in the relevant Supplementary PDS and if you have previously invested a minimum of \$10,000 in any other Sub-Trust. These returns are not guaranteed and subject to the risks set out in this PDS and the relevant SPDS.

<sup>^</sup> Variable rate, subject to change without notice

<sup>+</sup> Similar to investing with an AA rated Australian bank direct

<sup>†</sup> Subject to the risk profile of underlying Loan Security



Please refer to the table below for further information on the features of the Trust.

<b>FEATURE</b>	<b>DESCRIPTION</b>	<b>PART</b>
<b>Structure of the Trust</b>	The Trust is a managed investment scheme registered with ASIC. Investors hold Units in the Trust.	
<b>Trust Investments</b>	The Trust will invest Cash Units in the CMA and, through special purpose Sub Trusts, will invest Loan Units in individual Loans.	
<b>Trust Custodian</b>	The Trust's custodian is Perpetual Corporate Trust Limited AFSL 392673 ( <b>PCTL</b> ).	
<b>Aim of the Trust</b>	The Trust is structured to allow Investors to create and gain exposure to a portfolio of Loans secured by way of a registered first mortgage of their own choosing and with no obligation to invest in any particular Loan.	
<b>Investment Process</b>	Upon initially investing in the Trust, Investors will be allocated Cash Units. If an Investor chooses to participate in an individual Loan, some or all of their Cash Units (depending on the amount the Investor wishes to invest) will be converted into a new class of Loan Unit which relates to that specific Loan.	11
<b>Investment Term</b>	Investors may redeem their Cash Units upon 7 business days' notice. There is no fixed term for Cash Units.  Once an investment is made in Loan Units, those Units cannot be redeemed until repayment of the relevant Loan. It is anticipated that the term of the Loans will vary between 6 months and 3 years and the actual term will always be disclosed in the SPDS for that Loan.	8
<b>Minimum investment amount</b>	Upon successfully opening an account, with an initial investment of \$50,000 to invest in Cash Units. However, the Investment Manager may accept lower initial minimum investment amounts at its discretion. Individual Loan Units will have differing minimum investment amounts which will be disclosed in the SPDS.	11
<b>Withdrawals</b>	Investors in Cash Units may redeem their Cash Units upon 7 business days' notice to the Investment Manager.  Investors in Loan Units are not able to redeem their Loan Units until the underlying Loan has been repaid.  The Investment Manager can redeem an Investor's Cash Units or Loan Units at any time at the prevailing Unit price.	12
<b>Fees</b>	There are no contribution and no withdrawal fees. The Responsible Entity does not charge any Management Costs in respect of Cash Units. The Responsible Entity charges Management Costs in respect of Loan Units only.	10
<b>Distributions</b>	Distributions for all Unit Classes will be paid monthly in arrears	6
<b>Funding of Distributions</b>	These will be funded from the interest payable on the CMA and the Sub-Trust Loans and will be distributed on a pro-rata basis monthly in arrears net of all fees and expenses	

<b>Unit pricing</b>	<p>The Unit price for the Cash Units will be \$1.00 with interest accruing daily.</p> <p>The Unit price for the Loan Units is calculated monthly and will reflect the performance of the relevant Loan.</p>	7
<b>Risks</b>	<p>This investment is not guaranteed. You may lose some or all of the capital you invest. Please carefully consider the key risks associated with investing in the Trust before investing.</p>	9
<b>Investment Manager</b>	<p>The Responsible Entity has entered into an investment management agreement with the Investment Manager pursuant to which the Investment Manager will manage the Loans and the operation of the Trust. Please refer to Section 17.6 for a summary of the key terms of the investment management agreement.</p>	1, 2, 17



## 3. ASIC RG45 Benchmarks for the Trust

### 3.1 ASIC BENCHMARKS

ASIC has issued a set of benchmarks and disclosures to help you understand investments in unlisted mortgage schemes such as the Trust. The benchmarks, and our disclosure against these benchmarks, are set out below in Section 3.2 of this PDS. All updates are also disclosed and available on Balmain Private Investments website at:

[www.balmainprivate.com.au](http://www.balmainprivate.com.au).

Balmain will release an updated RG45 disclosure document on the Balmain Private website at least every six months. Copies can also be obtained, free of charge, by either downloading a copy from the Balmain Private website or by calling the Balmain Private Investments Team on +61 (2) 9232 8888

Please note that we also encourage all potential and current investors to read the Trust's Target Market Determination or "TMD". The TMD is a written document prepared by the Responsible Entity.

The Corporations Act requires Balmain to make a TMD freely available when any current or potential investor investment or even potential investment in the trust must be done by the provision of a PDS. The TMD is intended to help potential investors obtain appropriate financial products. The TMD sets out the class of investors for whom the Product, including its key attributes, would likely be appropriate for, having regard to the likely objectives, financial situation and needs of the target market. In addition, the TMD outlines the triggers to review the TMD and certain other information. It forms part of Balmain Fund Administration Limited's design and distribution arrangements for the Product as offered under this PDS.

The TMD is reviewed and updated annually. The TMD is freely available from our website or you can obtain a copy free of charge by calling the Balmain Private Investments Team on +61 (2) 9232 8888.

### 3.2 ASIC BENCHMARK DISCLOSURES

<b>1. Liquidity</b> <b>RG45.34</b>	<b>The Trust meets the benchmark.</b> The Trust maintains, and the Responsible Entity approves, cash flow estimates quarterly in advance and has sufficient cash and liquid assets to satisfy its projected needs for the next 12 months.
<b>2. Scheme borrowing</b> <b>RG 45.42</b>	<b>The Trust meets the benchmark.</b> The Trust has no borrowings as at the date of this PDS and does not intend to undertake borrowings; however, the Trust's Constitution <b>does</b> permit borrowing. If the Investment Manager were to resolve to utilise this borrowing capacity, it expects that borrowing would only occur in a Sub Trust and the levels would not exceed 20% of the value of the Loan made by that Sub Trust and would normally be short term in nature, such as to fund recovery action in the event of default.
<b>3. Loan portfolio and diversification</b> <b>RG 45.44</b>	<b>The Trust does not meet the benchmark.</b> The Trust is specifically designed to allow Investors the opportunity to select the Loans in which they wish to have exposure to. Whilst some Investors may seek exposure to a diverse range of Loans, others may elect only to obtain exposure to a single Loan.
<b>4. Related party transactions</b> <b>RG 45.47</b>	<b>The Trust meets the benchmark.</b> The Trust will not lend to related parties of either the Responsible Entity or the Investment Manager. Refer to Section 17.7 for more detail regarding the Trust's related party and conflict of interest policy.

<p><b>5. Valuation policy</b> <b>RG 45.50</b></p>	<p><b>The Trust meets the benchmark.</b></p> <p>In the Loan approval process, the Investment Manager will engage an independent qualified valuer to value Security Property.</p> <p>A Market Valuation is always obtained in respect of the subject Security Property prior to the Loan being advanced <b>and</b> at any other time that the Investment Manager determines where there may have been significant changes to the circumstances of the Loan.</p> <p>Loans may be made where they are secured by Security Property that is intended to be further developed. In this case a Completion Valuation will also be obtained.</p> <p>The Investment Manager uses a panel of qualified independent valuers who undertake valuations on its behalf. See Section 4.5 for more details on valuations.</p>
<p><b>6. Lending principles</b> <b>RG 45.56</b></p>	<p><b>The Trust meets the benchmark.</b></p> <p>The Trust's lending principles and processes are detailed in Section 4 of this PDS.</p>
<p><b>7. Distribution practices</b> <b>RG 45.61</b></p>	<p><b>The Trust meets the benchmark.</b></p> <p>Distributions will be paid from Trust income.</p> <p>The income generated by the Trust in respect of Cash Units is derived from interest received on the CMA.</p> <p>The income generated by the Trust in respect of a particular class of Loan Unit is derived from the interest and other monies in the nature of fees payable or paid by Borrowers in respect of the associated Loan.</p> <p>Investors will only be eligible to participate in income which relates to their class of Units. Refer to Section 6 for further information regarding distributions.</p>
<p><b>8. Withdrawal arrangements</b> <b>45.64</b></p>	<p><b>The Trust does not meet the benchmark.</b></p> <p>Investors may redeem their Cash Units on 7 business days' notice to the Investment Manager.</p> <p>Investors have no right to redeem their Loan Units during the Loan Term.</p> <p>The Investment Manager has the power to redeem Cash Units or Loan Units at any time at the prevailing Unit Price.</p>

## 4. Lending Principles & Processes

It is important Investors understand the credit and investment process adopted by the Investment Manager with respect to Loans. The table below outlines these processes.

### 4.1 KEY INVESTMENT PARAMETERS OF A LOAN

PARAMETER	COMMENT
<b>Type of Loan</b>	All Loans must be secured by a First Mortgage over Commercial Property. The Manager does not write Code Loans.
<b>LVR and LTCR</b>	These ratios will be set out in the SPDS governing each Loan.
<b>Minimum Size of Loan</b>	\$250,000
<b>Target Loan Term</b>	6 months -3 years
<b>Target Borrower Rate</b>	6.50% to 12.5% per annum (annualised). Please note that this "Target Borrower Rate" is the interest rate charged to the borrower and is not the interest rate or return paid to Loan Unitholders. The returns paid to Loan unitholders would be the "Target Borrower Rate" net of management fees and expenses payable in respect of Loan Units. Refer to Section 2.1 in relation to Target return on Loan Units and Section 10.1- "Fees & Expenses" for further details with regards to management fees and expenses payable by unitholders.
<b>Sector</b>	Must be Commercial Property which may include, without limitation, office, retail, industrial, certain types of residential, hotels, specialist property, unimproved land and land intended for construction. The type of property, and risks associated with the property type, will be clearly outlined in the relevant SPDS.

### 4.2 INVESTMENT PHILOSOPHY

The Investment Manager believes that attractive and competitive income returns from Loans can be generated by:

- ensuring the Loans are properly documented and appropriately secured;
- managing the inherent risks of any form of lending so that:
- the Security Properties underpinning the Loans have broad market appeal;
- the individual Borrower's financial and operating capacity, capability and character have been scrutinised and found to be acceptable; and,
- loan repayment/ recovery strategies have been considered and found to be acceptable; and
- ensuring that the Borrower Rate and the Loan provisions have been appropriately structured to provide an appropriate risk/reward profile.

### 4.3 LOAN APPROVAL

The Credit and Investment Committee (**CIC**) is a committee of the Investment Manager which is responsible for the overall investment governance of the Trust and which closely monitors risks that affect the Loans from the initial application until the final repayment.

The CIC operates under a charter which has been approved by the Investment Manager. The members of the CIC are skilled credit professionals with experience in credit management, property investment, property development, construction, commercial property, economic analysis, funds management, asset management and loan recovery/ collections.

Specifically, the CIC is responsible for the overall credit risk and investment strategy of the Trust, including:

- recommending and approving investments for the Trust;
- monitoring the Trust's investments including individual Loan performance;
- monitoring borrower compliance with loan provisions;
- developing and reviewing the credit policies and procedures;
- monitoring implementation of credit policies and procedures;
- setting risk limits, benchmarks and ranges;
- undertaking any interest collection and Loan recovery action as and when required; and
- reviewing and amending the overall investment strategies after taking into account the Australian property and credit markets and the economy generally.

The CIC meets on a regular basis and works to achieve the best outcomes for Investors in accordance with the investment strategies relating to the particular Loan.

The day to day credit functions in respect of each Loan are performed by a team of skilled credit professionals (**Credit Team**) with experience in finance credit, economic analysis, mortgage management and recoveries. The Credit Team reports to and is responsible to the CIC.

#### 4.4 CREDIT ANALYSIS AND EVALUATION

When evaluating a Loan application, the Credit Team will assess the various elements of potential risk associated with a prospective Loan, including but not limited to:

ASSET RISK	BORROWER RISK	SERVICING RISK	EXIT RISK
Geo/demographic suitability	Business history	Strength of tenants	Ability to refinance
Capital expenditure	Financial track record	Lease terms & covenants	Appeal of asset in market place
Permissible usage	Experience in asset class	Ability to replace tenants	Ability to amortise
Competition	Financial exposure	Capacity if owner occupied	Repayment from other sources
Market rental and sale rates	Loan size v Sponsors net worth	Macro/micro economic issues	Issues that may affect value
Market demand	Income from other sources	COVID-19 issues	
Micro/macro-economic issues	Honesty and reliability		
COVID-19 issues	COVID-19 issues		

If the Loan is a construction loan, the Credit Team will also consider delivery and counterparty risk associated with the transaction, including but not limited to the ability of the Borrower, builder, project manager, etc. to complete the project on time and on budget.

The Credit Team will also meet the Borrower and inspect the Security Property.

#### 4.5 VALUATIONS

The Investment Manager retains a panel of independent valuers which are selected based on their experience and skills in valuation practice in respect of all likely Security Property types. The composition of the panel is reviewed on a continual basis.

The Credit Team will procure a Market Valuation from a member of this panel in respect of all Loans and will additionally procure a Completion Valuation from a member of this panel in respect of construction or development Loans.

Valuations will generally be less than 3 months' old but in some circumstances a valuation may be older. The valuation circumstances in respect of a Loan will be clearly set out in the SPDS for that Loan.

#### 4.6 QUANTITY SURVEYORS

In respect of construction and development loans the Investment Manager retains a panel of independent quantity surveyors, the composition of which is reviewed on a continual basis.

A report from a quantity surveyor is generally required prior to each advance of a construction and development loan. This certified report contains, at a minimum, a detailed assessment of:

- costs including the original estimate provided along with any authorised variations;
- the construction or development works completed to the date of the report;
- works previously certified and any current claims to be made; and
- costs to complete the project including any remaining contingency allowances and variations.

#### 4.7 SUBMISSION

Once the Credit Team has completed its assessment of a potential Loan a detailed credit submission is prepared for approval by the CIC. The CIC or its delegate will either approve or refuse a submission at its absolute discretion.

#### 4.8 POST SETTLEMENT LOAN SERVICING

The Investment Manager has appointed AMAL as record keeper/administrator of all Loans. AMAL has no credit authority and reports directly to the Investment Manager via the Credit Team. AMAL is a related party of the Responsible Entity and its costs are borne by the Investment Manager or the Borrower, as the case may be.

#### 4.9 LOAN MANAGEMENT

The Investment Manager is responsible for the active and ongoing management of each Loan supported by data provided by AMAL. Specifically, each Loan is monitored to determine whether loan provisions are being satisfied and to instigate remedial action where necessary.

The CIC meets at least once a month and more frequently if required. The CIC discusses each Loan and directs the Credit Team to make various investigations based on changes to the market, changes to interest rates or other matters that may impact the Loan.

#### 4.10 INSURANCE FOR LOANS

Part of the ongoing asset management process includes requiring improvements (buildings) on any property to be insured at all times by the Borrower, with the Responsible Entity as mortgagee noted on the policy as an interested party. The Investment Manager will hold a copy of the Certificate of Currency with the Trust records. However, where the property consists only of vacant land, or the valuer indicates that insurance on the improvements is not required, then insurance on the improvements on the property is not necessary. Public liability insurance is a requirement at all times.

#### 4.11 MANAGEMENT OF LOANS IN DEFAULT

The Investment Manager discloses all defaults in its reports circulated to the board of directors and the Compliance Committee of the Responsible Entity, to Investors via Balmain's website and pursuant to BFAL's ongoing disclosure obligations.

While a Loan is in default:

- you may not receive distributions in respect of the Loan;
- enforcement proceedings may commence in accordance with the following process:
- the mortgagee may become a 'mortgagee in possession' or appoints a suitably qualified administrator;
- a new valuation may be procured in respect of the Security Property; and,
- the Security Property may be placed on the market for sale.
- where the Security Property comprises an incomplete construction or development property and where the Investment Manager deems it to be in the best interests of Investors, the Credit Team may appoint parties to complete the development or construction of the Security Property, prior to the Security Property being placed on the market for sale;
- if there are insufficient sales proceeds for the full repayment of the Loan, then:
- such funds will be distributed on a pro-rata basis between the Investors in the particular class of Loan Units; and,
- the Investment Manager may commence legal action against the borrower and/or guarantors in an attempt to recover the shortfall.

If there is inadequate liquidity in the relevant Sub-Trust to fund recovery action in respect of a defaulting Loan, the Trust or the relevant Sub-Trust (as the case may be) may, at the Investment Manager's discretion, either borrow or issue a separate class of Unit to assist in funding the recovery action. Any such borrowings or issuance of a separate class of Unit would have priority in terms of repayment/redemptions and interest/distributions over the Loan Units.

#### 4.12 USE OF DERIVATIVES

The Investment Manager may use derivatives for the purpose of managing interest rate risk. Derivatives will not be used for speculative purposes.



#### 4.13 ETHICAL STATEMENT

The Investment Manager considers environmental, social, ethical and corporate governance factors (**ESEG Factors**) in its investment decision making. Our primary responsibility to Investors is to base investment decisions on risk adjusted return ratings over the term of the investment. We undertake this by considering both the quality and value of the investment and the risk analysis process as discussed elsewhere.

In conducting a risk analysis of the Secured Property to be acquired, the Investment Manager will consider ESEG Factors in respect of the Security Property, the Borrower or its business. For example, in respect of Secured Property, construction risks, insurance costs and income cover are all directly affected by the environmental impact of a Security Property. In respect of a Borrower, the sustainability of its business practices might be considered as they could impact its credit assessment.

The Investment Manager adopts a binary approach to assessing the risk of ESEG Factors such that any ESEG Factor which may impact on the recovery of a potential Loan will deem that Loan unacceptable.

ESEG Factors are considered by the Investment Manager on an ongoing basis and reviewed at least annually. Where the materiality of the risk of an ESEG Factor is no longer deemed acceptable, the Investment Manager will seek to influence an improvement or consider taking relevant action to protect the Secured Property.

The Investment Manager does not directly consider labour standards in its decision making, however, these may become relevant in any assessment of a Borrower's business practices.

Overall, sound environmental, social, ethical and governance practice is an integral part of the Investment Manager's business decisions and is embedded within its operations.

#### 4.14 PERFORMANCE AND PORTFOLIO INFORMATION

Investors can obtain current performance information on the Loans in which they have invested by logging into their secure Investor Console at [www.balmainprivate.com.au](http://www.balmainprivate.com.au) or by contacting us via email at [info@balmainprivate.com.au](mailto:info@balmainprivate.com.au) or by calling the Balmain Private Investments Team on +61 (2) 9232 8888.

## 5. Directors & Key Management

### 5.1 BFAL BOARD OF DIRECTORS



#### **Michael Holm – Executive Chair**

Michael is the Chair, founder and a major shareholder in Balmain. Michael is one of the most highly experienced commercial lending executives in Australia, having been personally involved in raising over \$7 billion in commercial loans. Michael is also a Director of AMAL, is a member of Balmain's credit & investment committees, is RG146 compliant and is a responsible manager under BFAL's AFSL.



#### **Andrew Griffin – Executive Director**

Andrew joined Balmain in 2005 and is currently Group Chief Executive and a major shareholder in Balmain. Andrew helped guide Balmain's course from loan origination to lender/ manager and has profound experience through all levels of real estate and secured debt management. Andrew is RG146 compliant and a responsible manager under BFAL's AFSL.



#### **John Robles – Executive Director**




John has over 14 years' experience in property and finance and is the Head of Finance for Balmain. Prior to joining Balmain in 2008, John was an auditor for more than eight years at KPMG in Sydney and PWC in London. John manages statutory reporting, management accounting, fund accounting and taxation for Balmain. John has a Bachelor of Commerce from Sydney University and is a member of the Institute of Chartered Accountants in Australia.



#### **Brendon Howell – Non - Executive Director**

Brendan has a Bachelor of Economic (majoring in Accounting and Economics) from the University of Sydney and a Diploma in Finance & Investment from the Securities Institute of Australia, and 30 years' experience in the funds management industry. He was formerly an associate member of both the Securities Institute of Australia and the Institute of Chartered Accountants in Australia. Brendan has a property and accounting background, and from the period 1990 to 1998 held senior positions with a leading Australian trustee company administering listed and unlisted property trusts. For the past 22 years Brendan has been directly involved with MIA Services Pty Limited, a company which specialises in funds management compliance, and acts as an independent consultant and external compliance committee member for a number of properties, equity and infrastructure fund managers. Brendan also acts as an independent director for several unlisted public companies, some of which act as responsible entities.

## 5.2 CREDIT AND INVESTMENT COMMITTEE (CIC)

	<p><b>Michael Holm</b> See BFAL Board of Directors.</p>
	<p><b>Robert Taylor</b> Rob commenced his career in the financial services industry in 1981 and has worked in a variety of lending and credit and asset management roles with State Bank Victoria, Challenge Bank and Capital Finance Australia. Rob joined Balmain in 1997 to assist in establishing Balmain's Melbourne office in commercial origination and lending. Rob has focused on the credit and asset management components of Balmain's business and is a Director and shareholder of the holding company.</p>
	<p><b>William 'Bill' Davis - Head of Credit</b> Bill commenced his career with National Australia Bank and has over 40 years' banking, finance and hands on commercial lending experience. Bill has held senior roles at Citibank and the ING Group where he was responsible for commercial real estate credit and loan recovery. In 1994 Bill was overseeing commercial loan portfolios of some \$815 million represented by circa 1,700 accounts and had a team of 20 people in Sydney, Melbourne and Brisbane. Subsequently Bill also achieved an S&amp;P above average servicer ranking for a private lender. Bill joined Balmain in 2004 as Head of Credit (and Credit Committee member) and currently manages portfolios with an aggregate value exceeding \$800 million.</p>

## 5.3 COMPLIANCE COMMITTEE

Given that less than half of the directors of the responsible entity are external directors, and in accordance with Section 601JA of the Corporations Act, the Responsible Entity has established a Compliance Committee, of which the majority of the Committee Members are external members. The Compliance Committee assists the Responsible Entity in meeting its compliance responsibilities, as required by the Corporations Act.

In particular, the Compliance Committee's role is to monitor the Responsible Entity's compliance with the Compliance Plan and the Constitution in operating the Trust. The Compliance Committee reports directly to the Board and, in certain circumstances, to ASIC.

The Compliance Committee meets and reports to the Board of Directors of the Responsible Entity at least four times a year, and more often if necessary.

## 6. Distributions

Distributions are made monthly for Cash Units, generally within 14 days after the end of each month. Distributions for each Loan Units are paid monthly in arrears within 20 days after the end of each month.

The income distributions are calculated by determining the total net income derived in respect of each class of Unit for the relevant period (distributable income) and then calculating the pro-rata share of that distributable income. The distributions you receive will be referable to the class of Unit you hold in the Trust (i.e. your distributions will not be affected by the performance of other Loans in which you are not invested).

You may choose to have your income distributions paid into your nominated Australian bank, building society or credit union account or you can nominate to reinvest your distribution into Cash Units. We do not pay distributions by cheque or to international accounts.

If we are unable to credit your income distribution to your nominated bank account or if you have not nominated a bank account, we will hold your income distribution in a suspense account until such time as we are able to determine your nominated Australian bank account or you nominate to reinvest your distribution into Cash Units.

If you wish to change your distribution details, we require 5 Business Days' notice to amend your details. Investors should be aware that income distributions are not guaranteed and may fluctuate depending on the performance of the underlying Loan investment. In addition, the interest rate applicable to the CMA may change, affecting distributions on Cash Units.

## 7. Unit Pricing

The unit price of a Cash Unit is \$1.00. It is not expected this Unit Price will change as Australian Banks are not expected to default on their obligations. All income accruing on Cash Units will be distributed on a monthly basis.

The unit price for each class of Loan Unit will reflect the performance of the underlying Loan investments. The prevailing unit price for each class of Loan Unit will be set out on the Investment Manager's website at:

[www.balmainprivate.com.au](http://www.balmainprivate.com.au).

Under the Constitution of the Trust, the Responsible Entity has certain discretions in calculating Unit prices. The Responsible Entity has a documented policy relating to the exercise of these discretions. A copy of this policy, and documents relating to it, are available free of charge by contacting the Responsible Entity or from the above website.



## 8. Investment Term

### 8.1 INVESTMENT TERM: CASH UNITS

An investment in Cash Units has no fixed term and Investors may redeem their Units on 7 business days' notice.

### 8.2 INVESTMENT TERM: LOAN UNITS

The Investment Term of each class of Loan Units (being generally the term of the underlying Loan) will be specified in the relevant SPDS. It is anticipated that the Loans will have terms of between 6 months to 3 years. The Investment Term may vary if the Loan is repaid early or late including, without limitation, in the following circumstances:

- Loan term decreased: Borrower repays the Loan prior to expiry. In this instance the Borrower may be required to pay early repayment fees to the relevant Sub Trust.
- Loan term increased: Borrower repays the Loan after expiry. In this instance the Borrower may be required to pay additional penalties and fees for breaching the loan covenants. In all cases, interest continues to be payable until the Loan is repaid.
- Loan term increased or decreased: The Investment Term for a class of Loan Unit will change if the Borrower defaults on its obligations. This may either decrease or increase the Investment Term.

### 8.3 NO EXTENSIONS

The Investment Manager will not agree to any extension of the term of a Loan unless it deems this is a necessary measure to procure full repayment of the Loan.

## 9. Risk Management

The Investment Manager considers there is a modest (if any) risk that an investment in Cash Units will not meet its investment objectives as the sole investment is in the CMA. In respect of each class of Loan Unit there is a risk that the underlying Loan will not achieve its desired investment objectives.

The Investment Manager does not guarantee income or return of capital to the Investor.

In order to understand the risks of investing in a class of Loan Unit, it is important to read this PDS along with the SPDS relating to the relevant Sub-Trust Loan.

### 9.1 ABOUT MORTGAGE LENDING

When a Sub Trust lends money to Borrowers, it is secured by a First Mortgage over the Security Property. First Mortgage security generally enables the interests of the holder of the First Mortgage to rank ahead of all interests of other creditors (except various state offices such as Revenue NSW and departments responsible for, council rates and taxes, etc.).

### 9.2 APPROACH TO RISK

Our approach is to be risk aware, not risk averse. This means we acknowledge there will be risks associated with Loan investments. However, Investors will benefit from the Investment Manager's knowledge, skills, policies and procedures which are designed to identify and manage risks associated with investing in mortgage assets.

The reality of mortgage lending is that arrears and defaults will occur which may result in a diminution of the income returns or value of the investments, or an increase in the income where penalty charges can be collected. When a default occurs, there is also a risk that the Investment Manager may elect to increase the exposure to a Loan to a higher level as one way of managing and exiting the Loan, for example by completing or undertaking added value capital works.

### 9.3 RISK MANAGEMENT

In order to mitigate lending risk, we ensure that when a Sub Trust lends monies to a Borrower on a particular Loan asset:

- an appropriate rate of interest is set relative to the nature and risk of the Loan;
- that in the case of Loans where the interest is serviced on a monthly basis, the Borrower pays all their interest payments as and when they fall due;
- that in the case of Loans where the interest is capitalised, that the structure, payment terms and exit strategies are appropriate for this form of Loan;
- that the Borrower complies with ongoing Loan conditions during the Loan term; and
- that the Borrower repays the full amount of the Loan as and when it falls due.

### 9.4 SUMMARY OF RISK OF INVESTING IN A LOAN

The following summary of investment and general risks is not intended to be an exhaustive list of all possible risks associated with seeking exposure to a Loan. In addition to carefully reading the applicable SPDS for each Loan in which you invest, Investors should make their own investigations into risks and satisfy themselves that they are comfortable with the risks in relation to investing in the Trust and in a particular class of Loan Units. If one or more of these risks materialise, the value of an Investor's investment in those Loan Units may be adversely affected.

The risks described in the below table are managed by the risk limits, investment strategies and credit policies and procedures used by the Investment Manager. However, some risks, such as shifts in real estate values and micro and macro fluctuations in the general economy, are outside the control of the Responsible Entity and the Investment Manager.

TYPE OF RISK	EXPLANATION
<b>Borrower Risk</b>	<p>A borrower fails to meet payment obligations or otherwise meet the terms of the Loan or has other financial difficulties. This could be for a number of reasons, including:</p> <ul style="list-style-type: none"> <li>- an inability to pay interest as a result of reduced rental income in respect of the Security Property;</li> <li>- an inability to pay interest as a result of reduced income (generally);</li> <li>- an environmental or demographic issue impacting on the ability of the Security Property to generate income; or</li> <li>- where the applicable interest rate is variable, an increase in the underlying interest rate causes the Borrower to be unable to meet the increased interest repayments.</li> </ul> <p>This could adversely affect the income attributable to a Loan Unit, distributions to Investors in respect of that Loan Unit and the value of the Loan.</p>
<b>Documentation Risk</b>	<p>A deficiency in documentation could, in certain circumstances, adversely affect the return on a Loan. This may make it difficult for a Sub Trust to enforce its mortgage over the Security Property, to enforce any guarantee in respect of the Loan and may also affect the ability to recover any penalties imposed against the Borrower.</p>
<b>Property Market</b>	<p>The property market declines in value, or the value of any Security Property declines. This will cause the LVR in respect of the relevant Loan to increase and, in circumstances where the relevant Sub Trust enforces its security over the relevant property this may mean that the Sub Trust may not be able to recover the full amount of the monies lent.</p>
<b>Valuation Risk</b>	<p>There is a risk that a valuer may incorrectly value a Security Property and that such property is worth less than the amount stated in the relevant valuation. Valuation risk is applicable to a Sub-Trust in the event of a borrower default.</p> <p>The Manager aims to mitigate and minimise this risk by:</p> <ul style="list-style-type: none"> <li>- restricting underlying Sub-Trust loans to 70% of independent valuation;</li> <li>- adopting lower loan to valuation ratios for different categories of security property;</li> <li>- instructing only valuers who have been approved by us and who have adequate professional indemnity insurance and at least five years' experience;</li> <li>- only using valuers that are registered under one of the state/territory valuer registration regimes; and</li> <li>- requiring valuers to include a statement in their valuation reports that their valuation complies with all relevant industry standards and codes.</li> </ul>
<b>Enforcement Risk</b>	<p>Where a Sub Trust takes enforcement action in respect of a defaulting Loan, the costs incurred by the Sub Trust in doing so could be substantial and significantly erode any monies recovered from the Borrower.</p>
<b>Loan Maturity and Investment Term Risk</b>	<p>It is intended that the Loans will usually be for terms of between 6 months and 3 years. There is a risk that Borrowers will be unable to repay or refinance their Loans upon their maturity. In such circumstances, the Sub-Trust may need to extend the term of the relevant Loan beyond the original maturity date. This may mean that Investors are not able to redeem some or all of their Loan Units upon the expiry of the Loan term.</p>

<b>Diversification Risk</b>	<p>Whilst the Trust will present Investors with the opportunity to participate in a diverse range of mortgage assets, Investors have the ability to choose which Loans they wish to gain exposure to. As such, if an Investor chooses only to participate in a single Loan, they will not have access to diversification within their investment in the Trust. Investors may diversify their exposure within the Trust by choosing to participate in a number of Loans. In the event of a loss on a specific Loan, the loss will be borne by the Investors who have chosen to participate in that Loan.</p>
<b>Construction or Development Risks</b>	<p>Loans pertaining to Security Property where it is intended to construct or otherwise change the existing improvements (construction/ development Loans) include additional risk compared to non-construction/ development Loans. These additional risks are associated with the quality, timing, completion and sale of the improved Security Property, particularly if the Borrower is unable to complete the works as required. A partially completed building is more difficult to sell than a completed building.</p> <p>Further, during the construction or development process, downward shifts in the property market can affect the ability to recover the amount owing under the Loan at the completion of the project.</p> <p>Other development risks associated with Loans are as follows:</p> <ul style="list-style-type: none"> <li>- Environmental: heritage, ecology, contamination</li> <li>- Approvals: zoning, compliance, conditions, developer contributions</li> <li>- Developer experience with type of development, ability to manage development</li> <li>- Title: land title problems and encumbrances</li> <li>- Consultants: design quality, reliability of consultant's report</li> <li>- Feasibility: assumptions, financial performance benchmarks, risk analysis</li> <li>- Infrastructure: availability of services, water, traffic, social infrastructure</li> <li>- Time delays; weather, force majeure, industrial strikes</li> <li>- Supply chain issues</li> <li>- Solvency of builder</li> <li>- Quality of project management</li> <li>- Timing of delivering development (cycle risk)</li> </ul> <p>The additional risks associated with construction or development loans are mitigated as follows:</p> <ul style="list-style-type: none"> <li>- where a Loan is for construction or development purposes, it is valued as set out in Section 5.5 and where appropriate, a quantity surveyor is retained by the Trust throughout the project to certify the value of all works completed and the projected remaining costs to complete at regular intervals;</li> <li>- the Loan covenants ensure that the amount remaining un-drawn on any Loan is equal to or more than the cost to complete as certified by the valuer and/or quantity surveyor;</li> <li>- the Investment Manager continuously monitors construction/ development Loans, and only provides progress drawdowns upon receipt of updated valuations and/or Quantity Surveyors' reports;</li> <li>- the Investment Manager ensure Borrower compliance with appropriate LVR/ LTCR; and</li> <li>- the Investment Manager will agree with the Borrower on a certain level of pre-sales or pre-leases before the Loan is approved if considered appropriate.</li> </ul>

<b>Vacant Land, Non-income earning properties and other types of Mortgage Assets</b>	<p>There are particular risks associated with Loans in respect of vacant land and other non-income earning properties as, where a default occurs, there is no income to assist in rectifying the default. The risks associated with such properties are mitigated by the LVR and other risk mitigation strategies as disclosed in the SPDS applicable to the relevant Loan.</p> <p>There are other types of Loan asset that may attract a greater degree of risk in a default situation where the market for such properties may fluctuate or where the demand for such properties is lower than other types of property such as rural or highly specialised properties. These risks are managed through the Investment Manager's initial credit assessments.</p>
<b>Taxation</b>	Changes in tax laws affecting the Trust and the Sub-Trust, could result in lower returns than anticipated.
<b>Regulatory</b>	Changes may occur to government regulations or laws that adversely impact the operation of the Trust, a Sub Trust or its assets.
<b>General Economy</b>	Any economic downturn in Australia or globally could adversely affect property values or income from an underlying Security Property which in turn may adversely affect the Borrower's capacity to meet payment obligations.
<b>Liquidity Risk of Mortgage Investments</b>	Investors should be aware that there is no organised exchange on which Loans are traded. Instead, the secondary market is un-regulated. Trades usually involve portfolios of mortgages, not individual mortgages and may be infrequent and slow to occur. This means that Loans, if required to be sold, may be sold for less than their face value, or may face delays in being able to be sold. This may affect the ability of the Investment Manager to effect withdrawals and the underlying value of the Loan Unit's assets.
<b>Financing of Recovery Actions</b>	The Trust or the relevant Sub-Trust (as the case may be) may, at the Investment Manager's discretion, either borrow or issue a separate class of Unit to assist in funding a recovery action in respect of a Loan. Any such borrowings or issuance of a separate class of Unit would have priority in terms of repayment/redemptions and interest/distributions over the Loan Units and could result in lower returns than anticipated.
<b>Outsourced Service Providers</b>	Third party service providers have been engaged to provide certain services to the Trust. The Trust is dependent upon the ability of these providers to provide services within the timeframes and to the standards specified in the agreements with each service provider existing at the date of this PDS. Failure to do so could adversely impact the returns Investors receive.
<b>COVID-19</b>	Beginning in January 2020, global financial markets have experienced and may continue to experience significant volatility resulting from the spread of a novel coronavirus known as COVID-19, resulting in a pandemic declared by the World Health Organisation in March 2020. Pandemics such as COVID has the potential to adversely affect, markets, economic conditions and the performance of the Trust and the Loans. While difficult to predict the impact of the current situation on the future performance of the various markets and industries, the Manager of the Trust continues to monitor the current situation to assess and manage the potential implications of COVID-19 on the Trust's operational and financial performance. The assessment of the mortgagors and also the obligors will include monitoring their ability and capacity to make loan repayments and any market value decline of underlying real property collateral due to changes in demand of purchase, significant changes in core property fundamentals and various rental markets, and the associated impact on the Trust's financial performance.



<b>Derivatives</b>	<p>A derivative is a financial transaction which derives its value from another source, such as a share or a bond. The main types of derivatives are futures, options and swaps.</p> <p>Derivatives can expose the Trust to other risks which are particular to derivatives, such as counterparty, credit and pricing risk. Derivatives are also subject to market risk where there is movement in the underlying security, index or financial obligation.</p> <p>The Responsible Entity does not use derivatives for gearing purposes or for speculative activities.</p>
<b>Force majeure and Insurance risk</b>	<p>A “Force majeure” event or unforeseen extraordinary events such as ‘acts of God’, ‘natural disasters’, ‘government action or interference’, ‘labour shortages’, ‘national emergencies’ and ‘acts of war’, may affect the Trust’s assets or the underlying Sub-Trust in which the Trust invests. These are events for which insurance cover is either not available, or the Trust does not have cover. The performance of the Trust may be adversely affected where any unforeseen event results in losses to Fund assets due to uninsurable risks, uninsured risks or under-insured risks, or the cost of the insurance premiums being in excess of those forecasts.</p> <p>Any failure by an insurer or re-insurer may also adversely affect the Trust’s ability to make claims under an insurance policy. These occurrences may result in a loss of capital, in turn reducing the value of Interests and amounts that may be available for distribution by the Trust. The Trust aims to manage these risks to the extent possible by maintaining appropriate insurance cover and reviewing the cover recurrently.</p>
<b>Cyber Risk</b>	<p>Cyber risk is any risk associated with financial loss, disruption or damage to the reputation of an organisation from failure, unauthorised or erroneous use of its information systems.</p>

### **SENSIBLE INVESTING**

Investors would be aware of the investor maxim, “don’t put all your eggs in the one basket”. The Investment Manager recommends that Investors should be mindful of this and only consider investing in Units as part of a strategy to hold a diversified investment portfolio. Please also note that the Trust is not, nor does it compare favorably to a bank deposit or other deposit product, and there is risk of the investor losing all the invested monies or even not being paid a monthly return.

## 10. Fees and Other Costs

### 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 account 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 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) Moneysmart website ([www.moneysmart.gov.au](http://www.moneysmart.gov.au)) has a managed funds fee calculator to help you check out different fee options.

### 10.1 FEES AND EXPENSES

This table shows fees and other costs that you may be charged in respect of your holding of Units. These fees and costs may be deducted from your money, from the returns on your investment or from the Trust assets as a whole. Taxation information is set out in Section 14 of this PDS.

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

The fees set out below show the net effect of GST (i.e. inclusive of GST less any input tax credits, including reduced input tax credits). You should read all the information about fees and costs because it is important to understand their impact on your investment.

TYPE OF FEE OR COST	AMOUNT	HOW & WHEN PAID
<b>Fees when your money moves in or out of the Trust</b>		
<b>Establishment Fee:</b> The fee to open your investment.	Nil	Not Applicable
<b>Contribution Fee:</b> The fee on each amount contributed to your investment.	Nil	Not Applicable
<b>Withdrawal Fee:</b> The fee on each amount you take out of your investment.	Nil	Not Applicable
<b>Exit Fee:</b> The fee to close your investment.	Nil	Not Applicable

<b>Management Costs (the fees and costs of managing your investment)</b>		
<b>Cash Units</b>	Nil	Not applicable
<b>Loan Units</b> The fees and costs pertaining to each Loan Unit are set out in the SPDS for that Loan.	<b>Investment Management Fees</b> Estimated at 1.60% but not to exceed 2.00% per annum of the Principal Amount in respect of each Loan.  <b>Reimbursable Expenses</b> Costs and expenses which are not paid from the Investment Manager's own funds estimated to be 0.05%, per annum of the Principal Amount. Reimbursable Expenses do not apply in respect of Cash Units.  <b>Performance Fee</b> 50% of any Surplus Recovery.	<b>Investment Management Fees</b> 80% of the Investment Management Fee is paid out of the relevant Trust or Sub Trust monthly in arrears on or about the 15th of the next month and the balance is only payable if and when the Target Annualised Return is achieved.  <b>Reimbursable Expenses</b> Paid monthly in arrears on or about the 15th of the next month.  This fee may be negotiated. See section 10.10 for further details.  <b>Performance Fee</b> Calculated and paid once the last recovery monies in respect of a Loan has been received.
<b>Service Fees</b>		
<b>Switching Fee:</b> The fee for changing investment options.	Nil	Not Applicable

## 10.2 EXAMPLE OF ANNUAL FEES AND COSTS

The two tables below give examples (for Cash Units and for Loan Units) of how the fees and costs of this managed investment product can affect your investment over a one-year period. You should use these tables to compare this product with other managed investment products.

### I) CASH UNITS

<b>EXAMPLE - CASH UNITS</b>	<b>BALANCE OF \$50,000 WITH A CONTRIBUTION OF \$5,000 DURING THE YEAR</b>	
Contribution Fees	Nil	For every additional \$5,000 you put in, you will be charged \$NIL.
<b>PLUS</b> Management Fees and Costs	Nil	And, for every \$50,000 you have in the Cash Units you will be charged \$NIL per annum.
<b>PLUS</b> Performance fees	Nil	And, you will be charged or have deducted from your investment \$Nil in performance fees each year
<b>PLUS</b> Transaction costs	Nil	And, you will be charged or have deducted from your investment \$[Nil in transaction costs.
<b>EQUALS</b> Cost of Cash Units in the Trust		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees of:  <b>\$NIL for that year.</b>  <b>What if costs you will depend on the Loan Units you choose and the fees you negotiate.</b>

## II) LOAN UNITS

EXAMPLE - LOAN UNITS	BALANCE OF \$50,000 WITH A CONTRIBUTION OF \$5,000 DURING THE YEAR	
Contribution Fees	Nil	For every additional \$5,000 you put in, you will be charged \$NIL.
<b>PLUS</b> Management Fees and Costs (incl. Reimbursable Expenses)	As set out in each SPDS but not to exceed 2.05% of your investment	And for every \$50,000 you invest in Loan Units you will be charged \$1,025 per annum.
<b>PLUS</b> Performance fees	Variable	<ul style="list-style-type: none"> <li>- This is the performance fee payable to the Responsible Entity for managing the investments.</li> <li>- The Performance Fee is 50% of any Surplus Recovery attributable to an individual sub-trust.</li> <li>- The Performance Fee is calculated and paid to an individual sub-trust once the last recovery in respect of a Loan has been received.</li> </ul>
<b>PLUS</b> Transaction costs	Nil	And, you will be charged or have deducted from your investment \$Nil in transaction costs.
<b>EQUALS</b> Cost of Loan Units in the Trust		<p>If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees from:</p> <p><b>\$1,025 and \$1,127.50</b></p> <p><b>What it costs you will depend on the Loan Units you choose and the fees you negotiate.</b></p>

## III) ADDITIONAL EXPLANATION OF FEES AND COSTS

Under the Constitution, the Responsible Entity is entitled to all of the fees and expenses described in the tables above. The Responsible Entity is responsible for paying any fees payable to the Investment Manager and AMAL from its own resources.

## IV) MANAGEMENT COSTS

The Management Costs set out in the table in Section 10.2 comprise the Investment Management Fee and an estimate of Reimbursable Expenses:

### Investment Management Fee (only applies to Loan Units)

- This is the base fee payable to the Responsible Entity for managing the investments.
- The fee in respect of each class of Loan Unit will vary as disclosed in the SPDS but will not exceed 2.00% per annum of the Principal Amount and is calculated monthly in arrears.
- 80% of the Investment Management Fee is payable during the life of the Loan. This fee is paid out the relevant Trust or Sub Trust on a monthly basis.
- 20% of the Investment Management Fee is only payable once the Target Annualised Return is achieved. In the event that the Actual Return is less than the Target Annualised Return, the Investment Manager is only entitled to the same percentage of the 20% of the Investment Management Fee as the percentage of the Target Return that was actually achieved (i.e. if Actual Return is 8% against a Target Annualised Return of 10%, the Investment Manager is only entitled to receive 8/10ths of the 20% of the Investment Management Fee). This fee, if payable, is paid out of the relevant Trust or Sub-Trust on repayment of the Loan.

**Reimbursable Expenses (only applies to Loan Units)**

- Reimbursable Expenses are expenses which may be incurred by the Responsible Entity in connection with the proper performance of its duties and obligations in operating the Trust.
- The Responsible Entity is entitled under the Constitution to be reimbursed for all properly incurred Reimbursable Expenses.
- Reimbursable Expenses are estimated at 0.05% per annum of the Principal Amount.

**Performance Fee (only applies to Loan Units)**

- This is the performance fee payable to the Responsible Entity for managing the investments.
- The Performance Fee is 50% of any Surplus Recovery.
- The Performance Fee is calculated and paid once the last recovery in respect of a Loan has been received.

**Example**

Loan Unit "A" is issued in respect of Loan "A" being in the amount of \$1 million to a Borrower with an interest rate of 12.05% per annum for a 12 month term. On the assumption that the Loan repays when due, is never in default and meets the Target Annualised Return, the Loan Unit "A" Investors would earn \$100,000 or 10% of \$1m, being the 12.05% paid by the Borrower less the Investment Management Fee of 2.00% and the 0.05% estimated reimbursable expenses. The Investment Manager would earn \$20,500 or 2.05% of \$1m as follows:

- An Investment Management Fee of \$16,000 (1.60% per annum of \$1m) paid in monthly instalments;
- An Investment Management Fee of \$4,000 (0.40% per annum of \$1m) paid in full when the Loan is repaid;
- Estimated Reimbursable Expenses of \$500 (0.05% per annum of \$1m); and
- No Performance Fee.

In the event that the Loan is fully repaid but the Actual Return for the Investor is 6%, a reduction of 40% from the Target Annual Return of 10%, then the 0.40% component of the Investment Management Fee also reduces by 40%, to \$2,400.

In the event that the Loan goes into default, higher interest and other penalties may be charged to the Borrower however if the Loan is still fully repaid then the Actual Return would exceed the Target Annualised Return. This excess is called the Surplus Recovery. In this instance the Investment Manager would be entitled to a Performance Fee of 50% of the Surplus Recovery, with the remaining 50% paid to investors. For example, if the Surplus Recovery is \$100,000, the Investment Manager would be entitled to a Performance Fee of \$50,000. The remaining \$50,000 would be income to the Sub Trust.

**10.3 ALIGNMENT OF INTERESTS OF INVESTMENT MANAGER AND INVESTORS**

By structuring the fees in the manner as described above the Trust has sought to align the interests of the Investment Manager with those of the Investors, as the Investment Manager:

- only receives 80% the Investment Management Fee until Investor has received the Targeted Annualised Return; and,
- only receives the balance 20% of the Investment Management Fee once the Investor has received the Targeted Annualised Return.

**10.4 AMOUNTS RECEIVED BY BALMAIN**

There are certain other costs that may be incurred by Borrowers when procuring finance.

**Loan Origination**

The Responsible Entity has appointed originators, including Balmain and other unrelated third parties (**Originators**) to source loans for the Trust. Originators will generally charge fees to Borrowers for assisting them in identifying suitable lending partners. These fees may be paid "upfront" by the Borrower to the Originator or on a monthly basis (**Service Fees**) or a combination of the two.

The Trust may collect Service Fees on behalf of the Originators and then remit them to the Originator (without deduction) on a quarterly basis. Should a Loan go into default these payments are suspended and are only paid to the Originator if full recovery of the Loan is achieved.

### **Loan Establishment Fees**

Balmain and other parties may receive establishment fees from Borrowers who enter into Loans with the Trust (**Establishment Fees**) Establishment Fees are generally between 1.00%-1.50% of the value of the Loan.

In addition, as a result of operating the CMA, it is possible that the Investment Manager may receive an incentive from the relevant ADI.

Please note that the above amounts are not deducted from your investments or distributions but may have an impact on gross returns.

### **10.5 COMMISSIONS AND BENEFITS**

The Investment Manager does not pay any upfront or ongoing commissions to any adviser or authorised intermediary as a result of their direction of Investors to invest.

### **10.6 FEES TO PROFESSIONAL SERVICE PROVIDERS**

The Responsible Entity and/or the Investment Manager may seek professional services from qualified service providers, including related parties. As set out above, if the fees for these services relate to Reimbursable Expenses (Normal) they will not be charged to the Trust but will be paid by the Investment Manager personally. If they relate to Reimbursable Expenses (Extraordinary) they may be recovered from the Trust.

### **10.7 TAXES AND GOVERNMENT CHARGES**

Government taxes such as stamp duties and GST will be applied to your account as appropriate. Unless otherwise stated, fees and costs disclosed above are inclusive of the net effect of GST if applicable (i.e. 10% GST less any input tax credits or reduced input tax credits available to the Trust). If you want to work out your own fee structure and the impact these taxes may have, ask your financial adviser for help. Alternatively, ASIC offers a fee calculator to help you compare the fees of different products, which can be found by visiting [www.asic.gov.au](http://www.asic.gov.au). For more information about the taxation of the Trust, please refer to Section 14 of this PDS.

### **10.8 BUY/ SELL SPREAD**

A buy/ sell spread seeks to recover the costs borne by the Trust in connection with an application or withdrawal (including the costs of purchasing and selling assets). Currently no buy/sell spread is charged on applications and withdrawals.

### **10.9 CHANGING THE FEES AND EXPENSE RECOVERY ARRANGEMENTS**

The Responsible Entity reserves the right to waive or defer payment of its fees and expenses. The Responsible Entity may vary the arrangements relating to its fees, recovery of expenses and impose a buy/ sell spread in relation to applications and withdrawals at any time, at its discretion and without the consent of Investors (subject to the maximum fees permitted in the Constitution which are as set out in this Section).

Whilst there is no intention to change the fees and recovery expenses arrangements, the Responsible Entity will give you at least 30 days' notice of any proposed change.

The Constitution provides that the maximum Investment Management Fees that the Responsible Entity is entitled to charge is 2% per annum of the Principal Amount.

### **10.10 DIFFERENT FEES FOR WHOLESALE INVESTORS**

If you are a wholesale client (as defined in section 761G of the Corporations Act), you may negotiate reduced or rebated fees directly with the Responsible Entity.

## 11. Investing in the Trust

Prior to investing in the Trust, we suggest that you seek advice from a professional adviser.

### 11.1 MINIMUM INVESTMENT

The minimum investment size in Cash Units is \$50,000.

### 11.2 COMPLETING THE APPLICATION FORM FOR CASH UNITS

To apply for Cash Units in the Trust, please complete a current application form attached to or accompanying this PDS, and transfer your application monies via the following methods:

- BPAY: You may transfer your application monies via BPAY (insert BPAY details)
- EFT: You may transfer your application monies via direct deposit to the following bank account (insert bank account details)
- Cheque: You may transfer your application monies via cheque. Please send a cheque, made out to PCTL ACF Balmain Discrete Mortgage Income Trusts to:

**Balmain Funds**  
**c/o- Mainstream Fund Services Pty Ltd**  
**GPO Box 4968**  
**Sydney NSW 2001**

Upon receipt of your Application Form for Cash Units together with your subscription funds, your funds will be invested by the Trust in a CMA and you will be issued with Cash Units.

PTCL has been appointed by the Responsible Entity to provide custodial services to the Trust and each Sub Trust and to hold all Trust and Sub-Trust assets (including cash assets and individual loan assets) as custodian for the Responsible Entity. When an Investor makes an initial investment in the Trust and receives Cash Units, all subscription monies are paid directly to PTCL who in turn directs those monies into the CMA (which must be an account with an Australian ADI and, at present, is an account with National Australia Bank). At no stage does the Investment Manager or the Responsible Entity hold any asset of the Trust in its own name.

Once invested you may manage your account online (see Section 13).

You may also complete an online application form at [www.balmainprivate.com.au](http://www.balmainprivate.com.au) (see Section 13).

### 11.3 OFFERS TO HOLDERS OF CASH UNITS

Whilst you hold Cash Units we will send you one or more SPDSs offering you the opportunity to obtain exposure to specific Loans by holding Loan Units referable to the relevant Loans. Each SPDS will contain key terms and details of the individual Loan and must be read in conjunction with this PDS. Each SPDS will include a Transfer Request directing the Responsible Entity to convert part or all of your Cash Units into the relevant class of Loan Unit.

In the event that you wish to transfer all or part of your investment in Cash Units to Loan Units you can elect to seek exposure to a particular loan by completing the relevant Transfer Request online at [www.balmainprivate.com.au](http://www.balmainprivate.com.au). Once submitted, your Transfer Request is irrevocable and you will no longer be able to redeem the relevant Cash Units.

Depending on the timing for the entry into the relevant Loan, the conversion of your Cash Units may not occur immediately upon submission of your Transfer Request. Usually, there will be a minimum investment amount which is required to enable a Loan to proceed. This minimum amount will be set out in the relevant SPDS. Upon the minimum amount being attained, provided that this occurs within 60 Business Days of the closing date for submitting your Transfer Request, the relevant Cash Units will be converted into Loan Units.

In the event that we do not convert the relevant Cash Units into Loan Units within 60 Business Days of the closing date for submitting your Transfer Request, then the Transfer Request will lapse and you will retain your Cash Units.

If we receive Transfer Requests in respect of a particular Loan which would result in there being additional funds than are required to satisfy the Loan amount, the Responsible Entity may either scale back the Transfer Requests on a pro rata basis or issue Loan Units on a 'first subscribed-first issued' basis.



#### 11.4 UNDERWRITING LOAN AMOUNTS

In order to secure a Loan while the Responsible Entity is waiting to receive Transfer Requests from Investors, there is the potential that all or some of a Loan amount may be initially funded by third party entities, including persons or corporate entities associated with Balmain. Such funding may occur directly with the Borrower or through the issue of a special class of Unit or other interest out of either a Sub Trust or the Trust (**Initial Funding**) where such Initial Funding is preferentially redeemed as Investors' monies become available to fund the relevant Loan.

#### 11.5 COOLING-OFF PERIOD

An Investor in Cash Units can redeem on 7 days' notice to the Investment Manager. As a consequence, there is no 14 day cooling off period.

Please note that upon submitting a Transfer Request to convert your Cash Units into a class of Loan Unit, you do not have a statutory right to a "cooling-off" period under the Corporations Act 2001. Once submitted, your Transfer Request is irrevocable.

## 12. Redemption of Your Units

### 12.1 CASH UNITS

While your funds are invested in Cash Units you may make an application to redeem your Cash Units at any time with 7 business days' notice in writing provided that, in respect of the Cash Units that you wish to redeem, you have not submitted a Transfer Request. Once you have submitted a Transfer Request to convert your Cash Units into a class of Loan Units, you will be unable to redeem the relevant Cash Units. This is the case even if the conversion of your Units has not occurred at the time.

You will be paid the value of your Cash Units as per your redemption request within 7 business days. However, the interest accrued at the time of your redemption from the Cash Units will be paid to you as a Distribution as outlined in Section 6. That is, the interest will be paid the month following your redemption of Cash units, within 20 days after month end.

### 12.2 LOAN UNITS

Investors have no right to redeem Loan Units until the expiry of the Investment Term applicable to those Loan Units or such other times as the Responsible Entity may make a redemption offer.

If there are partial or full repayments of the underlying Loan relevant to a particular class of Loan Unit, the Investment Manager will notify Investors. At these times, some or all of your Loan Units (referable to the quantum of the repayment) will be converted back into Cash Units. You may then elect to redeem those Cash Units in accordance with Section 12.1 above, leave your funds invested in Cash Units or, subject to availability, invest your funds in different classes of Loan Units.

### 12.3 PROCESSING REDEMPTIONS

Investors should be aware that the Constitution of the Trust provides that the Responsible Entity may take up to 12 months to process redemptions. In addition, the Responsible Entity may suspend redemptions in certain circumstances, as set out in the Constitution, including where it is believed to be in the best interests of Investors.

Despite this, it is the current intention of the Responsible Entity to process redemptions as set out in Sections 12.1 and 12.2 above.

### 12.4 TRANSFER OF YOUR INTERESTS

You may, in accordance with the requirements of the Corporations Act and with the consent of the Responsible Entity, transfer part or the whole of your investment in the Trust to another Investor.

The transfer of your investment must be in writing executed by you (as transferor) and the transferee in a form approved by the Responsible Entity accompanied by any other documentation required by the Responsible Entity and otherwise in compliance with the Corporations Act.

### 12.5 REDEMPTION BY THE RESPONSIBLE ENTITY

The Responsible Entity has the power to redeem Units at any time during the life of the Trust. Circumstances where this may occur include, but are not limited to:

- where an Investor has held Cash Units for over 6 months and has not elected to convert those Cash Units into Loan Units; or
- where the funds under management for the Cash Units is greater than \$150 million, the Responsible Entity may elect to return capital to Investors on a pro rata basis in accordance with number of Cash Units each Investor holds.

In circumstances where the Responsible Entity exercises its power to redeem units, the relevant Investor(s) will receive the following redemption price in respect of the relevant Units:

- Cash Units will be redeemed at a price equal to \$1.00 plus the Investor's portion of accrued interest on a Cash Management Account; and
- Loan Units will be redeemed at a price equal to the net asset value the day immediately prior to the date the redemption is effected.

## 13. Online Applications & Account Management

### 13.1 ONLINE APPLICATIONS

The Trust has an online feature which has been designed for investors that are comfortable investing and managing their investments online.

Investors can apply for Units online by completing an Application Form online at [www.balmainprivate.com.au](http://www.balmainprivate.com.au) via the 'Apply Now' button.

We will then automatically conduct electronic verification to eliminate the need for the majority of Investors to send in certified identification documents via mail (currently only available to Australian, resident Investors).

If you complete the online Application Form, you may make payment of your investment monies via BPay, EFTPOS or by cheque. Details of all payments will be emailed to you once you have completed your online application.

### 13.2 ONLINE ACCOUNT MANAGEMENT

Once invested in the Trust, you will need to conduct all transactions online in a secure encrypted environment, using the Investor Console. On completion of your successful application, you will be emailed your log-in and password details to access your Investor Console. The Investor Console allows you to invest further in Cash Units, convert your Cash Units into Loan Units, track and manage your portfolio. You will have continual access to the Investor Console to allow you to closely monitor and manage your investment.

The Balmain Private Investments team are available over the phone, or at our Sydney office from 9am to 5pm Monday to Friday, to assist you and can be reached on (02) 9232 8888 or via email at [info@balmainprivate.com.au](mailto:info@balmainprivate.com.au).

## 14. Taxation and Accounting

The Australian taxation laws are complex and hence the comments provided below are necessarily general in nature. Investors should be aware that they may be affected by changes in taxation laws or the interpretation of these laws as well as changes in the administrative practices of the revenue authorities. Investors should obtain and rely upon their own taxation advice.

### 14.1 TAXATION OF THE TRUST

Under current tax law, the Trust will not be subject to tax provided Investors are presently entitled to all of the income of the Trust in each year of income, which is intended to be the case.

As the Trust does not control another entity that carries on an operating business and it invests in eligible investments, it will not be taxed at the corporate rate under the provisions of Division 6C of the Income Tax Assessment Act 1936.

Where the Trust incurs a loss for tax purposes, the loss cannot be distributed to Investors but will be carried forward to be recouped by the Trust against future income and/or net capital gains. However, the Trust is unlikely to generate capital gains on the basis that it is holding interests in mortgages on revenue account and therefore any gain or loss on realisation shall be treated on revenue account.

### 14.2 TAXATION OF INVESTORS

- **Distributions**

Investors are liable to pay tax on their proportionate share of net income of the Trust in the year which entitlement arises. This applies irrespective of whether distributions from the Trust are paid during the current year or in a later year. Investors will be able to identify the various categories of distributions from the annual tax statement, which will be issued by the Responsible Entity each year to assist Investors in preparing their tax returns.

The character of the income derived by the Trust retains its character when distributed to Investors. In general, the Trust's income will be in the nature of interest and therefore when distributed to Investors, the income shall retain its character and be treated as assessable interest income in the hands of Investors.

- **Tax Deferred Income**

Tax deferred income relates primarily to distributions associated with favourable tax timing differences. This generally occurs, on the occasion when taxable income is less than accounting income in a given income year. In the circumstances of the Trust these timing differences are unlikely to occur based on the investment activities of the Trust.

However, in the unlikely event that any tax deferred income is distributed to Investors, this income would not ordinarily be included in an Investor's assessable income. It may, however, give rise to a capital gain in certain circumstances. In broad terms a capital gain will arise to the extent that the total tax deferred distributions during the period of ownership, for a particular Unit, exceeds the cost base of the Unit. The capital gain to be included in the Investors' assessable income may be reduced if the capital gains tax ("CGT") discount is available (refer below).

Further, tax deferred income will impact upon the CGT position of Investors upon disposal of their Units because tax deferred income distributed to Investors reduces the cost base of their Units. This results in a relatively greater capital gain when the Units are disposed of in the future.

- **CGT**

Investors initially acquire Cash Units in the Trust. Investors will then elect to redeem those units when subscribing for a specific class of Loan Units in the Trust. The redemption of the Cash Units will trigger a CGT event for the Investor, however it is unlikely the proceeds from redeeming the Cash Units will exceed their cost base and therefore any CGT implications on redemption should be negligible.

Further, the redemption, withdrawal or transfer of any Loan Units may also give rise to a taxable capital gain to an Investor.

However, a discount may be available for certain Investors in calculating the taxable amount of a capital gain where the investment in the Trust has been held for more than twelve months. The discount is one-half for individuals and trusts, and one-third for complying superannuation entities.

### 14.3 DISCLOSURE OF TAX FILE NUMBER

There is space for you to disclose your Tax File Number and Australian Business Number, if applicable, on the Application Form. If you do not provide us with your Tax File Number or exemption details, we must withhold tax at the highest marginal rate (plus Medicare levy) from Distributions payable. It is not, however, against the law for you to choose not to quote your Tax File Number or exemption. The collection of Tax File Numbers is authorised, and the use of such information is regulated, by the tax laws and the Privacy Act.

### 14.4 NON-RESIDENT INVESTORS

If you have an overseas address, you will be deemed to be a non-resident and withholding tax may be deducted from your distribution entitlement. In general, non-resident Investors receiving distributions do not need to quote a Tax File Number. Non-resident Investors may be entitled to claim a credit for withholding tax in their country of residence. You should seek professional taxation advice prior to investing in the Trust.

### 14.5 GOODS AND SERVICES TAX (GST)

Under current GST law, the issue of Units and distributions by the Trust are not subject to GST.

GST will apply to the Management Costs charged to the Trust by the Responsible Entity. GST will also apply to most other goods/services acquired by the Trust. Generally, the Trust cannot claim full input tax credits for the GST it incurs on these acquisitions but may be entitled to a reduced input tax credit equal to circa 75% of the GST included in the cost of certain acquisitions (e.g. the Investment Management Fee).

We note that if the Responsible Entity is or becomes liable to pay GST on fees not described in this PDS as GST inclusive, it is entitled to be reimbursed out of the assets of the Trust for an additional amount on account of GST. Such charges (inclusive of the net effect of GST if applicable) will be reflected in the unit price of the Trust.

## 15. Keeping You Informed

We will:

- confirm every transaction that you make by email, mobile, SMS or post (other than in connection with receiving monthly distributions);
- send you a report with tax information as soon as practicable after the end of the financial year to help you include the information in your tax return; and
- keep you informed about any situation that will result in a change/(s) to the terms and conditions of the Trust. For example, if the Borrower repays their Loan early or defaults on the Loan.

We also have information about the Trust on our website, [www.balmainprivate.com.au](http://www.balmainprivate.com.au), including information about the individual Loans in which you are invested.

The Trust as a disclosing entity is subject to regular reporting and disclosure obligations under the Corporations Act. In fulfilling these obligations, the Trust lodges various financial (generally annual and half-year financial reports), legal and continuous disclosure documents with ASIC.

You have a right to access and inspect these documents.

You can obtain these documents by visiting an ASIC office. Alternately, you can call the Balmain Private Investments Team on +61 (2) 9232 8888 and, within 5 days, we will send you a paper copy of the document including a copy of:

- the annual financial report most recently lodged with ASIC;
- any half year financial report lodged with ASIC (after the lodgement of that annual financial report and before the date of the PDS); or
- any continuous disclosure notices given by the Trust (after lodgement of that annual financial report and before the date of the PDS).

We will also publish and make freely available on the Balmain Private website, the Trust's Annual Report, Half-Year Review, TMD and the RG45 Disclosure Statement.

## 16. Privacy Policy

In completing the Application Form to invest in the Trust, you will provide the Responsible Entity with your contact details (name, address and phone numbers) and other personal information about you, such as your date of birth.

We are required under the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (**AML/CTF Act**) to collect certain personal information about you. We use this information to establish and manage your investment and for the purposes of the AML/CTF Act. We may also use such information to forward to you, from time to time, details of other investment opportunities available from the Investment Manager or other Balmain companies.

By completing the Application Form to invest in the Trust, you consent for the purposes of the *Spam Act 2003 (Cth)* to receiving commercial electronic messages from the Investment Manager. However, you may request that no information of that nature be sent to you.

Under Australia's Privacy Principles, you may access personal information about you held by us except in limited circumstances, and let us know if you think the information is inaccurate, incomplete or out of date. You can also tell us at any time not to pass on your personal information by advising us in writing. If you do not provide us with your contact details and other information, we may not be able to effectively manage your investment. The consequences of not providing your tax file number are described in the taxation information in Section 14 of this PDS.

Where permitted by law, including the Privacy Act 1988 (Cth), the Investment Manager, any other subsidiary of Balmain, and third parties such as investment advisers acting on your behalf may exchange with each other any information about you which you have provided on the application form or information concerning your transaction details or transaction history. We may also disclose your personal information to verify information about you including your identity. In addition, if the Responsible Entity engages anyone to do something on its behalf (for example, a mail house or data processor) then the Responsible Entity and that person engaged may exchange with each other information concerning your transaction details or transaction history for the purposes referred to above.

Under various superannuation and tax laws we may be obliged to pass certain information on to other organisations including the Australian Taxation Office. Balmain's Privacy Policy sets out the policies on management of personal information. Please contact the Investment Manager if you would like information about, or a copy of, the Balmain Privacy Policy. To find out more about your rights and remedies for breaches of privacy, you can visit the Office of the Australian Information Commissioner's web site at [www.oaic.gov.au](http://www.oaic.gov.au) or contact the hotline on 1300 363 992.



## 17. Additional Information

### 17.1 ANTI-MONEY LAUNDERING PROCEDURES

In December 2006 the Australian Government introduced the AML/CTF Act. From 12 December 2007, the AML/CTF Act requires entities such as the Responsible Entity to, amongst other things, perform appropriate identification and verification procedures for applicants investing in managed investment products such as the Trust. The AML/CTF Act relevantly requires Responsible Entity to:

- collect appropriate 'know your customer' information from applicants for managed investment products;
- verify the applicant's identity from reliable and independent documentation; and,
- to have in place appropriate systems and controls to determine whether additional customer information (including beneficial owner information) should be collected and/or verified on an ongoing basis to ensure that the Responsible Entity holds up-to-date information about its Investors.

Given these requirements of the AML/CTF Act, the Responsible Entity may be unable to process your application if the identity information requested is not provided at the time of investment and your identity properly verified from reliable and independent certified documentation. Further detail on information you need to provide is included in the 'Application Form attached to this PDS. The Responsible Entity reserves the right to seek further information from you if required.

The Responsible Entity also reserves the right to refuse or cancel applications at any time if it is of the reasonable view that it breaches any anti-money laundering/counter-terrorism financing law or the money laundering or terrorism financing risk is unacceptable to it. The Responsible Entity may also delay or refuse any request or transaction, including by suspending the issue or redemption of Units, if the Responsible Entity is concerned that the request or transaction may cause the Responsible Entity to contravene any anti-money laundering/counter-terrorism financing law. The Responsible Entity will incur not liability to an applicant or Investor if it does so.

### 17.2 INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Responsible Entity has adopted Australian equivalents to International Financial Reporting Standards as issued by the Australian Accounting Standards Board from 1 July 2005. There is no impact on the return to Investors as a result of this change in reporting standards. The Auditor of the Trust is Grant Thornton Audit Pty Limited and they have consented to be named in this PDS.

### 17.3 THE CONSTITUTION OF THE TRUST

The Trust is an unlisted managed investment scheme registered with ASIC. The Trust is governed by a Constitution which sets out, amongst other things, the rights attaching to the Units.

Those rights are, in certain circumstances, also regulated by the Corporations Act and general law. The following is a summary of some of the principal rights of Investors set out in the Constitution:

- Investors are entitled to receive notice of, and to attend and vote at, a general meeting of the Trust and to receive all notices, accounts and other documents required to be sent to Investors under the Constitution, the Corporations Act or the general law;
- each Investor present in person or by an attorney, representative or proxy at a general meeting of the Trust has one vote on a show of hands and on a poll one vote per dollar value of the total Units they have;
- The Responsible Entity may issue further Cash Units, or units in other classes such as Loan Units, for the Unit Price specified in the Constitution as described in Section 7;
- Investors have no right to withdraw their investment in the Trust other than in accordance with the terms of this PDS or any withdrawal offer made by the Responsible Entity. The Responsible Entity is under no obligation to make Investors a withdrawal offer;
- Units may be transferred by a written document in the required form. The Responsible Entity may refuse to transfer Units without giving any reason;
- Investors will be entitled to participate in Trust distributions according to their rights and interests;
- if the Trust is wound up, Investors will be entitled to participate in any surplus Trust assets according to their rights and interests;
- subject to law, the Responsible Entity has all the powers in respect of the Trust which it would have if it was the owner of the Trust's assets;
- the Constitution provides that the Responsible Entity will be entitled to be paid out of the income or capital of the Trust certain fees which are detailed in Section 10;
- the Responsible Entity has a right of indemnity out of the Trust's assets unless it has acted negligently, fraudulently, in breach of its obligations at law or in breach of trust;

- the Responsible Entity, and its related bodies corporate, may hold Units and the Responsible Entity may contract with itself in another capacity, for example as responsible entity of another fund, and may contract with related entities for the provisions of services to the Trust paid for by the Trust; and
- Investors irrevocably appoint the Responsible Entity as their attorney to issue, convert and redeem their Units in accordance with this PDS and the Constitution on their behalf.

#### 17.4 THE COMPLIANCE PLAN OF THE TRUST

The Compliance Plan sets out compliance measures in relation to the conduct of the Trust, its business and compliance with the provisions of the Corporations Act, ASIC policies and the Constitution.

The Compliance Plan is reviewed and audited on an annual basis by an external auditor and the resultant audit report is lodged with ASIC. The Responsible Entity has appointed a Compliance Committee with a majority of independent external members, to oversee compliance with the Compliance Plan, the Constitution and the Corporations Act and to report to the board of Directors of the Responsible Entity on a regular basis.

#### 17.5 COPIES OF CONSTITUTIONS AND COMPLIANCE PLANS

The Constitution and Compliance Plan for the Trust have been lodged with ASIC. A copy of each document is also available free of charge at the Responsible Entity's office during normal business hours.

#### 17.6 INVESTMENT MANAGEMENT AGREEMENT

The Responsible Entity has entered into an Investment Management Agreement (IMA) with the Investment Manager to manage the assets of the Trust. The key terms of the IMA are summarised as follows:

- the Investment Manager will advise the Responsible Entity in respect of the investment of the assets of the Trust;
- the Investment Manager will invest and manage the assets of the Trust on behalf of the Responsible Entity;
- the Investment Manager will regularly review and report to the Responsible Entity in respect of the status and performance of the assets of the Trust;
- the Responsible Entity must pay (from its own funds) the Investment Manager amounts equal to any Investment Management Fee payable to the Responsible Entity in accordance with Section 10 of this PDS;
- the Investment Manager will not be responsible to the Responsible Entity for the financial performance of an assets of the Trust or for acting, or refraining from acting, in accordance with the instructions of the Responsible Entity except to the extent that it is negligent, fraudulent, dishonest or has engaged in wilful misconduct; and,
- the term of the IMA is for an initial period of 10 years (**Term**). During the Term, the IMA may be terminated by either party upon the insolvency, fraud, gross negligence or an un-remedied breach. After the Term, either party may terminate the IMA by providing 36 months' notice. In addition, at any time the Investment Manager may terminate the IMA by providing 90 days' notice in circumstances where the Responsible Entity ceases to be a related party.

#### 17.7 RELATED PARTY AND CONFLICTS OF INTEREST POLICY

There are a number of related party transactions described in this PDS in relation to the Trust, including the engagement by the Responsible Entity and/or the Investment Manager of professional service providers for the Trust, including related parties. The fees for these services will be charged at normal commercial rates to the Trust. All parties and the fees chargeable for these services are subject to the approval of the Responsible Entity. Examples of areas in which related parties may provide services to the Trust are:

- mortgage asset origination;
- servicing of the Trust's Loans; and
- work-out of Loans in default or arrears.

In addition, all transactions in which the Investment Manager may have, or may be perceived to have, a conflict of interest will be conducted in accordance with the Investment Manager's related party transactions and conflicts of interest policy. Under this policy, the Investment Manager may be required to disclose conflicts of interests to Investors and to ensure that its disclosure is timely, prominent and meaningful. These conflict situations will be assessed and evaluated by the Balmain compliance manager and if the compliance manager considers it necessary, refer the matter to the board of the Investment Manager and the Responsible Entity with steps taken to ensure that the conflict is managed in an appropriate manner.

## 17.8 CONSENTS

All of the entities listed below have given, and have not, before the date of this PDS, withdrawn their consent to be named in this PDS in the form and context in which they are named. None of these entities has authorised or caused the issue of this PDS and nor are they responsible for any particular part of it:

- Perpetual Corporate Trust Limited acts as an Authorised Representative of Perpetual Trustee Company Limited under its Australian Financial Services Licence number 236643 has given and not withdrawn its consent to be named in this PDS;
- Mainstream Fund Services Pty Ltd (ACN 118 902 891) has given and not withdrawn its consent to be named in this PDS;
- Grant Thornton Audit Pty Limited; and,
- AMAL Asset Management Limited has given and not withdrawn its consent to be named in this PDS.

## 17.9 AUTOMATIC EXCHANGE OF INFORMATION (AEOI) REGIME

AEOI is the exchange of financial account information between tax authorities in relevant countries. This requires financial institutions including BFAL, to collect tax residency information from their customers.

- The Foreign Account Tax Compliance Act (FATCA) which is a US framework to identify US citizens and tax residents with accounts in foreign (non-US) jurisdictions. This has been in place since 1 July 2014; and
- The Common Reporting Standard under which details of foreign tax resident accounts are shared between participating governments. Phased implementation of this regime commenced 1 January 2016 globally, and commenced in Australia from 1 July 2017.

## 18. Complaints and Dispute Resolution

### 18.1 COMPLAINTS TO THE RESPONSIBLE ENTITY

We have procedures in place for handling Investor complaints. Please contact the Balmain Private Investments Team by calling (02) 9232 8888, or by writing or emailing the Responsible Entity at:

Balmain Fund Administration Limited  
Attn: The Complaints Officer  
Level 14, 60 Castlereagh Street  
Sydney NSW 2000  
**Email:** [complaints@balmain.com.au](mailto:complaints@balmain.com.au)

The Responsible Entity will acknowledge your concern, investigate it and report back to you.

### 18.2 COMPLAINTS TO AUSTRALIAN FINANCIAL COMPLAINTS AUTHORITY

If an issue has not been resolved to your satisfaction, you can lodge a complaint with the Australian Financial Complaints Authority, or (**AFCA**). AFCA provides fair and independent financial services complaint resolution that is free to consumers.

Website: [www.afca.org.au](http://www.afca.org.au)  
Email: [info@afca.org.au](mailto:info@afca.org.au)  
Telephone: 1800 931 678 (free call)

In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne VIC 3001

Please note there are time limits for lodging a dispute with AFCA, which are obtainable by contacting AFCA.

Before you contact AFCA, first try to resolve your concern with the Responsible Entity by contacting us by telephone or in writing.

## 19. Glossary

**Actual Return** means the annualised return that is actually earned by the Trust in respect of a Loan over the Investment Term.

**ADI** means an authorised deposit-taking institution.

**AFCA** means Australian Financial Complaints Authority.

**AFSL** means Australian Financial Services Licence.

**AMAL** means AMAL Asset Management Limited.

**AML/CTF Act** means the Anti-Money Laundering and Counter-Terrorism Financing Act 2006.

**Application Form** means the Application Form accompanying this PDS which you must complete in order to become an Investor in the Trust. The Application Form can also be completed online at [www.balmainprivate.com.au](http://www.balmainprivate.com.au).

**ASIC** means the Australian Securities and Investments Commission.

**Auditor** the auditor of the accounts of the Trust is Grant Thornton Audit Pty Limited.

**Authorised Deposit-Taking Institution (ADI)** means an institution allowed by the Australian Prudential Regulation Authority to take retail deposits.

**Balmain** means Balmain NB Corporation Limited ACN 107 505 760 and each of its subsidiaries.

**Balmain Funds** or the **Investment Manager** means Balmain Funds Management Pty Limited ACN 134 652 707 which is owned by Balmain.

**Balmain Private Website** means the website with the web address of [www.balmainprivate.com.au](http://www.balmainprivate.com.au)

**BFAL** means Balmain Fund Administration Limited ACN 134 526 604 AFSL 333213 being the Responsible Entity of the Trust.

**Borrower** means the legal entity obtaining funds pursuant to a Loan.

**Borrower Rate** means the annual interest rate applying to a Loan.

**Business Day** means day which is not a Saturday, Sunday or a gazetted public holiday in Sydney, NSW Australia.

**Cash Management Account** or **CMA** means the cash account where funds invested from the issue of Cash Units will be invested with an ADI such as a bank.

**Cash Unit** means a class of Unit in the Trust held by Investors who have subscribed under this PDS but have not yet chosen to seek exposure to a particular Loan. Holders of Cash Units have investment exposure only to the CMA.

**Certificate of Currency** means a certificate issued by an insurer confirming that insurance is current in respect of improvements on a Security Property with the Responsible Entity as mortgagee noted on the policy as an interested party.

**CIC** means the Credit and Investment Committee.

**Code Loans** means any loan that falls under the provisions of the National Consumer Credit Protection Act (NCCP Act) and associated regulations.

**Commercial Property** means any real estate that is not governed by the NCCP, including office, industrial, retail and certain types of residential and specialised real estate in Australia or New Zealand.

**Completion Valuation** or **As-If Complete Valuation** means an estimate of the price of the Security Property that should be realised in a sale as at the date of completion of certain specified building/ development work.

**Compliance Committee** means the Committee established as per Section 601JA of the Corporations Act, and consists of three members, of which the majority of members are external.

**Constitution** means the constitution of the Trust.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Loan** or **Loan** means a loan advanced by a Sub-Trust to a Borrower which is secured by way of First Mortgage over Commercial Property.

**Loan Term** means the term of the Loan as set out in the provisions of that Loan.

**Loan Unit** or **Loan Unit** means a class of Unit in the Trust held by Investors who have elected to seek exposure to a particular Loan. There will be a separate class of Loan Unit for each Loan.

**First Mortgage** means a first ranking registered mortgage over property.

**Guarantor** means a natural person or corporate entity that has “guaranteed” the performance of the Sub-Trust loan should the mortgagor fail to pay any part of the loan.

**Investment Manager** or **Balmain Funds** means Balmain Funds Management Pty Limited ACN 134 652 707.

**Investment Management Fee** means the fee set out in Section 10.

**Investment Term** means the term of a Loan Unit as set out in the provisions of that Loan and any variation to such provisions.

**Investor** or **you** means a person who holds Units.

**Investor Console** means the secure, web-based application to which Investors have access in order to manage their accounts. You can access the Investor Console via the Balmain Private Investments website at [www.balmainprivate.com.au](http://www.balmainprivate.com.au). For further information, please refer to Section 13 of this PDS.

**LTCR** means the ratio of the Loan amount to the Completion Value of the Security Property as at the date of the first advance and expressed as a percentage.

**LVR** means the ratio of the Loan amount to the Market Value of the Security Property as at the date of the first advance and expressed as a percentage.

**Management Costs** means the applicable Investment Management Fee and Reimbursable Expenses.

**Market Valuation** or **As-Is, Where-Is Valuation** means an estimate of the price of the Security Property that should be realised in a sale as at the date of the valuation on the assumption that the property is sold in its current condition.

**Mortgage** means a loan used to purchase or maintain a real estate asset. The borrower agrees to pay the lender over time, typically in a series of regular payments that are divided into principal and interest. The property and/or Guarantor serves as collateral to secure the loan.

**NCCP** means the National Consumer Credit Protection Act 2009 (Cth).

**Net Loan Return** means the total return from a Loan (including, without limitation, any payment received from the Borrower in the nature of principal, interest, default interest and early repayment fees) during the term of the Loan.

**PCTL** means Perpetual Corporate Trust Limited.

**Performance Fee** means the performance fee set out in Section 10. A Performance Fee does not apply to Cash Units.

**Principal Amount** means the amount advanced in respect of a Loan plus any capitalised interest less any principal repaid (and, for the avoidance of doubt, excluding any write downs or provisions in respect of the Loan).

**Product Disclosure Statement** or **PDS** means this product disclosure document together with any supplementary product disclosure statement relating to an investment in the Trust.

**Reimbursable Expenses** means both Reimbursable Expenses (Extraordinary) and Reimbursable Expenses (Normal).

**Reimbursable Expenses (Extraordinary)** means expenses and costs incurred by the Responsible Entity which are extraordinary, non-recurring and which occur outside of the normal operation of the Trust (including, but not limited to, convening Investor meetings, producing disclosure documents, any enforcement action against Borrowers, commencing and defending litigation, etc).

**Reimbursable Expenses (Normal)** means expenses and costs incurred by the Responsible Entity relating to the normal recurring day to day operations of the Trust.

**Responsible Entity** means BFAL.

**RG 45 Disclosure Document** means a document that ASIC requires responsible entities of unlisted mortgage schemes in which retail investors invest to provide that addresses ASIC's eight benchmarks and eight disclosure principles as set out in Regulatory Guide 45: Mortgage Schemes: Improving disclosure for retail investors

**S&P** means ratings agency Standard & Poor's.

**Security Property** means the property over which a First Mortgage is taken in respect of a Loan.

**SPDS** means a supplementary product disclosure statement.

**Sub Trust** means a sub-trust of the Trust which holds the direct investment in and exposure to a Loan of that particular Sub-trust.

**Supplementary PDS** or **SPDS** means a document which supplements this PDS and, where required by law, means a supplementary product disclosure statement (as defined in the Corporations Act) which may be in respect of the issue of a class of Loan Units.

**Surplus Recovery** means the dollar amount by which the actual Net Loan Return derived from a Loan exceeds the Net Loan Return required to achieve the Target Annualised Return.

**Transfer Request** means the transfer request attached to or accompanying the SPDS which you must complete in order to convert your holding of Cash Units into Loan Units.

**Target Annualised Return** means the annualised return targeted to be earned by an Investor in respect of a Loan, as disclosed in the relevant SPDS for that Loan, expressed as an annual percentage (i.e. 7.60% per annum).

**Target Market Determination (TMD) describes who the product may be suitable for, based on likely needs, objectives, and financial situation. It also sets out who can distribute our products, how they can do this, and situations when we may need to review our products and the target market.**

**Trust** means Balmain Discrete Mortgage Income Trusts ARSN 155 909 176.

**Unit** means any unit of any class in the Trust.



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# Balmain Discrete Mortgage Income Trusts Application Form

Refer to Section 13 of this PDS for further information on completing the Application Form.

\*IMPORTANT: You must provide an email address & mobile phone number for all Authorised Signatories on the account.

## 1. INDIVIDUAL / JOINT APPLICANT

Complete this Section if you are an individual or joint applicant/s. Once completed, please go to Section 6.

### APPLICANT 1

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Title	First Name	Middle Name	Surname
<input type="text"/>		<input type="text"/>	
Tax File Number (TFN) or Exemption number		Country of residency for tax purposes	
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Date of Birth	Passport Number	Country of Issue	Drivers Licence Number
<input type="text"/>			<input type="text"/>
Email Address			Home Phone
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Mobile	Work Phone	Fax Number	
<input type="text"/>			
Occupation			
<input type="text"/>			
Residential Address (cannot be a PO Box address)			
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Suburb/City	State (if applicable)	Postcode	Country

### APPLICANT 2

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Title	First Name	Middle Name	Surname
<input type="text"/>		<input type="text"/>	
Tax File Number (TFN) or Exemption number		Country of residency for tax purposes	
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Date of Birth	Passport Number	Country of Issue	Drivers Licence Number
<input type="text"/>			<input type="text"/>
Email Address			Home Phone
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Mobile	Work Phone	Fax Number	
<input type="text"/>			
Occupation			
<input type="text"/>			
Residential Address (cannot be a PO Box address)			
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Suburb/City	State (if applicable)	Postcode	Country

## 2. SOLE TRADER

Complete this Section if this is a Sole Trader application. Once completed, please go to Section 6.

<input type="text"/>	<input type="text"/>
Full Business Name (if any)	ABN/ACN

Registered Office (cannot be a PO Box address)

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Suburb/City	State (if applicable)	Postcode	Country

Principal place of business in Australia (cannot be a PO Box address)

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Suburb/City	State (if applicable)	Postcode	Country

### APPLICANT

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Title	First Name	Middle Name	Surname

<input type="text"/>	<input type="text"/>
Tax File Number (TFN) or Exemption number	Country of residency for tax purposes

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Date of Birth	Passport Number	Country of Issue	Drivers Licence Number

<input type="text"/>	<input type="text"/>
Email Address	Home Phone

<input type="text"/>	<input type="text"/>	<input type="text"/>
Mobile	Work Phone	Fax Number

Occupation

Residential Address (cannot be a PO Box address)

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Suburb/City	State (if applicable)	Postcode	Country

### 3. COMPANY APPLICANT

Complete this Section if this is a Company Application. Once completed, please go to Section 6. If this application is for a Corporate Trustee please go to Section 4.

#### 3(A) COMPANY DETAILS

<input type="text"/>		<input type="text"/>	
Full Company Name		ACN / ABN / ARBN (delete if not applicable)	
<input type="text"/>	<input type="text"/>	<input type="text"/>	
Tax File Number (TFN)	Country of incorporation	Date of incorporation	
<input type="text"/>			
Registered Office (cannot be a PO Box Address)			
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Suburb/City	State (if applicable)	Postcode	Country
<input type="text"/>			
Principal place of business (cannot be a PO Box address)			
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Suburb/City	State (if applicable)	Postcode	Country
<input type="text"/>		Registered by ASIC as a	<input type="checkbox"/> Proprietary <input type="checkbox"/> Public
Nature of Business			

#### BENEFICIAL OWNERS OF THE COMPANY

Please detail ALL beneficiaries who through one or more shareholdings own more than 25% of the company's issued capital

##### Beneficial Owners

Please list Full Name/s or Class of Beneficiaries (if individual beneficial owners are not named)

Full Name (and address)	<input type="text"/>
Full Name (and address)	<input type="text"/>
Full Name (and address)	<input type="text"/>
Full Name (and address)	<input type="text"/>
Full Name (and address)	<input type="text"/>
Class	<input type="text"/>

#### 3(B) DIRECTORS OF THE COMPANY

If the company is propriety/private please provide full names of all Directors

Full Name	<input type="text"/>
Full Name	<input type="text"/>
Full Name	<input type="text"/>
Full Name	<input type="text"/>

**DIRECTOR 1 / SOLE DIRECTOR OF THE COMPANY**

This Section is to be completed by the Authorised Signatories on the Account. With the exception of where there is a Sole Director (who must be the Authorised Signatory) these must be at least two Authorised Signatories on the account (eg two Directors or a Director and a Company Secretary). You must nominate at least one Director as an Authorised Signatory.

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Title	First Name	Middle Name	Surname
<input type="text"/>		<input type="text"/>	
Country of Residency for tax purposes		Place of Birth	
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Date of Birth	Passport Number	Country of Issue	Drivers Licence Number
<input type="text"/>			<input type="text"/>
Email Address			Home Phone
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Mobile	Work Phone	Fax Number	
<input type="text"/>			
Occupation			
<input type="text"/>			
Residential Address (cannot be a PO Box address)			
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Suburb/City	State (if applicable)	Postcode	Country

**DIRECTOR 2 / COMPANY SECRETARY OF THE COMPANY**

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Title	First Name	Middle Name	Surname
<input type="text"/>		<input type="text"/>	
Country of Residency for tax purposes		Place of Birth	
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Date of Birth	Passport Number	Country of Issue	Drivers Licence Number
<input type="text"/>			<input type="text"/>
Email Address			Home Phone
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Mobile	Work Phone	Fax Number	
<input type="text"/>			
Occupation			
<input type="text"/>			
Residential Address (cannot be a PO Box address)			
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Suburb/City	State (if applicable)	Postcode	Country

#### 4. TRUST OR SUPERANNUATION FUND

Complete this Section if you are a Trust or Superannuation Fund. Once completed, please go to Section 6.

##### 4(A) TRUST DETAILS

Name of Trust or Superannuation Fund

##### Please nominate Type of Trust

Wholesale Trust

Regulated Trust/Superannuation Fund (eg. ATO regulated Self Managed Super Fund or APRA regulated Trust)

Government Superannuation Fund (please specify fund number)

Registered managed investment scheme (please specify ARSN)

Any other trust (eg. family trust, please specify)

<input type="text"/>	<input type="text"/>	<input type="text"/>
TFN	ABN	Country of Establishment

Trust is a self Managed Super Fund (SMSF)

Date of Trust Deed

Trust Business Address

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Suburb/City	State (if applicable)	Postcode	Country

##### Beneficial Owners

Please detail all beneficiaries who, through one or more shareholdings, own more than 25% of the company's issued capital.

Full Name (and address)	<input type="text"/>
Full Name (and address)	<input type="text"/>
Full Name (and address)	<input type="text"/>
Full Name (and address)	<input type="text"/>
Full Name (and address)	<input type="text"/>
Class	<input type="text"/>

## 4(B) TRUSTEE DETAILS

### Individual Trustee 1

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Title	First Name	Middle Name	Surname
<input type="text"/>		<input type="text"/>	
Country of Residency for tax purposes		Place of Birth	
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Date of Birth	Passport Number	Country of Issue	Drivers Licence Number
<input type="text"/>			<input type="text"/>
Email Address			Home Phone
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Mobile	Work Phone		Fax Number
<input type="text"/>			
Occupation			
<input type="text"/>			
Residential Address (cannot be a PO Box address)			
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Suburb/City	State (if applicable)	Postcode	Country

### Individual Trustee 2

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Title	First Name	Middle Name	Surname
<input type="text"/>		<input type="text"/>	
Country of Residency for tax purposes		Place of Birth	
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Date of Birth	Passport Number	Country of Issue	Drivers Licence Number
<input type="text"/>			<input type="text"/>
Email Address			Home Phone
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Mobile	Work Phone		Fax Number
<input type="text"/>			
Occupation			
<input type="text"/>			
Residential Address (cannot be a PO Box address)			
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Suburb/City	State (if applicable)	Postcode	Country



**Corporate Trustee**

Full Company Name		ACN / ABN / ARBN (delete if not applicable)	
Country of incorporation		Date of incorporation	
Registered Office (cannot be a PO Box Address)			
Suburb/City	State (if applicable)	Postcode	Country
Principal place of business in Australia (cannot be a PO Box address)			
Suburb/City	State (if applicable)	Postcode	Country
		Registered by ASIC as a <input type="checkbox"/> Proprietary <input type="checkbox"/> Public	
Nature of Business			

**BENEFICIAL OWNERS OF THE TRUSTEE COMPANY**

Please detail ALL beneficiaries who through one or more shareholdings own more than 25% of the company's issued capital

Full Name (and address)	
Full Name (and address)	
Full Name (and address)	
Full Name (and address)	
Full Name (and address)	
Class	

**4(C) DIRECTORS OF THE TRUSTEE COMPANY**

If the company is propriety/private please provide full names of all Directors

Full Name	
Full Name	
Full Name	
Full Name	

**DIRECTOR 1 / SOLE DIRECTOR OF TRUSTEE COMPANY**

This Section is to be completed by the Authorised Signatories on the Account. With the exception of where there is a Sole Director (who must be the Authorised Signatory) these must be at least two Authorised Signatories on the account (eg two Directors or a Director and a Company Secretary). You must nominate at least one Director as an Authorised Signatory.

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Title	First Name	Middle Name	Surname
<input type="text"/>		<input type="text"/>	
Country of Residency for tax purposes		Place of Birth	
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Date of Birth	Passport Number	Country of Issue	Drivers Licence Number
<input type="text"/>			<input type="text"/>
Email Address			Home Phone
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Mobile	Work Phone	Fax Number	
<input type="text"/>			
Occupation			
<input type="text"/>			
Residential Address (cannot be a PO Box address)			
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Suburb/City	State (if applicable)	Postcode	Country

**DIRECTOR 2 / COMPANY SECRETARY OF TRUSTEE COMPANY**

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Title	First Name	Middle Name	Surname
<input type="text"/>		<input type="text"/>	
Country of Residency for tax purposes		Place of Birth	
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Date of Birth	Passport Number	Country of Issue	Drivers Licence Number
<input type="text"/>			<input type="text"/>
Email Address			Home Phone
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Mobile	Work Phone	Fax Number	
<input type="text"/>			
Occupation			
<input type="text"/>			
Residential Address (cannot be a PO Box address)			
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Suburb/City	State (if applicable)	Postcode	Country

## 5. ACCOUNT DESIGNATION

Note that only individuals or legal entities are allowed to be registered as the holder of securities. Your account designation should include the name of one or more individuals or legal entities, though that name may be followed by a designation (eg, Mr John Kenneth Smith <Second Account>) or Mr John Smith <Jack Smith A/c>.

## 6. NOMINATED AUSTRALIAN BANK ACCOUNT DETAILS

Your nominated Australian bank details will be used to pay distributions and to transfer monies when you request a redemption of units from your Balmain Discrete Mortgage Income Trusts (Trust) Cash Units.

Bank or Financial Institution and Address

Bank Account Name

BSB

Bank Account Number

## 7. DISTRIBUTION ELECTION

Please refer to the Product Disclosure Statement regarding distribution payment periods and options.

Please reinvest my income distribution into Cash Units in the Balmain Discrete Mortgage Income Trusts

Please direct credit my income distributions to my Nominated Bank Account

## 8. POSTAL ADDRESS

This section should be completed if you would like to register a postal address (i.e. PO Box, GPO Box)

Postal Address

Suburb/City

State (if applicable)

Postcode

Country

## 9. PRIMARY CONTACT

Primary Contact Name

Role Within Application

## 10. APPLICATION AMOUNT

The minimum initial investment amount for the Balmain Discrete Mortgage Income Trusts is AUD\$50,000. Specify your initial investment amount below.

## 11. THIRD PARTY ACCESS

You may wish to authorise an individual, such as your Financial Advisor or Accountant, to have third party access to your account.

If yes, please complete the section below.

### 11.1. YOUR BALMAIN PRIVATE ACCOUNT DETAILS

Investor Account name

To authorise an Individual go to Section 11.2.

To authorise a Financial Services Professional go to Section 11.3.

To authorise a Company or other Third Party Firm go to Section 11.4.

Please ensure account holders sign Section 11.6.

If not already supplied, Individuals will need to provide a certified copy of their photo identification.

Further information is available at [www.balmainprivate.com.au](http://www.balmainprivate.com.au)

### 11.2. APPOINTMENT OF AN INDIVIDUAL

#### First individual

What level of Authority are you appointing? If you are unsure of the type of authority, please refer to Section 11.7.

Transaction Authority (full online access)

Enquiry Authority (view only access)

First Individual - details and declaration (this section is to be completed by the First Individual appointed)

Title First Name Middle Name Surname

Any other names known by Date of Birth

Residential address, cannot be a Post Office box

Postal Address

Suburb/City State (if applicable) Postcode Country

Occupation

Mobile (Mandatory)

Email (Mandatory)

By completing this form, you accept and agree to be bound by the terms and conditions contained in the applicable offer document. If you do not already have a copy of the relevant offer document you can obtain it from [balmainprivate.com.au](http://balmainprivate.com.au) or by contacting us on (02) 9232 8888 or [info@balmainprivate.com.au](mailto:info@balmainprivate.com.au)

Signature

Date

#### Second individual

What level of Authority are you appointing? If you are unsure of the type of authority, please refer to Section 11.7.

Transaction Authority (full online access)

Enquiry Authority (view only access)

## Second Individual - details and declaration (this section is to be completed by the Second Individual appointed)

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Title	First Name	Middle Name	Surname

<input type="text"/>	<input type="text"/>
Any other names known by	Date of Birth

Residential address, cannot be a Post Office box

Postal Address

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Suburb/City	State (if applicable)	Postcode	Country

Occupation

<input type="text"/>	<input type="text"/>
Mobile (Mandatory)	Email (Mandatory)

By completing this form, you accept and agree to be bound by the terms and conditions contained in the applicable offer document. If you do not already have a copy of the relevant offer document you can obtain it from [balmainprivate.com.au](http://balmainprivate.com.au) or by contacting us on (02) 9232 8888 or [info@balmainprivate.com.au](mailto:info@balmainprivate.com.au)

<input type="text"/>	<input type="text"/>
Signature	Date

If you select Transaction Authority in Sections 11.3 or 11.4, additional identification may be required, if not already supplied Balmain Private reserves the right to ask for additional documentation when required.

**11.3. APPOINTMENT OF A FINANCIAL SERVICES PROFESSIONAL**

You can use this section to appoint a Financial Services Professional (e.g. a Financial Adviser, Financial Advisory Firm or Accountant) to have access to your account.

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Title	First Name	Middle Name	Surname

<input type="text"/>	<input type="text"/>	<input type="text"/>
Dealer/Business name	AFSL No.	Authorised Rep No.

Please update my details to appoint the above Financial Services Professional to my account, replacing the current primary Financial Services Professional (if applicable).

What level of Authority are you appointing? If you are unsure of the type of authority, please refer to Section 11.7.

Transaction Authority (full online access)

Enquiry Authority (view only access)

**Financial Services Professional declaration: This must be signed by the Financial Services Professional noted in Section 11.3.**

By completing this form, you accept and agree to be bound by the terms and conditions contained in the applicable offer document. If you do not already have a copy of the relevant offer document you can obtain it from [balmainprivate.com.au](http://balmainprivate.com.au) or by contacting us on (02) 9232 8888 or [info@balmainprivate.com.au](mailto:info@balmainprivate.com.au)

<input type="text"/>	<input type="text"/>
Signature	Date

If your Financial Services Professional does not have a Balmain Adviser Login, they will need to complete the Balmain Adviser Registration Form online at [balmainprivate.com.au](http://balmainprivate.com.au)

**11.4. APPOINTMENT OF A FINANCIAL SERVICES COMPANY**

You can use this section to appoint a Company or other Third Party Firm (e.g. a Accounting Firm or Administrator) to have access to your account.

Company name

What level of Authority are you appointing? If you are unsure of the type of authority, please refer to Section 11.7.

Transaction Authority (full online access)

Enquiry Authority (view only access)

A Financial Services Company must be registered with Balmain before they can be added to the account. Please contact Balmain on (02) 9232 8888 or [info@balmain.com.au](mailto:info@balmain.com.au) to register.

**11.5. WOULD YOU LIKE TO CANCEL A THIRD PARTY AUTHORITY OR COMPANY ACCESS?**

No

Yes, please specify

Existing authorities will remain on your account if this section is not completed.

**11.6. DECLARATION AND SIGNATURE OF ACCOUNT HOLDERS**

For personal accounts, all account holders must sign. For company accounts two directors, a director and a secretary, or a sole director must sign. Please note that the directors/secretary who sign must be existing account signatories.

I/we:

- accept and agree to be bound by the Terms and Conditions in the applicable offer document and in Section 11.7 of this form, that relate to the appointment of Third Party Authorities, and
- authorise the Individual(s) whose signature(s) appear in Section 11.2, or the financial specialist/company/dealer group whose name appears in Section 11.3 and/or 11.4 (appointee), which includes the Individual signatories appointed by the company/dealer group, to operate my/our account, and
- acknowledge that, even if I/we do not make use of Balmain's various electronic and telephone services, the appointee(s) may be able to make use of those services in operating my/our account on my/our behalf.

**Signature 1**

Full Name

Signature

Date

Title

If a Company Officer, your Corporate Title

**Signature 2**

Full Name

Signature

Date

Title

If a Company Officer, your Corporate Title

## 11.7. TERMS AND CONDITIONS

General terms which apply to all levels of authority

- 11.7.1 Only you may appoint a third party to access, enquire and/or transact on your Account.
- 11.7.2 If you appoint a third party to withdraw from your Account they will automatically be able to enquire on your Account also.
- 11.7.3 You:
- a) indemnify us against all loss, liabilities and costs incurred directly or indirectly as a result of the appointment of a third party
  - b) indemnify us against all loss, liabilities and costs incurred directly or indirectly in connection with any action by a third party under their appointment or any investment or withdrawal from your account on their instruction
  - c) release us from all claims and liabilities in connection with any act or omission relating to the appointment of a third party to your Account, and
  - d) release us from all claims and liabilities in connection with any action by a third party under their appointment or any payment made from your account on their instruction.
- 11.7.4 However, we remain liable for any loss or liability which, by operation of law we cannot exclude.
- 11.7.5 This authority takes effect on the date that we amend our records to note the appointment and continues until you cancel it by telling us in writing. Cancellation also takes effect on the date that we amend our records to note the change.
- 11.7.6 We may cancel the appointment of a third party as an authority on your account by telling you in writing.
- 11.7.7 In the event of the death of an account holder, the authority given under this form will automatically terminate.
- 11.7.8 Third parties may not give other third parties access or authority on your Account.
- 11.7.9 Where you give authority to a company or firm such as your stockbroking or financial advisory firm:
- a) the company or firm will give us details of people who can transact on its behalf
  - b) you acknowledge and agree that the company or firm may do this and that the people nominated by the company or firm can withdraw from your Account in accordance with the authority you have given it
  - c) we will only act on requests from the company or firm, if the person requesting the withdrawal has been nominated by it in accordance with our procedures
  - d) the company or firm must tell us in writing if any nominated person no longer has authority. If we have not been advised in writing that the person no longer has authority, then that person may still operate your account and you cannot claim that he or she is not acting for you until we are told by the company or firm in writing.

### Terms relating to each of the levels of authority

- 11.7.10 You agree to terms and conditions as set out in the applicable offer document available from [balmainprivate.com.au](http://balmainprivate.com.au) or by calling us on (02) 9232 8888.
- 11.7.11 Enquiry Authority:
- a) You authorise the third party to have access to information about your account
  - b) You do not authorise the third party to make investments or withdrawals from your account, make any changes to your account details, or close your account.
- 11.7.12 Transaction Authority:
- a) You understand that the third party will be provided with full online access to your account and you authorise the third party to make investments and withdrawals in accordance with the terms and conditions as set out in the offer document and as per this third party authority form; and in addition
  - b) This authority allows the third party to change details on your account held with Balmain Private (subject to clause 7.9).

## 12. AUTHORISED SIGNATORIES

Please provide the full names and signatures of Authorised Signatories for the account. Authorised Signatories have legal authority for the Account.

Authorised Signatories have legal authority for the account. If an account has more than one Authorised Signatory nominated, then **any one** signatory may operate and transact for this account via the on-line Investor Control Console, and therefore bind the transaction. Please note that Balmain takes no responsibility for the actions of any authorised signatory, or unauthorised use of an Authorised Signatory's username and password.

For Corporate clients you must nominate at least one (1) Director as an Authorised Signatory.

Signatory 1	Signatory 2
<input type="text"/>	<input type="text"/>
Full Name	Full Name
<input type="text"/>	<input type="text"/>
Signature	Signature
<input type="text"/>	<input type="text"/>
Date	Date
<input type="text"/>	<input type="text"/>
Email Address	Email Address
<input type="text"/>	<input type="text"/>
Mobile	Mobile



### 13. FOREIGN ACCOUNT TAX COMPLIANCE ACT (FATCA)

Please complete the section below that corresponds to your 'Investor type' as indicated from page 56 to page 63 of this Application Form, e.g. Individual Investor, Company, Trust/Superannuation and so on.

#### 13(A) APPLICANT DETAILS - INDIVIDUAL, JOINT INVESTORS, SOLE TRADER, INDIVIDUAL TRUSTEES

##### Investor A

Are you a US Citizen or US Resident for tax purposes?

- Yes - provide your US Taxpayer Identification Number (TIN)
- No - you have no further FATCA obligations. *Proceed to Section 14.*

##### Investor B

Are you a US Citizen or US Resident for tax purposes?

- Yes - provide your US Taxpayer Identification Number (TIN).
- No - you have no further FATCA obligations. *Proceed to Section 14.*

#### 13(B) APPLICANT DETAILS - COMPANY, CORPORATE TRUST

Are you investing for, or on behalf of, a US Company for tax purposes?

- Yes - provide the Company's TIN or exemption code, if an exempt payee.
- No - please select the most relevant following box. *Select 1 of 3.*

##### 1. Financial Institution

Provide the Global Intermediary Identification Number (GIIN). If the company does not have a GIIN, please detail the institution's FATCA status. If you are unsure of the FATCA status, please consult your accountant or tax specialist.

2. **Non-financial Public Company** - there are no further FATCA obligations. *Proceed to Section 14.*
3. **Non-financial Proprietary Company** - if there are beneficial owners who are US Citizens or US Residents, provide the following.

Name

Residential address (street address must be provided, PO Box is not acceptable)

US Taxpayer Identification Number (TIN)

If there is more than one beneficial owner, please provide these details on a separate page and attach to this Application Form. If there are no such beneficial owners, there are no further FATCA obligations. *Proceed to Section 14.*

#### 13(C) APPLICANT DETAILS - TRUST, SUPERANNUATION FUND

##### Regulated Trusts

If you are investing for, or on behalf of, a regulated trust, is it (select 1 of 4).

1. Yes - an **Australian regulated Superannuation Fund** - (SMSF, APRA regulated Super Fund, Registered Managed Investment Fund, Government Super Fund or Pooled Super Trust)? Then there are NO further FATCA obligations. *Proceed to Section 14.*
2. Yes - a **US Trust** for US tax purposes?

Provide the company's US Taxpayer Identification Number (TIN) or exemption code, if an exempt payee

3. Yes - a **Financial Institution or a Trust/Fund with a Trustee/Responsible Entity that is a Financial Institution?**

Provide the Global Intermediary Identification Number (GIIN). If the trust/fund or trustee/responsible entity does not have a GIIN, please detail the institution's FATCA status. If you are unsure of the FATCA status, please consult your accountant or tax specialist.

4. **None of the above?** Then there are NO further FATCA obligations. *Proceed to Section 14.*

### Unregulated Trusts (Foreign Superannuation Fund, Other Trust type)

If you are investing for, or on behalf of, a Regulated Trust, is it (select 1 of 4).

1. Yes - a **Family Trust/Unit Trust** or other Trust which has Trust Beneficiaries, Trustees or Settlers that are US Citizens or Residents of the US for US tax purposes? Provide the following details of each Beneficiary, Trustee, Settlor or Beneficial Owner who is a US Citizen or Resident of the US for US tax purposes.

Name

Residential address (street address must be provided, PO Box is not acceptable)

US Taxpayer Identification Number (TIN)

If there is more than one Beneficiary, Trustee, Settlor or Beneficial Owner, please provide these details on a separate page and attach to this Application Form.

2. Yes - a **Financial Institution**, Trust or Fund with a Trustee or Responsible Entity that is a Financial Institution?

Then please provide the Global Intermediary Identification Number (GIIN). If neither the Trust nor the Trustee has a GIIN, please detail the institution's FATCA status. If you are unsure of the FATCA status, please consult your accountant or tax specialist.

3. Yes - a **US Trust** for US tax purposes?

Then please provide the TIN or exemption code, if an exempt payee.

4. **None of the above?** Then there are NO further FATCA obligations. *Proceed to Section 14.*

### 13(D) APPLICANT DETAILS - PARTNERSHIP

If you are investing for, or on behalf of, a partnership, is it (select 1 of 3).

1. Yes - a **US Partnership**?

Then please provide the partnership's US Taxpayer Identification Number (TIN) or exemption code, if an exempt payee

2. Yes - a **Financial Institution**?

Please provide the institution's Global Intermediary Identification Number (GIIN), if applicable. If the institution does not have a GIIN, detail the institution's FATCA status. If you are unsure of the FATCA status, please consult your accountant or tax specialist

3. **Other** (not a US Partnership nor a Financial Institution)?

Provide the following for each partner who is a US Citizen or Resident of the US for US tax purposes.

Name

Residential address (street address must be provided, PO Box is not acceptable)

US Taxpayer Identification Number (TIN)

If there is more than one partner, please provide these details on a separate page and attach to this Application Form.

#### 14. DECLARATION AND SIGNATURE

I/we declare that I/we:

- have received, read and understood the Product Disclosure Statement (**PDS**) in respect of the Balmain Discrete Mortgage Income Trusts (**Trust**)
- agree to be bound by the PDS (including any Supplementary PDSs) and the constitution of the Trust
- acknowledge that I/we have received and accepted the offer in the PDS
- declare that the information set out in this form is complete and accurate
- appoint the responsible entity as my/our agent and attorney to do all things necessary (including redeeming and converting units in the Trust) to deal with my/our investment in the Trust in accordance with your instructions and the PDS
- agree to my/our personal information being collected and used in accordance with the privacy disclosure in the PDS
- acknowledge that the responsible entity of the Trust is required to comply with AML legislation and that if I/we refuse to provide any information or documentation requested, or if the responsible entity believes it is required to take action under AML legislation, the responsible entity may take any action it considers appropriate and the responsible entity will not be liable for any resulting loss
- appoint the responsible entity as my/our agent and attorney to do all things necessary (including transferring my/our units) to ensure compliance with AML legislation
- agree to provide additional information and assistance and comply with all reasonable requests to facilitate the responsible entity's compliance with AML legislation
- acknowledge that if an account has more than one authorised signatory that **any one** signatory may operate the account and Balmain takes no responsibility for the actions of any investor
- acknowledge that once submitted, my/our application for an investment in the Trust is irrevocable
- have included all all relevant identification documents with my/our completed application form

#### FATCA Information

- I/We will provide BFAL or its nominee any information that BFAL reasonably requires in order to enable BFAL to meet all of its compliance, reporting and other obligations under the United States of America Foreign Account Tax Compliance Act ('FATCA') and all associated rules and regulations from time to time (including, without limitation, the Inter-Governmental Agreement ('IGA') entered into between the governments of the US and Australia).
- I/We understand that where I/we have provided BFAL or its nominee with information about my status or designation under or for the purposes of FATCA (including, but without limitation, US residency or citizenship status and FATCA status as a particular entity type) and all associated rules and regulations, BFAL will treat that information as true and correct without any additional validation or confirmation being undertaken by BFAL except where it is under a legal obligation to do so.

**All signatories must sign below**

#### Signatory 1

Signature

Print Name

Capacity (company investments only)

Sole Director  Director  Secretary

Date

 /  /    

#### Signatory 2

Signature

Print Name

Capacity (company investments only)

Sole Director  Director  Secretary

Date

 /  /

# Identification Document Requirements

In accordance with the requirements of the AML/CTF Act as detailed on pg 40 of this PDS, the identity of applicants must be appropriately verified by the Responsible Entity when applications are received for investment in the Trust. If the relevant AML/CTF documentation is not provided, the application will not be processed.

Please use the guide below to ensure that the relevant identification documentation is included with your completed application form.

## 1. For Individuals/Joint Accounts/Third Parties

Please provide a certified copy of one of the following photographic/photo ID documents:

- Current Passport or a similar document issued for the purpose of international travel (if the passport has been issued by the Commonwealth of Australia and has expired within the preceding two years, this will be acceptable);
- Current Driver's licence (Australian residents only);
- Current National identity card (issued by a foreign government, the United Nations or an agency of the United Nations); or
- Proof of Age card (card issued for the purpose of proving a person's age).

If the above documentation cannot be provided, please provide a certified copy of one document each from Table A and Table B:

**Table A**

DOCUMENT	REQUIREMENT
<b>Birth Certificate</b>	Must be a full Australian or Foreign birth certificate
<b>Citizenship Certificate</b>	Australian or Foreign citizenship certificate
<b>Pension Card or Health Card</b>	Issued by Centrelink or equivalent Government Agency

**Table B**

DOCUMENT	REQUIREMENT
<b>A notice issued by the Commonwealth or State/Territory</b>	Not more than 12 months old and must contain the individual's name and residential address
<b>A notice issued by the Australian Tax Office</b>	Not more than 12 months old and must contain the individual's name and residential address
<b>Utility Bill or Bank Statement</b>	Not more than 3 months old and must contain the individual's name and residential address

## 2. For Superannuation Funds/Trust

Please provide certified copies of one of the following documents (NB. The documents listed must confirm the Trust name and existence):

- Trust Deed or Extract of Trust Deed; or
- Notice of assessment issued by the Australian Taxation Office (or overseas equivalent) within the last 12 months; or
- A letter signed by a solicitor or qualified accountant regarding the establishment of the trust.

To identify the Trustee, we will also need the following:

- If the identifying trustee is a company, please provide a current ASIC or equivalent company search or a certificate of registration issued by ASIC or equivalent government body.
- If the identifying trustee is an individual, please provide documentation as outlined above in the requirements for '1. For Individuals/Joint Accounts'.

### 3. For Companies

Please provide certified copies of one of the following documents AND a copy of your company signatory list.:

- Current licence issued by the relevant Commonwealth or Territory statutory regulator;
- Public Document issued by the company; or
- Certificate of Registration issued by ASIC.

**Please note that, apart from the above, you must provide the Responsible Entity with any information it reasonably requests.**

#### Certification process

**The list of parties who can certify copies of documents is set out below. To be correctly certified, we require the ID documents to be clearly noted 'True copy of the original document'. The party certifying the ID documents will also need to state what position they hold and sign and date the certified documents. If this certification does not appear, you may be asked to send in new certified documents.**

List of persons who can certify documents\* (for the purposes of Anti-Money Laundering and Counter-Terrorism Financing laws):

- Authorised representative of the Fund Manager (BFAL)
- Justice of the Peace
- Solicitor
- Police Officer
- Judge or magistrate, chief executive officer or registrar or deputy registrar of a court
- Notary Public (for the purposes of the Statutory Declaration Regulations 1993)
- Permanent employee of Australia Post (with two or more years of continuous service)
- Your financial adviser (provided they have two or more years of continuous service)
- Your accountant (provided they hold a current membership to a professional accounting body and have two or more years of continuous service)
- Australian consular officer or an Australian diplomatic officer (within the meaning of the Consular Fees Act 1955)
- An officer of an Australian bank, building society, credit union or finance company provided they have two or more years of continuous service.

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# How to contact us

For enquiries and information, please contact the Balmain Private Investments Team on:

**Telephone:** +61 (2) 9232 8888

**Fax:** +61 (2) 9232 8588

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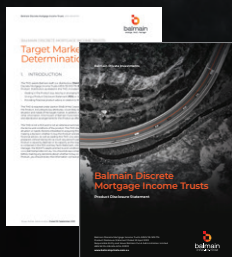
**Address:** Level 14, 60 Castlereagh Street, Sydney NSW 2000 Australia

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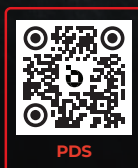
**Website:** [www.balmainprivate.com.au](http://www.balmainprivate.com.au)

## Related documents

You can obtain our Target Market Determination (TMD) by either scanning the QR Code or visiting [www.balmainprivate.com.au](http://www.balmainprivate.com.au)



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