

THE MORTGAGE FUND

ASIC Benchmarks and Disclosure Principles Report

1 October 2025

This ASIC Benchmarks and Disclosure Principles Report (Benchmark Report) provides information regarding The Mortgage Fund ARSN 088 928 081 (Fund) which is issued by Stacks Managed Investments Limited ABN 81 085 843 125, AFSL 227673 (Responsible Entity, Stacks Finance, SMI, we, our).

This Benchmark Report forms part of the current Product Disclosure Statement (PDS). It is important that you read this Benchmark Report in conjunction with the Fund's current PDS before making an investment decision. This report will be updated continuously and can be downloaded from our website at www.stacksfinance.com.au.

A paper copy of this Benchmark Report will be given to you, free of charge, on request by calling our Member Services team on 02 6591 3444.

ASIC Benchmarks and Disclosure Principles

Investments in unlisted mortgage funds can expose investors to risks. The Australian Securities and Investments Commission (ASIC) require mortgage funds to disclose information against 8 benchmarks and 8 disclosure principles. These benchmarks and disclosure principles are aimed at assisting investors understand the risks of investing in mortgage schemes and determining whether such investments are suitable for them. This Benchmark Report does not constitute advice and we strongly recommend that you consult your financial professional before making any investment decisions.

ASIC has issued an independent guide for investors about unlisted mortgage funds called 'Investing in mortgage schemes' which can be obtained from the 'ASIC's Moneysmart' link at <https://moneysmart.gov.au/>

Contents

ASIC Benchmarks	2
Benchmark and Disclosure Principle 1: Liquidity	5
Benchmark and Disclosure Principle 2: Scheme Borrowing	6
Benchmark and Disclosure Principle 3: Loan Portfolio and Diversification	7
Benchmark and Disclosure Principle 4: Related Party Transactions	14
Benchmark and Disclosure Principle 5: Valuation Policy	18
Benchmark and Disclosure Principle 6: Lending Principles – Loan-to-valuation ratios	22
Benchmark and Disclosure Principle 7: Distribution Practices	23
Benchmark and Disclosure Principle 8: Withdrawal Arrangements	23

ASIC Benchmarks

Benchmark	Statement	Explanation
Benchmark 1: Liquidity		
For a pooled mortgage scheme, the responsible entity has cash flow estimates for the scheme that: (a) demonstrate the scheme's capacity to meet its expenses, liabilities and other cash flow needs for the next 12 months; (b) are updated at least every three months and reflect any material changes; and (c) are approved by the directors of the responsible entity at least every three months.	The Benchmark is met.	For an explanation and additional disclosure on this benchmark, see page 5 of this Benchmark Report.
Benchmark 2: Scheme borrowing		
The responsible entity does not have current borrowings and does not intend to borrow on behalf of the scheme.	The Benchmark is met.	For an explanation and additional disclosure on this benchmark, see page 6 of this Benchmark Report.
Benchmark 3: Loan portfolio and diversification		
For a pooled mortgage scheme: (a) the scheme holds a portfolio of assets diversified by size, borrower, class of borrower activity and geographic region; (b) the scheme has no single asset in the scheme portfolio that exceeds 5% of the total scheme assets; (c) the scheme has no single borrower who exceeds 5% of the scheme assets; and (d) all loans made by the scheme are secured by first mortgages over real property (including registered leasehold title).	The Benchmark is met.	For an explanation and additional disclosure on this benchmark, see page 7 of this Benchmark Report.
Benchmark 4: Related party transactions		
The responsible entity does not lend to related parties of the responsible entity or to the scheme's investment manager.	The Benchmark is met.	For an explanation and additional disclosure on this benchmark, see page 14 of this Benchmark Report.
Benchmark 5: Valuation Policy		
In relation to valuations for the scheme's mortgage assets and their security property, the board of the responsible entity requires:	The Benchmark is not met.	For an explanation and additional disclosure on this benchmark, see

(a) a valuer to be a member of an appropriate professional body in the jurisdiction in which the relevant property is located; (b) a valuer to be independent; (c) procedures to be followed for dealing with any conflict of interest; (d) the rotation and diversity of valuers; (e) in relation to security property for a loan, an independent valuation to be obtained: (i) before the issue of a loan and on renewal: (A) for development property, on both an 'as is' and 'as if complete' basis; and (B) for all other property, on an 'as is' basis; and (ii) within two months after the directors form a view that there is likelihood that a decrease in the value of security property may have caused a material breach of a loan covenant.		page 18 of this Benchmark Report.
Benchmark 6: Lending principles—Loan-to-valuation ratios		
If the scheme directly holds mortgage assets: (a) where the loan relates to property development—funds are provided to the borrower in stages based on independent evidence of the progress of the development; (b) where the loan relates to property development—the scheme does not lend more than 70% on the basis of the latest 'as if complete' valuation of property over which security is provided; and (c) in all other cases—the scheme does not lend more than 80% on the basis of the latest market valuation of property over which security is provided.	The Benchmark is met.	For an explanation and additional disclosure on this benchmark, see page 22 of this Benchmark Report.
Benchmark 7: Distribution practices		
The responsible entity will not pay current distributions from scheme borrowings.	The Benchmark is met.	For an explanation and additional disclosure on this benchmark, see page 23 of this Benchmark Report.
Benchmark 8: Withdrawal arrangements		
For liquid schemes: (a) the maximum period allowed for in the constitution for the payment of withdrawal requests is 90 days or less; (b) the responsible entity will pay withdrawal requests within the period allowed for in the constitution; and (c) the responsible entity only permits members to withdraw at any time on request if at least 80% (by value) of the scheme property: (i) is money in an account or on deposit with a bank and is available for withdrawal immediately, or otherwise on	The Benchmark is not met.	For an explanation and additional disclosure on this benchmark, see page 23 of this Benchmark Report.

expiry of a fixed term not exceeding 90 days, during the normal business hours of the bank; or (ii) are assets that the responsible entity can reasonably expect to realise for market value within 10 business days.		
Non-liquid schemes For non-liquid schemes, the responsible entity intends to make withdrawal offers to investors at least quarterly.	Not applicable.	

Benchmark and Disclosure Principle 1: Liquidity

Benchmark 1: Liquidity

This Benchmark and Disclosure Principle addresses the Fund's ability to satisfy its expenses, liabilities and other cash flow needs, including the preparation of 12-month cash flow estimates that are approved by the directors.

The Fund meets Benchmark 1

All investment moneys received by the Fund are placed into one of several deposit accounts with Australian financial institutions. This pool of money forms the Fund's 'liquid assets' and is in turn invested in accordance with the Fund's Authorised Investments.

Liquid assets (in the ordinary sense of the word) are those assets that are available to the Responsible Entity 'at call' or within a reasonably short period of time.

The primary function of the Fund's liquid assets is to ensure that the Responsible Entity has sufficient money available to fulfil its key investment objectives. As the return on liquid assets is usually lower than the mortgages upon which the Fund lends, generally speaking, the higher the amount of liquid assets the lower the potential return paid to Members.

As a result, the Responsible Entity seeks to reduce the level of its liquid assets wherever possible and under the Fund's Constitution, the Responsible Entity has no obligation to maintain any proportion of funds in liquid assets.

However, during normal market conditions, the Fund is managed with a view to ensure that it has sufficient cash to meet its projected cash requirements, including its Withdrawal Policy.

We maintain estimates of future cash flows in and out of the Fund over a rolling twelve (12) month period that demonstrate that the Fund has sufficient capacity to meet its expenses, liabilities and other cash flow needs.

In preparing our cash flow estimates we use the following information relating to cash inflows and outflows (using the preceding 3 year average as a guide where appropriate) for the twelve month projection:

- Applications (including re-invested interest) are set to zero for the twelve month period;
- Redemptions from investors;
- Amounts of new loans written;
- Amounts of undrawn loan commitments;
- Amounts expected to be received from loan repayments (full and in part); and
- Any returns expected to be generated from non-loan assets of the Fund.

We periodically stress test these assumptions.

Our cash flow estimates are updated on a monthly basis and reflect any material changes which have been identified during that period. In addition the Directors of the Responsible Entity approve the cash flow needs of the Fund at regular intervals.

Please refer to our current Product Disclosure Report (PDS) for further information on the risks, including credit, liquidity and withdrawal risks, which could affect the Fund's ability to meet its liquidity requirements.

Disclosure Principle 1: Liquidity

As at the date of this Benchmark Report, based on our cash flow projections, we believe the Fund has sufficient cash (or cash equivalents) to meet its current and future expected cash commitments for the next twelve months.

However, unexpected future events may impact on the Fund's ability to meet its actual cash requirements. There are significant risk factors that may affect the liquidity of the Fund which include:

- Credit Risk – The risk that the security obtained and other accessible assets of the Borrower will not be sufficient to fully discharge the loan and thereby create a capital or income loss.
- Liquidity Risk - The risk that withdrawals (unit redemptions) may exceed funds available to be withdrawn and therefore may prevent an investor from redeeming its investment in a timely fashion.
- Withdrawal Risk – The Responsible Entity has the power to delay repayment up to twelve months from a withdrawal request and therefore may prevent an investor from redeeming its investment in a timely fashion.

There are other risks that may also impact on your investment. Please refer to the Fund's current Product Disclosure Report (PDS) for further information on the risks, including credit, liquidity and withdrawal risks, which could affect the Fund's ability to meet its liquidity requirements.

Under the Fund's constitution, whilst the Fund is deemed to be liquid, the Fund has up to twelve months to repay investor withdrawal requests.

The Fund is authorised to lend monies to borrowers for any term (the maturity date) however in order to ensure that the maturity date corresponds with the Fund's withdrawal arrangements the Responsible Entity has resolved to maintain an average maturity date of twelve months or less.

For more information on the Fund's maturity profile please see Benchmark and Disclosure Principle 3: Loan Portfolio and Diversification.

For more information on the Fund's Withdrawal Policy please see Benchmark and Disclosure Principle 8: Withdrawal Arrangements.

Benchmark and Disclosure Principle 2: Scheme Borrowing

Benchmark 2: Scheme Borrowing

This Benchmark and Disclosure Principle addresses the scheme's policy on borrowing, including the scheme's actual and intended borrowing.

The Fund meets Benchmark 2

The Responsible Entity does not have any borrowings and, as at the date of this report, does not intend to borrow on behalf of the Fund.

The Fund's constitution permits the Fund to borrow, however, we will not do so unless emergency or extraordinary situations arise or we consider it is in the best interest of Members to do so.

If we decide to enter into a borrowing facility in the future, the availability and terms of such borrowings would be subject to the market for borrowings at that time and as such borrowings may not always be available. Lenders may refuse to provide borrowings, renew an existing borrowing facility or refuse to renew the facility on terms that are commercially acceptable to us. This may be for reasons specific to the Fund or due to market-wide events.

Borrowings may be from a variety of sources, including companies associated with a related entity of the Responsible Entity. If funds were ever borrowed from companies associated with a related entity of the Responsible Entity, the terms would be set on a commercial and arm's length basis.

Disclosure Principle 2: Scheme Borrowing

The Fund does not have any borrowings.

The Fund is not authorised to invest in derivatives and as such the Responsible Entity does not have any current interest rate and foreign exchange hedging policies.

Benchmark and Disclosure Principle 3: Loan Portfolio and Diversification

Benchmark 3: Loan portfolio and Diversification

This Benchmark addresses the Fund's lending practices, portfolio risk and concentration risk.

The Fund meets Benchmark 3

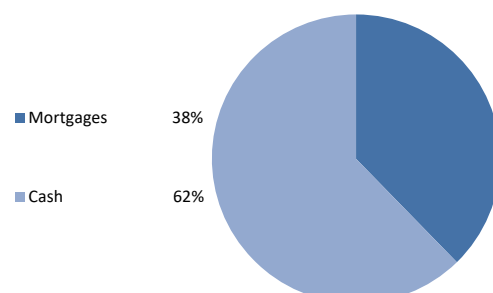
The Fund is a pooled mortgage scheme that holds a portfolio of assets diversified by size, borrower, class of borrower activity and geographic region.

No single asset held by the Fund exceeds 5% of the total Fund assets, the Fund has no single borrower who exceeds 5% of the total Fund assets and all loans made by the Fund are secured by registered first mortgage over real property.

Disclosure Principle 3: Loan portfolio and Diversification

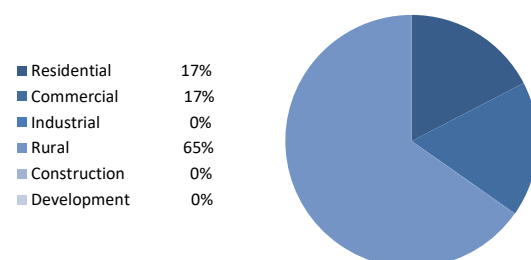
Unless otherwise stated, the information provided below is as at 1 October 2025¹.

Fund Investment Profile	
Asset Allocation	
Mortgages	\$94.2m
Cash	\$155.7m
Total Asset Value of the Fund	\$249.9m

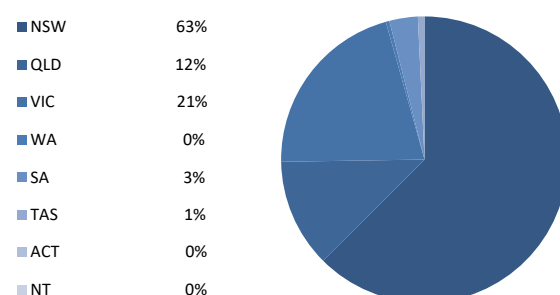


Mortgage Portfolio Profile	
Mortgage Loans – Principal Advanced	\$94.2m
Number of Mortgages	85
Average Loan Size	\$1.1m
Average Loan-to-Value Ratio ²	34.82%
Maximum Loan-to-Value Ratio ²	57.27%
Undrawn Loan Commitments	\$0.2m
Longest Term-to-Loan Maturity	16 months
Average Term-to-Loan Maturity ³	4.38 months
Range of Loan Interest Rates ⁴	8.50% - 12%
Average Interest Rate ³	9.33%

Loans by Class of Activity ⁵		
Activity	No. Loans	Amount (\$)
Residential	15	\$16.4m
Commercial	8	\$16.3m
Industrial	1	\$0.1m
Rural	61	\$61.4m
Construction	0	\$0.0m
Development	0	\$0.0m

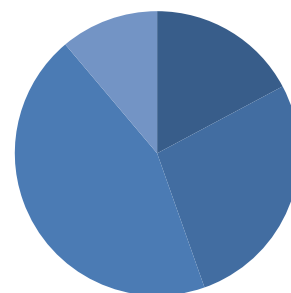
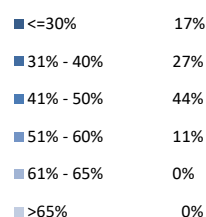


Loans by Geographic Region ⁵		
Region	No. Loans	Amount (\$)
NSW	50	\$58.9m
QLD	12	\$11.5m
VIC	13	\$19.7m
WA	1	\$0.4m
SA	7	\$3.0m
TAS	2	\$0.7m
ACT	0	\$0.0m
NT	0	\$0.0m



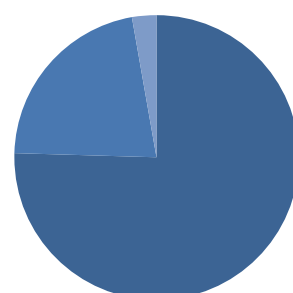
1. Percentages shown are the percentage (by dollar amount) of the mortgage portfolio. Amounts and percentages may differ or may not add up to 100% due to rounding.
2. Includes prime security only and based on last valuation obtained by the Fund, which may be older than twelve (12) months.
3. Includes loans past maturity.
4. Interest rates shown are concessional interest rates on loans (lower rate) and before any higher rate that may apply to loans in arrears or past maturity.
5. Refers to the nature of the secured property in respect of the loan. Each loan is secured by a first registered mortgage over real property. Includes prime security only. The amount refers to the value of the loan.

Loan-to-Valuation Ratios ⁶		
LVR	No. Loans	Amount (\$)
<=30%	33	\$16.2m
31% - 40%	17	\$25.8m
41% - 50%	22	\$41.7m
51% - 60%	13	\$10.5m
61% - 65%	0	\$0.0m
>65%	0	\$0.0m

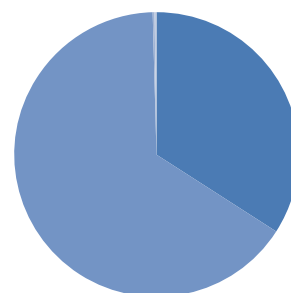
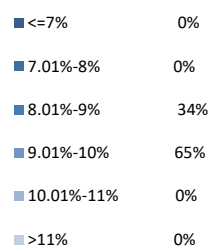


Loans with Capitalised Interest		
	No. Loans	Amount (\$)
Capitalised Interest	4	\$10.9m

Maturity Profile of Loans		
Maturity Profile	No. Loans	Amount (\$)
<=6 months	62	\$71.1m
7 months – 12 months	20	\$20.5m
13 months – 24 months	3	\$2.6m
>24 months	0	\$0.0m



Loans Split by Interest Rates		
Interest Rate (%)	No. Loans	Amount (\$)
<=7%	0	\$0.0m
7.01% - 8%	0	\$0.0m
8.01% - 9%	25	\$32.1m
9.01% - 10%	58	\$61.7m
10.01% - 11%	1	\$0.2m
>11%	1	\$0.2m



Mortgage Priority of Loans ⁷			
Priority	No. Loans	Amount (\$)	Percentage of loans (%)
First Mortgage	85	\$94.2m	100%
Second Mortgage	0	\$0m	0%
Subsequent Mortgage	0	\$0m	0%

Portion Lent to Largest Borrowers			
Borrowers	No. Loans	Amount (\$)	Percentage of loans (%)
Largest Borrower		\$8.5m	9.02%
10 Largest Borrowers	10	\$43.6m	46.28%
Loans >= \$1m	31	\$73.6m	78.13%

6. Includes prime security only and based on last valuation obtained by the Fund, which may be older than twelve (12) months.
7. The Fund may take additional security by way of second or subsequent mortgage to improve the overall suitability of a loan. A Second or Subsequent Mortgage loan is one where there is no first mortgage security.

Loans in Arrears ^{8,11}			
Days in Arrears	No. Loans	Amount (\$)	Percentage of loans (%)
31-60 days	1	\$1.0m	1.06%
61-90 days	0	\$0.0m	0.00%
+90 days	3	\$3.5m	3.66%

Additional Arrears Details			
Description	No. Loans	Amount (\$)	Percentage of loans (%)
Total Arrears ^{11,12}	4	\$4.5m	4.72%
Loans In Possession ⁹	0	\$0.0m	0.00%
Interest Non-Accrual ^{9,10}	0	\$0.0m	0.00%

8. The arrears figures are based on principal only. Loans are in arrears when lower interest payments are outstanding after 30 days.
9. The possession and interest non-accrual figures are based on principal only.
10. Loans where the Responsible Entity believes interest is unlikely to be recovered on sale of the security.
11. Figures as at 30 September 2025.
12. Total arrears figures are all loans where lower interest payments are outstanding.

Loans Secured by Second Mortgages

All loans are secured by first mortgage. The Fund may also take additional security by way of second mortgage to improve the overall suitability of a loan.

The Fund does not usually obtain a valuation of additional security and is therefore unable to quantify the value of the additional security.

The additional security is not included in the loan-to-valuation (LVR) calculation unless it is valued in accordance with the Fund's 'Valuation Policy'.

Investment in Derivatives

The term 'derivative' is used to describe any financial product that has a value that is derived from another security, liability or index.

The Fund is not authorised to invest in Derivatives.

Non-mortgage Assets

The primary non-mortgage asset is the cash component of the Fund's investment portfolio. See the Fund Investment Profile above for the value of the cash component as at the date of this Benchmark Report.

In addition the Fund may take other forms of security such as:

- Additional real estate and water mortgages;
- Security Interests over companies, plant, equipment, stock and goodwill;
- Security Interests over personal property (including vehicles, crops, and livestock);
- Shares in company title real estate properties; and
- Personal guarantees

The Fund does not usually obtain a valuation of non-mortgage securities and is therefore unable to quantify the value of these securities.

The Fund's Diversification Policy

The Fund is authorised to lend in all Australian States or Territories but does not have a diversification policy. Each loan application received by the Responsible Entity is unique and is assessed in accordance with the Responsible Entity's 'Lending Policy'.

For more information on the Fund's loans portfolio and diversification please see Benchmark 3: Loan Portfolio and Diversification.

Lending Policy

The Compliance Plan for the Fund outlines its lending policy. The Responsible Entity does not lend at any loan-to-value ratio (LVR) greater than 75% without mortgage insurance. As at the date of this Benchmark Report the Fund did not hold any mortgages with mortgage insurance.

Loan applications are only successful when approved by two directors of the Responsible Entity and may be based on recommendations from the Fund's mortgage manager, Stacks Financial Services Pty Limited ABN 44 103 732 154 (SFS).

The Fund's loan assessment process is designed to protect Members and their investment. As a result if a borrower were to fall behind in their interest payments, or not be in a position to repay their loan, there should usually be sufficient value in the property to ensure that the principal and interest is fully repaid from the sale of the property. However, the Responsible Entity does not guarantee that principal and interest will be fully repaid from the sale of any security.

Mortgage loans are only made or acquired where they meet the requirements of this 'Lending Policy', which is outlined below:

- The maximum loan amount for any one borrower is no greater than 5.0% of the total value of funds under management at the date of the loan approval;
- The pool of loans is diversified to ensure it comprises a range of loan sizes, rather than a small number of large loan sizes;
- The Fund is not an asset lender and each loan is assessed on a range of criteria including the borrower's capacity to meet the loan repayments. For example, when assessing most borrowers' ability to service a loan we take into account factors including:
 - The borrowers gross income and history of employment as declared by the Borrower.
 - Each Borrower provides the Fund with a Loan Repayment Ability Declaration.
 - Details of assets and liabilities (applicable to individuals, companies and directors of companies acting as guarantors), as provided by the Borrower.
 - Where the loan is a refinance, the conduct of the current loan account with its former financial institution.
 - Acceptable credit report and, if applicable, satisfactory answers to any notifications.

The Responsible Entity is not required to verify the borrower's income declaration.

As a result the Responsible Entity will not usually require proof of income or investigate whether the borrower's income claims are sustainable. The Responsible Entity will lend in circumstances where the borrower has not proven they can pay their interest repayments.

In the majority of cases borrowers make their interest payments from their own resources. However, providing the loan amount meets our LVR requirements, the Responsible Entity will sometimes include all or part of the interest amount in the principal lent.

Where interest is included in the loan amount, the interest component will be held by the Responsible Entity as security for the interest payments due under the loan. The borrower's monthly interest payments will be withdrawn from the amount of the borrower's funds held by the Responsible Entity when the payment falls due. Any such funds held will be used as security for the repayment of interest only and not incorporated in the pool of funds available for new loans.

- In addition to the borrower's capacity to meet the loan repayments, the Responsible Entity also considers the following when approving a loan:
 - The size of the loan;
 - The purpose of the loan;
 - The loan-to-value ratio (LVR);
 - The value of the security;
 - The type of loan;
 - The type of property comprising the security;
 - The level of insurance protection;
 - The location of the security; and
 - The current financial position and exposures of the borrower.
- At the time the loan is initially approved, the loan must not exceed 75% of the value of the mortgaged property;
- A valuation is obtained for new loans of not more than three months old at the time the loan is settled. However where a loan has a loan-to-value ratio (LVR) of 20% or less (as evidenced by an opinion from a licensed real estate agent) the Responsible Entity is authorised to waive the requirement for a valuation;
- A qualified and independent valuer carries out all valuations. The Valuer General is, for valuation purposes, deemed to be a panel valuer and the Valuer General's valuations may be accepted for use in establishing the value of the security;
- The Responsible Entity is not required to obtain an updated valuation on any increase, extension (roll over) or variation of an existing loan. The Responsible Entity may require an updated valuation in circumstances where:
 - The valuation is older than 3 years;
 - The existing valuer will not provide current insurance details;
 - The Responsible Entity has formed the view that the value of the underlying security has decreased to such an extent as to create a material breach of a loan covenant;
 - A director of the Responsible Entity requires an updated valuation; or
 - The security property is to be sold by the Responsible Entity as mortgagee in possession.
- There is no requirement in our Lending Policy for a security property to be income producing;

- The Responsible Entity may lend on all security types, including commercial, industrial, construction, development and residential in any State or Territory within Australia.
- All loans are secured by registered first mortgages although we may take additional security such as second mortgages, registered security interests and guarantees. A valuation is not usually obtained in relation to additional security and additional security is not usually included in the Fund's loan-to-value (LVR) calculation.

Each loan application assessed for approval by the Responsible Entity is unique and therefore the emphasis placed on each loan assessment criteria varies from application to application.

Arrears and Collection Management Policy

The Fund has an arrears management process that operates in the event that a borrower is in arrears in respect of their mortgage repayments or is in default for another reason. Under this process a variety of measures may be employed in relation to loans that are in arrears or default, including enforcing the mortgage and selling the mortgaged property. The Fund continuously monitors the level of mortgage loans that are in arrears or default.

Interest payable by the borrower is usually either paid monthly in arrears or monthly in advance or quarterly in arrears or quarterly in advance. Interest is usually payable on the first of each month or quarter, as applicable.

The Responsible Entity has a full discretion as to the terms and conditions of each mortgage, including the interest rate charged.

Interest is payable by the Borrower at the rate determined by SMI at the time the loan is entered into or varied (higher rate). In the event that the Borrower honours their loan commitments the higher rate is discounted and a lower rate is usually charged (lower rate).

The Responsible Entity allows each borrower a period of seven days grace, after the due date, in which to make their interest payment. If the payment is not made within the seven (7) day grace period the higher rate under the mortgage is payable. The Responsible Entity has a full discretion as to when to charge the higher rate. In some cases, usually after the Responsible Entity is satisfied with the reasons given by the borrower for late payment, the Responsible Entity may elect to continue to charge the borrower the lower rate.

The Responsible Entity also has the discretion as to when to take enforcement proceedings. This only occurs in circumstances where the Responsible Entity does not believe that the borrower will honour their obligations under the mortgage. The Responsible Entity believes it is in the best interest of Members to work with the borrower to resolve problems. In our experience this is the most effective course of action to minimise potential losses. This may involve giving the borrower time to repay arrears or allowing them time to sell the security themselves.

The borrower is responsible for the costs of enforcement (including legal costs), however should the sale of the security property not realise sufficient funds to repay the capital invested, interest outstanding and the enforcement costs, the Fund will be liable for such costs. This may result in a loss of capital and/or income to Members.

Where a loan is in arrears or default there are a range of options available to the Responsible Entity including, but not limited to:

- Contacting the borrower to require a principal reduction to rectify the default; and/or
- Contacting the borrower to require additional security to rectify the default; and/or
- Order an independent valuation to assess the value of the security; and/or
- Obtain the opinion of a licensed real estate agent to assess the value of the security; and/or
- Commence recovery action, at which time a valuation is generally only requested at the time the property is brought to market.

Please refer to the current PDS for the Fund for further information on the risk factors that may affect it.

The mortgage manager Stacks Financial Services Pty Limited (SFS) on behalf of the Responsible Entity may also perform some or all of the functions of the Responsible Entity.

Investment in Other Unlisted Mortgage Schemes

The Responsible Entity is licenced to deal in a financial product by applying for, acquiring, varying or disposing of a financial product on behalf of another person in respect of interests in managed investment schemes excluding investor director portfolio services.

The Responsible Entity does not currently invest in other mortgage schemes.

As the Fund does not invest in other mortgage schemes the Responsible Entity has not developed a policy on investing in those schemes.

Benchmark and Disclosure Principle 4: Related Party Transactions

Benchmark 4: Related Party Transactions

This Benchmark addresses risks associated with related party lending, investments and transactions and includes details of any related party transactions.

The Fund meets Benchmark 4

The Fund does not lend to related parties of the Responsible Entity including the Fund's investment manager Stacks Financial Services Pty Limited (SFS).

Disclosure Principle 4: Related Party Transactions

The Responsible Entity, or the mortgage manager SFS, may however enter into transactions with, and use the services of, any related entity. It is the Responsible Entity's policy to ensure that such arrangements are on arm's length commercial terms.

Directors' Interests

No director of SMI has, or within the previous two (2) years has had, an interest in the promotion of the Fund or any property proposed to be acquired for the purposes of the Fund except as disclosed in this Benchmark Report.

Some of the directors of SMI or their family have or may have holdings in the Fund as investors and may perform legal work for the Fund and/or SFS. Any fees charged for such work will be on a normal commercial arm's length basis.

Some of the directors are also directors of:

- Stacks Financial Services Pty Ltd ABN 44 103 732 154, which provides some administration functions to SMI under a Mortgage Administration Agreement; and
- Taree Lands Pty Limited ACN 001 111 431; Punusi Pty Limited ACN 002 382 927; RTS Super Pty Limited ACN 087 171 346, Focoze Pty Limited ACN 003 683 001; Wingham Skyline Pty Limited ACN 000 989 515, Australian Property Mortgages ACN 162 129 008, Coastal Real Estate Pty Limited ACN 127 043 485 – which may lend to borrowers who also have loans from the Fund or purchase mortgages from the Fund.

None of SMI, SFS, Taree Lands Pty Limited ACN 001 111 431; Punusi Pty Limited ACN 002 382 927; RTS Super Pty Limited ACN 087 171 346, Focoze Pty Limited ACN 003 683 001, Wingham Skyline Pty Limited ACN 000 989 515, Australian Property Mortgages ACN 162 129 008 nor Coastal Real Estate Pty Limited ACN 127 043 485 or any of their Directors or staff members are permitted to borrow from the Fund.

[Stacks Financial Services Pty Limited ABN 44 103 732 154](#)

The Responsible Entity has appointed Stacks Financial Services Pty Limited (SFS) to administer and manage the Fund's loan portfolio, and to originate mortgages.

The Responsible Entity has not sought member approval for this transaction as the mortgage management agreement with SFS is on arm's length commercial terms.

Ray and Paul Stack, the two executive directors of the Responsible Entity, control SFS.

SFS is entitled to charge borrowers a loan management fee. As at the date of this Benchmark Report the loan management fee charged by SFS is up to 1.65% (inclusive of GST) per annum of the loan amount. Where the Responsible Entity charges the higher rate, the loan management fee increases up to 3.85% (inclusive of GST) per annum of the loan amount. However this higher fee is only charged for each month the higher rate is charged.

The loan management fee is usually incorporated in the interest rate paid by the borrowers to the Fund. SFS is entitled to charge borrowers any amount it wishes as loan management fees, although market forces usually dictate the amount.

SFS may also charge borrowers an establishment fee, professional fees, costs, disbursements, exit fees, default fees and such other fees as agreed between the borrower and SFS from time to time. These fees are paid to SFS by the borrower and are not retained by the Fund even if paid by the borrower as part of the borrower's interest payment.

[Paul Anthony Stack Lawyers ABN 60 359 634 144](#)

The Responsible Entity has appointed Paul Anthony Stack Lawyers (PAS Lawyers) as legal representatives of the Fund.

The Responsible Entity has not sought member approval for this transaction as the legal services agreement with PAS Lawyers is on arm's length commercial terms.

Paul Stack, an executive director of the Responsible Entity, is the principal solicitor at PAS Lawyers. Ray Stack, an executive director of the Responsible Entity, is also a solicitor at PAS Lawyers.

Legal fees are charged on a matter-by-matter basis, either as a fixed fee or at an hourly rate as outlined in the legal services agreement. PAS Lawyers charges an hourly rate between \$150 and \$700 (plus GST) and a monthly lump sum fee of \$1,000 (plus GST) for the recovery of each default mortgage. The value of the financial arrangement depends on the complexity of the legal service provided.

Generally, fees incurred by PAS Lawyers are payable by the Borrower under the mortgage. In the event there is insufficient capital available under the mortgage to pay the legal fees, the Fund's constitution entitles PAS Lawyers to be paid out of Fund assets.

Transfer of Mortgages

In circumstances where the Responsible Entity is of the belief that the Fund may be exposed to a capital loss on a loan, at various times it has resolved to sell Fund mortgages (or partial mortgages) to entities controlled by Ray Stack and Paul Stack to recover that loss.

The Responsible Entity has not sought Member approval for the sale (or partial sale) of the relevant mortgages as they are transferred on arm's length commercial terms and the benefit (if any) does not discriminate unfairly against the Members of the Fund.

Where the related entity purchases a mortgage in part, the payments made by the related entity do not adversely affect the remaining loan as the Fund's claim to the debt ranks ahead of any claim by the related entity.

Where the related entity purchases a mortgage in full, the only consideration payable by the Fund is the transfer of the mortgage.

Please refer to the current audited financial accounts for the Fund, available at www.stacksfinance.com.au for further information regarding any transfer of mortgages.

No related party is under any obligation to purchase any of the mortgages held by the Fund.

Second Mortgages

The Responsible Entity or SFS in their own capacity (that is not as Responsible Entity for the Fund or administration service provider respectively) will sometimes lend amounts to a borrower by way of subsequent mortgage or on an unsecured basis. The borrower may use these funds for their own purposes or to enable the borrower to meet its interest repayments to the Fund. In these circumstances the borrower will pay the Responsible Entity or SFS (in their own capacity) fees and interest (usually at the higher rate). These fees and interest will not be retained by the Fund. Any such loans are at the Responsible Entity or SFS's own risk (not at the risk of the Fund) and are subordinated in priority to loans made by the Responsible Entity on behalf of the Fund.

The directors of the Responsible Entity or one of their related entities will also sometimes lend amounts to a borrower by way of subsequent mortgage or on an unsecured basis. The borrower may use these funds for their own purposes or to enable the borrower to meet its interest repayments to the Fund. Fees and interest charged by those companies will not form part of the income of the Fund. Any such loans are at those entities' own risk (not at the risk of the Fund) and are subordinated in priority to loans made by the Responsible Entity on behalf of the Fund.

The Responsible Entity has not sought member approval as the Fund does not give a benefit to any subsequent mortgagee.

The Responsible Entity does not generally consent to subsequent mortgages (related or non-related) but will generally produce the relevant certificate of title to enable registration if requested to do so. The Responsible Entity may enter into a Deed of Priority between the first mortgagee and any subsequent mortgagee if it deems it appropriate.

The Fund, as first mortgagee, is entitled to be repaid its principal, interest, fees and expenses before any subsequent mortgagee is repaid.

Related Party Risks

The outsourcing of any function to a related third party carries risks that may impact on the Fund.

There is a risk that related entities that perform functions or services on behalf of the Fund might not maintain and perform those services to the requisite standard required by the Fund or the minimum standards required by law.

To reduce this risk the Responsible Entity ensures that the contractual arrangements between the related parties are negotiated at arm's length and on commercial terms. The Responsible Entity, continually, monitors and reports on the actions of each related party.

Neither the Responsible Entity, nor any of their respective officers, associated entities or agents, guarantees:

- The success or investment performance of the Fund;
- The repayment of any capital investment or any particular rate of return on a capital investment; or
- The achievement of the objectives of the Fund.

Please refer to the Fund's current PDS for further information on the risk factors that may affect it.

Related Party Policy, Procedures and Monitoring

The Fund's Compliance Plan details its policy on related party transactions and conflicts of interests and lists the criteria by which related party transactions, if any, are to be assessed to ensure these are in the best interests of Members.

The Responsible Entity, or the mortgage manager SFS, may enter into transactions with, and use the services of, any related entity. In accordance with the Fund's Compliance Plan, related party transactions are authorised in circumstances where:

- A benefit is permitted under the Corporations Act 2001.
- It is in the best interest of members considering:
 - The cost, quality and timeliness of the service;
 - Whether there are better options available to the Responsible Entity; and
 - Whether the Members have been adversely affected or not.

The Responsible Entity has adopted the following procedures to manage related party dealings and conflicts of interest:

- A related party register is established and maintained;
- Key representatives are trained on the related party procedures;
- The contract of engagement of an external service provider, which is a related party, must be in writing and at arm's length and adequately documented; and
- The members of the Board who are also directors of an external service provider which is a related party must declare their interests, in the manner required by the *Corporations Act 2001*, at the time of the entering into of the contract of engagement, any review of the arrangements and the consideration of any report as to the operation, the provision of services under, or a breach of the contract of engagement.

The Responsible Entity monitors all related party dealings by ensuring:

- Related party dealings are reviewed by the Compliance Officer;
- The Compliance Officer must notify the Board of the entering into of any contract of engagement with a related external service provider and give to the Board a copy of any report as to the operation of, the provision of services under, or a breach of the contract of engagement; and
- All breaches are reported in accordance with the Fund's breaches policy.

Benchmark and Disclosure Principle 5: Valuation Policy

Benchmark 5: Valuation Policy

This Benchmark addresses the Fund's valuation practices, including when an independent valuation is required.

The Fund does not meet Benchmark 5

All valuation firms (valuer) approved on the Responsible Entity's valuation panel must agree to comply with its valuation terms as approved from time to time. These terms include a requirement that the valuer be registered or licensed by the relevant government agency in their State or Territory or a member of the Australian Property Institute (Valuation Stream) or a member of the Royal Institute of Chartered Surveyors (Chartered Valuation Surveyors Designation).

However, the Valuer General in each State and Territory (VG) is, for valuation purposes, deemed to be a panel valuer and the VG's valuations may be accepted for use in establishing the value of a security. The VG is not required to comply with the Responsible Entity's Valuation Policy. As a result, when a VG valuation is relied on, the Responsible Entity does not meet the requirements of the Benchmark.

All valuers approved on SMI's valuation panel are required to be independent.

The valuation terms accepted by each valuer on our valuation panel require that a valuer not be a related party to the registered proprietor, borrower, grantor or guarantor. Further the valuer must notify SMI immediately if they have a conflict of interest in respect of the requested valuation. A valuation is not accepted by SMI if a conflict has been identified.

The VG is not required to comply with the Responsible Entity's valuation terms and as such there is no requirement for the VG to notify the Responsible Entity if there is a conflict of interest. As a

result, when a VG valuation is relied on, the Responsible Entity does not meet the requirements of the Benchmark.

The Fund lends throughout Australia predominately in regional New South Wales. As such it can be very difficult to locate a range of valuers who can comply with our valuation terms. For that reason the Responsible Entity does not require the rotation of valuers or a diversity of valuers and therefore does not meet the requirements of the Benchmark.

A market valuation, by an independent valuer, is required on proposed security properties for all loans with a loan-to-value ratio (LVR) over 20% on an 'as is' basis and if the loan is for a development property on an 'as if complete' basis as well.

Where the loan-to-value ratio (LVR) of the property is 20% or less (as evidenced by an opinion from a licensed real estate agent) the Responsible Entity has the discretion to waive the requirement for a valuation. When the Responsible Entity waives the requirement for a valuation under these circumstances it does not meet the requirements of the Benchmark.

The Responsible Entity is not required to obtain an independent valuation in circumstances where a loan is increased, extended, renewed, or varied or where the loan is in arrears or default. However, the Responsible Entity may require an updated valuation in circumstances where:

- The valuation is older than 3 years;
- The existing valuer will not provide current insurance details;
- The Responsible Entity has formed the view that the value of the underlying security has decreased to such an extent as to create a material breach of a loan covenant;
- A director of the Responsible Entity requires an updated valuation; or
- The security property is to be sold by the Responsible Entity as mortgagee in possession.

The Responsible Entity has formed its policy on the valuation of properties after the initial settlement on the basis that:

- The cost of a new valuation to the borrower each twelve months could be prohibitive, especially given the regional nature of the majority of the Fund's loans;
- Although the Responsible Entity has rights under the mortgage, it is not always practically possible to obtain access to the security property (unless the mortgagee is in possession) for valuation purposes, particularly in a default situation; and
- As an asset class property prices do not generally decrease dramatically in a twelve (12) month period.

As a result, the Responsible Entity does not meet the requirements of the Benchmark for the valuation of security properties on the extension (renewal) of existing loans.

The Responsible Entity monitors existing loans in accordance with its 'Arrears and Collection Management Policy' outlined in Disclosure Principle 3. Where the Responsible Entity forms the view that there is a likelihood that a decrease in the value of a security property may have caused a material breach of a loan covenant there are a range of options available to the Responsible Entity including, but not limited:

- Contacting the borrower to require a principal reduction to rectify the default; and/or
- Contacting the borrower to require additional security to rectify the default; and/or

- Order an independent valuation to assess the value of the security; and/or
- Obtain the opinion of a licensed real estate agent to assess the value of the security; and/or
- Place the loan in default and commence recovery action, at which time a valuation is generally only requested at the time the property is brought to market.

As a result, the Responsible Entity does not meet the requirements of the Benchmark for the valuation of security properties following a potential material breach.

Disclosure Principle 5: Valuation Policy

Valuation Policy

This Valuation Policy sets out:

- The conditions under which property valuations must be obtained;
- The information required within valuations; and
- The information relating to maintaining our panel of valuers.

The Responsible Entity will only accept valuations that are current as at the date of settlement of a loan. To ensure the quality of the valuations accepted by the Responsible Entity, our panel of valuers must comply with our valuation terms as approved from time to time. Key valuation terms include:

- A requirement that the valuer be registered/licensed by the relevant government agency in their State or Territory, or is a Member of the Australian Property Institute (Valuation Stream) or a member of the Royal Institute of Chartered Surveyors (Chartered Valuation Surveyors Designation);
- A provision of a valuation report which allows the Responsible Entity to rely on the valuation and includes commentary on the suitability of the property for mortgage purposes;
- A requirement that the valuer complete a physical inspection of the subject property and have knowledge of the sales and values in the locality relevant to the parcel of land being valued;
- A requirement that the valuer carry current and adequate professional indemnity insurance;
- A provision of a professional indemnity insurance certificate annually as evidence of currency of professional indemnity insurance; and
- That the valuer be independent. The valuer is required to immediately notify the Responsible Entity of any conflict of interest the valuer may have with respect to completing the valuation. The valuer must not be a related party to the registered proprietor, borrower, grantor or guarantor with respect to the subject property or proposed loan.

Additionally, the Responsible Entity requires that a valuer include a statement warranting that their valuation report complies with the Australian and New Zealand Valuation and Property Standards as amended from time to time.

The Responsible Entity maintains a policy for the appointment of valuers to its panel. No one valuer conducts more than one third of the valuation work for the Fund.

The Valuer General in each State and Territory (VG) is, for valuation purposes, deemed to be a panel valuer and the VG's valuations may be accepted for use in establishing the value of a security. The VG is not required to comply with the Responsible Entity's 'Valuation Policy'.

A market valuation, by an independent valuer, is required on proposed security properties for all new loan applications with a loan-to-value ratio (LVR) over 20% on an 'as is' basis and if the loan is for a development property on an 'as if complete' basis as well.

Where the loan-to-value ratio (LVR) of the property is 20% or less (as evidenced by an opinion from a licensed real estate agent) the Responsible Entity has the discretion to waive the requirement for a valuation.

The Responsible Entity also endeavours to obtain a 'forced', 'constrained value' or 'mortgage' valuation. A forced valuation provides a good indication as to the likely sale price if the Responsible Entity had to sell the security within a short time frame. For this reason the 'forced' value is often significantly lower than the 'market' value.

Some valuers are not prepared to provide a 'forced' value and the Responsible Entity does not include it in the loan-to-value-ratio (LVR) calculation. When provided by the valuer, this figure is considered in the overall assessment of the loan.

For all new loans, the valuation must be dated within three (3) months of the date of settlement. In the event the valuation has expired or is older than 3 months, the Responsible Entity will either request that the valuer confirm his or her valuation and extend the expiry date, or obtain a new valuation.

The Responsible Entity is not required to obtain an independent valuation in circumstances where a loan is increased, extended, renewed, or varied or where the loan is in arrears or default. As such the frequency of valuations is determined by the Responsible Entity on a loan-by-loan basis. The Responsible Entity may require an updated valuation in circumstances where:

- The valuation is older than 3 years;
- The existing valuer will not provide current insurance details;
- The Responsible Entity has formed the view that the value of the underlying security has decreased to such an extent as to create a material breach of a loan covenant;
- A director of the Responsible Entity requires an updated valuation; or
- The security property is to be sold by the Responsible Entity as mortgagee in possession.

The Responsible Entity uses a range of processes to form a view on the value of a security property including:

- Obtaining an independent valuer's opinion (both on a market basis and, where applicable, on a forced basis);
- Obtaining an independent licenced real estate agents opinion;
- Obtaining the Valuer General's opinion;
- Obtaining a Director of the Responsible Entity's opinion based on a representative of the Responsible Entity inspecting the property; and
- The Borrower's opinion of the value of the property.

The Responsible Entity considers each of the above valuation methods, as applicable, when forming its decision to lend.

As at the date of this report the Responsible Entity is not aware of any material inconsistencies between any current valuation over security property and the Fund's Valuation Policy.

Benchmark and Disclosure Principle 6: Lending Principles – Loan-to-valuation ratios

Benchmark 6: Lending principles—Loan-to-valuation ratios

This Benchmark addresses the Fund's lending practices, including the loan-to-valuation ratios.

The Fund meets Benchmark 6

The Fund does not lend more than 80% on the basis of the latest market valuation of property over which security is provided.

Where the loan relates to construction or property development, the Fund:

- Provides the finance in stages based on independent evidence of the progress of the development; and
- Does not lend more than 70% on the basis of the latest 'as if complete' valuation of the property over which the security is provided.

During the life of the loan portfolio, revaluations may be required (for reasons such as defaults and renewals). As a result of the revaluation, there may be times when the portfolio holds loans with an LVR greater than 80%. In these circumstances, the Responsible Entity may:

- Contact the borrower and require a principal reduction to bring the LVR into line with the Responsible Entity's requirements; and/or
- Contact the borrower and require additional security to bring the LVR into line with the Responsible Entity's requirements; and/or
- Place the loan in default and commence recovery action; and/or
- Continue with the loan at the higher LVR.

The Responsible Entity also has the discretion as to when to take enforcement proceedings. The Responsible Entity believes it is in the best interest of Members to work with the borrower to resolve problems. In our experience this is the most effective course of action to minimise potential losses. This may involve giving the borrower time to bring their LVR into line or allowing them time to sell the security themselves.

Disclosure Principle 6: Lending principles—Loan-to-valuation ratios

The Fund does not invest a significant component of funds (ie greater than 20%) in property development loans.

Where the loan relates to property development, the Fund ensures that it only provides funds to the developer in stages, that is, on a 'cost to complete' basis, based on reliable external evidence of the progress of the development.

For information regarding the current maximum and average loan-to-value ratios of the Fund and the percentage (by value) of the completion of any property that is under development and the loan-to-cost ratio of each property development loan please see Disclosure Principle 3: Loan portfolio and Diversification.

Benchmark and Disclosure Principle 7: Distribution Practices

Benchmark 7: Distribution Practices

This Benchmark addresses the transparency of the Fund's distribution practices, including whether current distributions are paid from scheme borrowings and disclosure of the source of distributions.

The Fund meets Benchmark 7

The Fund does not have any borrowings and does not pay current distributions from Fund borrowings.

Disclosure Principle 7: Distribution Practices

Distributions are solely sourced from income received in the relevant distribution period, which includes, interest payments from loans and interest earned on the cash component of the Fund's investment portfolio.

The Responsible Entity does not forecast distribution amounts to Members nor does it promote a particular return on investment.

Distributions are payable quarterly on the 1st day of March, June, September and December (the Distribution Date) of each year.

Members will normally receive income paid directly into their nominated financial institution account within seven (7) days from the Distribution Date.

For information on how we calculate the Fund's income and how and when distributions are generally paid, refer to the Fund's current Product Disclosure Statement (PDS).

For more information on the Fund's capacity to borrow, see Benchmark and Disclosure Principle 2: Scheme Borrowing.

Benchmark and Disclosure Principle 8: Withdrawal Arrangements

Benchmark 8: Withdrawal Arrangements

This Benchmark addresses the transparency of the Responsible Entity's approach to withdrawals of investments when the Fund is liquid and when the Fund is non-liquid.

The Fund does not meet Benchmark 8

For the purposes of the Corporations Act 2001, the Responsible Entity has deemed that the Fund is liquid on the basis that it reasonably expects to be able to realise the Fund's assets for market value within the period specified in the constitution.

As a result of the Fund's Constitution and the Responsible Entity's interpretation of a 'liquid' scheme, the Fund does not meet the requirements of this Benchmark.

The Constitution gives a Member the right to request that some or all of their investment be redeemed (withdrawn). There is no specified investment term and withdrawal requests can be sent to the Responsible Entity at any time.

Whilst the Fund is 'liquid' and withdrawals have not been suspended, the Responsible Entity has resolved to pay withdrawal requests within the period allowed for in the constitution, which is twelve (12) months from the date of receipt of a completed and signed withdrawal request.

In accordance with our 'Withdrawal Policy' the Responsible Entity permits members to withdraw their investment in circumstances where the Fund holds less than 80% of its assets in cash or cash equivalents or where the majority of the Fund's assets cannot be realised within 10 days. As a result the Fund does not meet the requirements of this Benchmark.

Disclosure Principle 8: Withdrawal Arrangements

Withdrawal Policy

While the Fund is liquid, and withdrawals have not been suspended, the Responsible Entity exercises its discretion to pay withdrawal requests through this 'Withdrawal Policy'.

As at the date of this Benchmark Report, and while the Fund is liquid and withdrawals have not been suspended, withdrawal requests are paid as follows:

- Up to 20% of a Member's investment balance per month at any time.
- If the amount is greater than 20%, the remainder will be submitted to the Board of Directors for their approval, which is assessed based on the Fund's liquidity projections (See Benchmark 1: Liquidity for more information on our 'Liquidity Policy').

The Responsible Entity may resolve to change its Withdrawal Policy at any time. Some of the factors that may result in the Responsible Entity changing its Withdrawal Policy include, but are not limited to:

- Budgeted cash (or cash equivalents) is insufficient to meet actual cash requirements.
- The Responsible Entity changing the nature of the Fund from liquid to non-liquid.
- A prevailing negative sentiment from the Fund's existing Members.
- An increase (sometimes dramatic increase) in the number of withdrawal requests received by the Fund.
- An increase in the number of loans approved but not settled by the Fund.
- An unacceptable increase in the number of mortgage defaults.
- A decrease in the number of loans being repaid.
- A Board resolution to amend the 'Withdrawal Policy'.
- A change in the regulatory environment governing the Fund.

We will notify you of any change to the 'Withdrawal Policy' by updating this Benchmark Report and through our website at www.stacksfinance.com.au.

If the Fund becomes non-liquid

In the event that the Fund was deemed to be non-liquid, investors will not be permitted to withdraw from the Fund until such time as a withdrawal offer is made. The Responsible Entity has a full discretion as to the timing and payment of withdrawal offers. In circumstances where the Fund is deemed to be non-liquid, the Responsible Entity will refuse or suspend withdrawal requests until such time as a withdrawal offer is made.

Significant Risk Facts affecting Withdrawals

Whilst the Fund is liquid withdrawals are subject to the availability of sufficient liquid assets (cash or cash equivalents) to satisfy the withdrawal requests. The Responsible Entity makes this decision based on the Fund's liquidity projections (See Benchmark 1: Liquidity for more information on our Liquidity Policy).

Although the Fund is currently operated as a liquid scheme, mortgages as an asset class can be difficult to realise rapidly, especially in poor market conditions.

There are many circumstances that may force the Responsible Entity to declare that the Fund is non-liquid, which include, but are not limited to:

- The Responsible Entity forms the view that there is insufficient equity in the mortgage assets to repay the Members capital investment.
- Withdrawal requests increase (sometimes rapidly) to an amount greater than the amount of cash or cash equivalents available by the Fund.
- The property market in Australia retracts making the sale of the underlying securities difficult to sell.
- There is an unacceptable increase the number of defaults within the loan portfolio.
- Negative investor sentiment places the long-term viability of the Fund into question.
- The Responsible Entity forms the view that the Fund is unable to fulfil its objectives.
- Government intervention and regulation changes result in the Fund being unable to fulfil its objectives.

The decision to change the Fund from liquid to non-liquid can happen extremely quickly. In these circumstances Members will not have access to their investment capital until such time as the Responsible Entity makes a withdrawal offer. The Responsible Entity has a full discretion as to the timing and payment of withdrawal offers. In circumstances where the Fund is deemed to be non-liquid, the Responsible Entity will refuse or suspend withdrawal requests until such time as a withdrawal offer is made.

In the event that the Fund is deemed to be non-liquid, an investment in the Fund may be 'locked up' or 'frozen' (in whole or in part) until such time as the last mortgage loan is repaid or its underlying security sold. In poor economic conditions it may take many years to realise all loans in a mortgage scheme and to repay investor's capital.

While a mortgage scheme is liquid it is general practice to pay for all scheme expenses out of the Responsible Entity's management fee. However, the Responsible Entity has the discretion to charge expenses to the Fund and it is possible that all (or some) expenses may be paid out of scheme assets, which may reduce the overall return of investor's capital.

The risks associated with mortgage investment schemes have caused considerable financial hardship for many investors in mortgage schemes around Australia since the onset of the global financial crisis in 2008. We recommend that appropriate financial advice be taken before an investment in the Fund is made.

The Responsible Entity does not guarantee the performance of the Fund, the repayment of capital invested, or any particular rate of capital or income return on moneys invested in the Fund. The

Responsible Entity does not make any representations with respect to the income or return from, or any taxation consequences of, any investment in the Fund. An investment in the Fund is unit linked and is subject to various risk factors, including possible delays in repayment of capital and loss of income and capital invested. The value of an investment in the Fund can fall and a Member could lose all or part of their investment.

For more information regarding the various risk factors affecting the Fund please refer to the Fund's current Product Disclosure Statement (PDS).

How to exercise your Withdrawal Rights

Whilst the Fund is liquid, and withdrawals have not been suspended, investors can submit a withdrawal form at any time to the Responsible Entity. The payment of the withdrawal request will be made in accordance with the Responsible Entity's current Withdrawal Policy.

If the Fund is deemed to be non-liquid, withdrawal from the Fund can only occur in accordance with a withdrawal offer made by the Responsible Entity.

Automatic Renewal

Investments in the Fund are not automatically rolled over or renewed. There is no specified investment term and, whilst the Fund is liquid and withdrawals have not been suspended, withdrawal requests can be sent to the Responsible Entity at any time.

External Liquidity Facility

Withdrawals from the Fund are not funded from an external liquidity facility.

Maximum Withdrawal Period

Under the Fund's Constitution, whilst the Fund is liquid, the maximum withdrawal period is twelve (12) months from the date of the withdrawal request.

Rights to Refuse or Suspend Withdrawals

Whilst the Fund is liquid, withdrawal requests may be refused when:

- The withdrawal procedure adopted by the Responsible Entity has not been complied with by the Member;
- The withdrawal request does not comply with the Responsible Entity's Withdrawal Policy;
- The Responsible Entity becomes aware of a fraud on behalf of the party requesting the withdrawal request; or
- The Responsible Entity rejects all or part of the withdrawal request.

Whilst the Fund is liquid, withdrawal requests may be suspended when:

- Withdrawal requests increase (sometimes rapidly) to an amount greater than the amount of cash or cash equivalents available by the Fund;
- The Responsible Entity forms the view that there is insufficient equity in the mortgage assets to repay the Members withdrawals or
- The Responsible Entity forms the view that the Fund is non-liquid.

Even though a loan has reached its maturity date it does not necessarily result in the loan being repaid at that time. In the event that sufficient loans were not repaid on their required maturity date, the Responsible Entity may not have sufficient cash or cash equivalents to satisfy the withdrawal requests.

For more information on the Fund's lending practices please refer to Benchmarks 3, 5 & 6 and the Fund's current Product Disclosure Statement (PDS).

For more information on the risks associated with the Fund please refer to the Fund's current Product Disclosure Statement (PDS).

Balancing Assets and Liabilities

The Responsible Entity has deemed that the Fund is liquid on the basis that it reasonably expects to be able to realise the Fund's assets for market value within the period specified in the constitution.

The Responsible Entity will endeavour to hold sufficient liquid assets to meet its projected cash needs over any given twelve (12) month period, although the Responsible Entity is under no obligation to hold any amount as liquid investments.

In addition the Responsible Entity lends for a term, usually, not greater than twelve (12) months to ensure that, whilst the Fund is liquid, all loans have a maturity date within the maximum twelve (12) month discretion the Responsible Entity has to repay withdrawal requests.

Each year we prepare a cash flow and liquidity budget to manage our liquidity requirements. This forecast is prepared using average redemptions and new investments from the preceding three-year period. These projections are updated on a monthly basis with actual new funds and redemptions to ensure the forecast is continuously stress tested.

Withdrawal from the Fund

Investors are permitted by the Responsible Entity to withdraw from the Fund on the basis that the Fund is a liquid scheme for the purposes of the Corporations Act 2001.

The Responsible Entity has prepared a detailed cash flow projection for the Fund which projects the future cash requirements of the Fund over a rolling twelve (12) month period. The assumptions used in the cash-flow statement include:

- Projected applications and withdrawals are based on the preceding three years actual applications and withdrawals; and
- Projected lending and repayments are based on the preceding three years actual lending and repayments.

The cash flow is stress tested, for example:

- No new applications are received by the Fund;
- A 200% increase in withdrawals;
- A withdrawal from the Fund's top 20 investors;
- Administration Fees are paid from the Fund not the Responsible Entity; and
- Such other stress tests determined by the Responsible Entity from time to time

The Responsible Entity has set the maturity of the majority each of the loans in its loan portfolio to twelve months to ensure that each mortgage transaction expires within the twelve-month withdrawal period provided in the Constitution.

The significant risk factors that may impact on an investor's ability to withdraw have been outlined under the heading 'Significant Risk Facts affecting Withdrawals' in this Disclosure Principal 8. For more information on the risks associated with the Fund please refer to the Fund's current Product Disclosure Statement (PDS).

As at the date of this Benchmark Report, based on the current cash-flow projections and maturity profile of the loan portfolio the Responsible Entity is of the view that the investors can withdraw from the Fund in accordance with the Fund's current Withdrawal Policy.

Additional Information

The Responsible Entity's directors are:

Paul Anthony Stack, BA, Dip Law, MBA, Notary Public

Paul Stack has over 30 years' experience in lending in the commercial lending market, and as Managing Director has overall responsibility for the day-to-day operation of the Fund. He is a solicitor with experience in mortgage, finance and property law and is accredited by the New South Wales Law Society as a Property Law Specialist. He is a Licensed Real Estate Agent, holds a Master of Business Administration (MBA) majoring in accounting and has a Diploma and Advanced Diploma in Financial Services (Financial Planning).

Raymond Thomas Stack, OAM, LLB, Notary Public

Ray Stack has been involved in lending in the commercial lending market since 1966. Ray is the Director in charge of lending and oversees the management of our loans. In addition, he is a solicitor with over 50 years' experience in mortgage, finance and property law. In 1999 he was awarded the Medal of the Order of Australia for services to the Community.

Tony Barton

Tony Barton has over 25 years' experience owning and operating SME's and holds a qualification in Retail Management. Through growth and change management strategies, Tony deploys organisational systems and structures focused on people development, technology and scalability that help to deliver financial stability. He spends his time between running his own business interests, raising a young family and promoting Sports Tourism in the local community. Tony, as an external Director, is one of the two Directors overseeing compliance at SMI.

Peter Bruce Smith

Peter Smith is a Solicitor and has practised in Taree for over 35 years. Whilst in full time practise Peter ran, for many years, his firm's private mortgage lending service. He continues to practise law part time and be involved in community activities. Peter, as an external Director, is one of the two Directors overseeing compliance at SMI.

Issued by Stacks Managed Investments Limited ABN 81 085 843 125 (AFSL 227673).

Contact details

Website: www.stacksfinance.com.au

By email: pstack@stacksfinance.com.au

By telephone: Member Services: 02 6591 3444

By mail:

Stacks Finance

PO Box 1020

Taree NSW 2430

In preparing the information contained in this ASIC Benchmark Report we did not take into account your particular investment objectives, financial situation or needs. As investors' needs and aspirations differ, you should consider the applicable PDS and whether investing in the Fund is appropriate for you in light of your particular needs, objectives and financial circumstances. You may also wish to obtain independent advice, particularly about individual matters such as taxation, retirement planning and investment risk tolerance.

Consents

Each of the parties named in this Benchmark Report have provided their consent to the statements about them in the form and context in which they were included. With the exception of the Responsible Entity, they are not responsible for the issue of this Report, nor are they responsible for any particular part of this Report, other than the parts that refer to them. They have not withdrawn their consent before the date of this Report.