prequin SECURITIES

Prequin Securities Select Mortgage Fund

Product Disclosure Statement

Important Information

This Product Disclosure Statement ("PDS") relates to units in the Prequin Securities Select Mortgage Fund ARSN 608 870 748 (the "Fund"). This PDS is issued by Huntley Management Limited ACN 089 240 513, AFSL 229754 as Responsible Entity and is dated 14 March 2016.

This PDS has 2 parts – Part A (this document) which sets out information about the Fund, and Part B (a Supplementary PDS) which sets out information about investment in a particular mortgage transaction and includes the application form.

In this PDS, Huntley Management Limited is referred to as Huntley Management or the Responsible Entity and Prequin Securities Pty Ltd ACN 164 275 290 is referred to as Prequin Securities or as the Manager. "You" and "your" refer to individual investors, both as potential investors reviewing this PDS and as actual investors having made an investment in the Fund, as the context requires.

This PDS contains important information; you should read it carefully and in its entirety. It contains general information only and does not take into account your particular needs, objectives, financial situation or investment preferences. You should consider carefully if an investment in this Fund is appropriate for you in the light of your objectives, financial situation and needs. You should seek your own financial advice before investing.

On page 34 we have set out the details of the abbreviations and words with special meanings used in this PDS.

An investment in the Fund is not a deposit with or liability of either Huntley Management or Prequin Securities. The performance of the Fund, including repayment of invested amounts and the payment of distributions, is not guaranteed by Huntley Management, Prequin Securities, the custodian or any other person.

The Fund is not a bank deposit. Neither of Huntley Management or Prequin Securities is authorised under the Banking Act 1959 (C'th) and are not supervised by the Australian Prudential Regulatory Authority, and neither is the Fund. The depositor protection provisions in section 13A of the Banking Act 1959 (C'th) and the Federal Government deposit guarantee scheme do not cover any investment in the Fund.

As the Fund is likely to become a disclosing entity under the Corporations Act 2001 (C'th) ("Corporations Act"), it will be subject to regular reporting and disclosure obligations. Copies of Fund documents lodged with ASIC may be obtained from, or inspected at, an ASIC office. If requested, either the Manager or the Responsible Entity will provide the annual financial report for the Fund most recently lodged with ASIC, and any half year financial report and continuous disclosure notices lodged after that annual financial report.

The offer to which this PDS relates is available to people receiving it (electronically or otherwise) in Australia only. No offer or invitation is made by this PDS, directly or indirectly, in any jurisdiction if the offer or invitation would breach the applicable laws in that jurisdiction or require the PDS or any other documents to be lodged or registered. The distribution of this PDS outside Australia may be restricted by law and people who come into possession of the PDS should seek advice on and observe such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

The Responsible Entity reserves the right to change this PDS. Notice will be provided before or, as soon as practicable after the change occurs, and in any event will be in accordance with the Corporations Act. The Responsible Entity reserves the right at any time to withdraw the offer or invitation to subscribe for units in the Fund and withdraw this PDS. No person is authorised to make any representation about investment opportunities in connection with the Fund, unless the representation is set out in this PDS.

Information relating to the Fund that is not materially adverse information may change and be updated from time to time. Updated information may be obtained electronically from the Responsible Entity's website (www.huntleygroup.com.au) or the Manager's website (www.prequinsecurities.com.au) or by contacting our investor services team on 1300 306 701.

A paper copy of any updated information is available on request at no charge. All fees and costs quoted in this PDS are inclusive of GST and have taken into account any expected reduced input tax credits.

Contents

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Section 1: Investing in the Prequin Securities Select Mortgage Fund

Investment Overview

This PDS is a document required by the Corporations Act and contains information designed to help you decide whether to invest in the Prequin Securities Select Mortgage Fund. A copy of this PDS and any Supplementary PDS open for investment may be obtained by contacting the Manager on 1300 306 701 (Business hours Monday to Friday).

THE FUND'S OBJECTIVES

The Fund aims to provide investors with access to high yielding mortgage investment opportunities.

MORTGAGE INVESTMENT PROCESS AND FUND STRUCTURE

Investors are offered the opportunity to invest in the mortgage transaction described in a Supplementary PDS. Those investors who wish to participate in a transaction will invest in a class of units in the Fund created specifically and solely for the purpose of that transaction. The Fund will then invest the participating investors' investment in that class in a wholly-owned sub-trust, which in turn will invest in the particular mortgage transaction. It is intended that all profits and losses flowing from the sub-trust flow on only to the unitholders in the related class, and not to the unitholders in any other class; No sub-trust will guarantee or be responsible for the performance of any other sub-trust.

The Manager has discretion to reject an investor's request to participate in a particular mortgage transaction or to accept from the investor an amount that is less than the amount proposed by the investor.

The Supplementary PDS for a particular investment class sets out the procedures for investment in that class and for settling the mortgage loan. These may include the period within which investors must invest and what happens if there is a delay in settlement of the mortgage loan. The Supplementary PDS for each investment class that is open for investment is available on the Managers website and on request to the Manager.

THE RESPONSIBLE ENTITY

Huntley Management Limited is the Responsible Entity of the Fund under its Australian Financial Services Licence (AFSL) (No 229754) and the issuer of this PDS.

The role of the Responsible Entity includes the responsibility for the Fund's constitution, administration, compliance and adherence to legislative and regulatory requirements.

THE CUSTODIAN

The Fund has engaged One Managed Investment Funds Limited ABN 47 117 400 987 to act as custodian for the Fund. In this PDS, One Managed Investment Funds Limited is referred to as OMI or the Custodian. The Custodian will hold title to the Fund's assets. The Custodian may also be the trustee or the custodian of any sub-trust, but it is not necessary that it hold either of these positions.

THE MANAGER

The Responsible Entity has appointed Prequin Securities Pty Ltd as the manager of the Fund and of each sub-trust created for the purposes of the Fund.

Prequin Securities is a finance and funds management company whose objective is to create and manage high quality fixed interest investments and innovative non-bank mortgage lending.

The directors of Prequin Securities bring to the Fund a wealth of experience gained by managing millions of dollars in mortgage loans over a 21 year period either on their own account or for companies in which they hold a majority interest. The mortgages written over this period are similar in nature to those proposed by the Fund.

NEXT STEPS

To invest in the Fund you should:

1. Read all of the sections of this PDS (including the Supplementary PDS for the loan transaction in which you want to invest). A copy of any Supplementary PDS open for investment may be obtained by contacting the Manager on 1300 306 701 (Business hours Monday to Friday).

2. Consult your financial or other professional adviser before deciding whether to invest in the Fund. If you or your adviser have any questions on what you need to do, contact Prequin Securities on 1300 306 701 (Business hours Monday – Friday).

3. Complete the application form that accompanies the Supplementary PDS with the details of the loan in which you want to invest. Remember that the form will need to be signed by all applicants. For more information on how to apply please refer to the Supplementary PDS.

4. Attach certified copies of your proof of identity documents to your application form. The application form outlines the documents required. This information is required under the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (C'th).

5. Send your completed application form, together with certified copies of your proof of identity documents and your cheque or deposit confirmation to the address specified in the application form.

Fund Features

The table below summarises some important information about the Fund and provides page references for further information, where applicable. The table is not intended to be a complete statement of all information. You should read the whole PDS and seek any advice you need before deciding to invest.

Feature	Explanation	See also
Fund Assets	Pending investment in a sub-trust, the Fund will invest in cash and cash equivalents. The Fund will invest primarily in wholly-owned sub-trusts each of which in turn will invest in a particular mortgage loan transaction. The investment in each sub-trust will be made from a specific class of units in the Fund for those investors who have elected to participate in the particular mortgage loan transaction.	page 11

MINIMUM TRANSACTION AND BALANCE REQUIREMENTS

Minimum investment in a sub-trust class	$25,000	
Minimum additional investment	$10,000	page 29
Minimum invested amount	$25,000	page 29
Minimum withdrawal	Withdrawal is limited to the circumstances described on page 6.	page 30

DISTRIBUTIONS

Frequency	The Fund intends to make distributions for each class monthly. Normally distributions will be paid within 5 business days after the end of the distribution period.	page 18
Rate	For each sub-trust class, distributions will be the interest paid by the borrower under the loan that the related sub-trust has made less any expenses. If the borrower does not make an interest payment during a month, or the expenses exceed the payment made, then there will not be any distribution for that month. Distributions are calculated for each distribution period, based on the number of units held by each investor in the relevant class on each day during the period.	page 18
Payment method	Direct deposit into your nominated bank account.	page 18

PRICING

Unit pricing	For each class, initially $1.00 per unit. Thereafter the unit price will be a floating price. For each sub-trust class, the unit price will only be recalculated when the sub-trust is wound up and repays the investment following repayment of the mortgage loan to which the sub-trust has applied the investment, and will depend on the performance of that mortgage loan.	page 29

FEES AND CHARGES

Establishment and contribution fee	Nil	Not applicable
Withdrawal fee	Nil	Not applicable
Management fee	The Fund will not pay the Responsible Entity a management fee. Each sub-trust will pay a management fee to the Manager. The fee may vary according to the details of the particular mortgage loan transaction and will be set out in the supplementary PDS for the transaction. The Manager will pay the Responsible Entity its management fee.	page 25
Other expenses	Initially the Manager will pay the Fund expenses and the initial expenses of each sub-trust. Where those expenses relate to a particular class or sub-trust, then they will be allocated to that class or sub-trust. The Manager is entitled to reimbursement for these expenses when the Fund or the sub-trust is able to do so. Each sub-trust will pay the Manager other fees depending on the circumstances of the loan made by that sub-trust, particularly for loan default management and enforcement.	page 25

WITHDRAWALS

Eligible units	For each sub-trust classes, withdrawal is only permitted: • before the sub-trust makes the mortgage loan, as set out in the Supplementary PDS for that mortgage loan; or • after the wholly-owned sub-trust in which the investment has been made is wound up and repays the investment following repayment of the mortgage loan to which the sub-trust has applied the investment.	page 18

WITHDRAWALS (CONTINUED)

Frequency	For each sub-trust class, withdrawals will be processed after the sub-trust in which the investment has been made repays the investment.	page 18
Payment timing	The withdrawal amount will normally be paid within 5 business days after the relevant processing date. Withdrawals may be deferred in the circumstances allowed by the constitution.	page 18
Payment method	Direct deposit into your nominated bank account.	page 18
Reinvestment	As an alternative to withdrawal, investors may request the sub-trust class units are converted to units In another sub-trust class that is open for investment at the then current unit price, and the withdrawal procedures for that class then apply.	

RISKS

Mortgage loan risk	The primary risks associated with a sub-trust mortgage loan include loan default, credit loss, valuation risk, insurance risk and priority risk. Additional risks may include documentation risk, new case law and statutes, litigation risk, interest rate risk, and diversification risk.	page 21
Liquidity risk	This is the risk that the Fund does not have the cash required to make payments when required.	page 22
Profitability risk	If the Fund's total income does not exceed the management fee and other expenses incurred by the Fund, the Fund will sustain a loss that may be recouped out of the Fund's assets. This may result in the value of units in the Fund falling below the value at which they were purchased.	page 22
Gearing risk	At the date of this PDS the Fund has not borrowed, and does not intend to borrow.	page 22
Market risk	There is a risk that changes in economic, technological or political conditions or market sentiment may affect the ability of the Fund to source loans for investors and/or the capacity of borrowers to service or repay their loans.	page 22
Regulatory risk	Investment performance may be adversely affected by changes in government policies (including taxation), regulations and laws, or changes in generally accepted accounting policies or valuation methods. Such changes could adversely impact the Fund and/or borrowers or investments of the Fund. The risk of regulatory changes is generally beyond the control of the Responsible Entity or Manager.	page 22

RISKS (CONTINUED)

Investment risk	There is a risk that investors will not receive on time, or at all, the income distributions that may have been expected or a return of all or any of the amounts invested. There is also the risk that the value of the units in the Fund falls because of unexpected changes in the Fund's management, operations or its environment or that the Fund terminates. There is also the risk that if a mortgage loan does not proceed, then investors may lose the opportunity to invest in alternate investments.	page 22

ASIC BENCHMARKS AND DISCLOSURE PRINCIPLES

The Fund does not invest directly in mortgage loans or in unlisted mortgage schemes as defined by the ASIC requirements. However, each sub-trust in which the Fund invests will invest in a particular mortgage loan or series of mortgage loans. As a result of these arrangements, the Fund is not a 'pooled mortgage scheme' and some of the ASIC benchmarks and disclosure principles do not apply.

1 – Liquidity	Not applicable	page 14
2 – Scheme borrowing	Met	
3 – Loan portfolio & diversification	Not applicable	
4 – Related party transactions	Met	
5 – Valuation policy	Met	
6 – Lending principles – loan to valuation ratios	Not Met	
7 – Distribution practices	Met	
8 – Withdrawal arrangements	Not Met	

Why Invest In The Fund?

The Fund is designed to provide investors with:

1. access to the Manager's mortgage distribution, systems and asset management capabilities;
2. access to mortgage investment opportunities sourced through the Manager's distribution capability;
3. the ability to select which mortgage transactions each investor wishes to invest in;
4. mortgage-backed investments that are kept separate from and not pooled with other mortgage-backed investments;
5. access to an experienced investment and mortgage management team; and
6. regular and competitive returns.

Investment Strategy and Experience

THE MORTGAGE INVESTMENT STRATEGY

The Manager will select the mortgage investments to be offered to investors based on the lending criteria, loan to value ratio guidelines and valuation guidelines set out below. The offer to invest will be in a Supplementary PDS which will include:

- address and type of the underlying security
- loan amount
- ranking priority of the security
- valuation information
- loan to valuation ratio
- term of the loan
- interest rate applicable
- anticipated distribution period
- other information that the manager considers appropriate.

If the transaction involves providing funds to the borrower at different times, for example a construction/property development transaction, the Supplementary PDS will also include details of the funding schedule, including amounts already advanced, amounts to be advanced later and any priority arrangements relating to the overall funding of the whole transaction.

The Fund will not offer investment in loans to the Responsible Entity or the Manager, or to parties related to them. However, the Manager or parties related to the Manager, may invest in the Fund or provide funding for a borrower to whom a sub-trust makes a mortgage loan, and that related party funding may have a security that ranks ahead of any security held by the sub-trust in the same way as the sub-trust may allow prior ranking security to any unrelated funder.

Whilst the Manager and the Responsible Entity intend to operate the Fund in an ethical and sound manner, the Manager does not specifically take into account labour standards or environmental, social or ethical considerations for the purpose of selecting, retaining or realising investments for the Fund.

THE MANAGER’S EXPERIENCE

The directors of the Manager have been writing loans similar to those in which the Fund will invest since 1995. The directors have proven history and experience in the mortgage lending industry and have developed policies in the key areas of:

- mortgage origination and assessment;
- loan settlement;
- on-going loan management; and
- default management.

Further details are available from the Manager’s website (www.prequinsecurities.com.au).

LOAN PORTFOLIO

As the Fund will not invest directly in any loans, it will not hold a loan portfolio. Each sub-trust will hold only one mortgage loan or a series of mortgage loans linked to a common transaction or party and which have the same loan criteria. Different lending criteria and loan processes may apply to different sub-trusts; these matters will be identified in the offer to investors to participate in each loan transaction.

LENDING CRITERIA

The following general criteria will be applied by each sub-trust and by the Fund as if all the mortgage loans held by the sub-trust were held by the Fund as one notional loan portfolio:

- The loan amounts will range between $50,000 and $15 million.
- The maximum amount lent to any one borrower will be $15 million.
- Each loan is secured by at least a mortgage over real estate in Australia; the security may be first or second ranking.
- Each loan is to be wholly or predominantly for a business or investment purpose.
- The loans will charge a higher rate of interest than that of traditional lenders (on average 2% p.a. to 8% p.a. more) that is commensurate with this particular lending market.
- At a minimum each borrower must verify that the borrower can service the ongoing obligations of the loan, although the secured property itself need not be income producing.
- Normally the loan will be on an interest only basis with loan interest payable periodically in advance or in advance for the term of the loan.
- The loan amount may include an amount for interest which is to be prepaid for the term of the loan or a shorter period; in this case the interest component of the loan amount will be retained and used for that prepaid interest payment.
- The initial loan term will normally be no longer than 5 years.
- The valuation of the secured property satisfies the criteria prescribed by the valuation guidelines (see page 12).
- The loan to valuation ratio for the secured property satisfies the ratio guidelines (see page 12).

The Fund will consider construction loans (also known as property development loans) where funds are provided to the borrower in stages based on progress of the development.

It is anticipated that generally, the borrowers seeking loans through the Fund, or the particular loan being sought, will not fit the lending criteria of Australia's major lenders such as the large, commercial trading banks. This would include business owners, the self-employed, property investors raising funds to purchase an investment property, the credit impaired and borrowers wishing to consolidate debt.

DIVERSIFICATION

As it is intended that the risk of loss on any mortgage loan is contained to a specific class of units, it is not intended that the notional portfolio be diversified, such as by size, borrower, class of borrower activity and geographic region.

BORROWING

The Fund will not borrow even though the Fund's constitution permits borrowing and giving security for those borrowings.

BORROWING (CONTINUED)

The sub-trusts will not borrow to fund a mortgage transaction; however, if the investors for a loan do not fund any expenses required to recover the loan or preserve the secured property, the sub-trust may borrow to fund those expenses. Where the sub-trust does borrow then the interests of the lenders to the sub-trust will generally rank before the Fund's interest in the sub-trust.

LOAN TO VALUATION RATIOS

The 'loan to valuation ratio' or 'LVR' refers to the ratio of the amount to be lent to the value of the security property made available to support repayment of the loan. The following table sets out guidelines for the maximum LVR for certain types of security property, as if it is the only security being provided. However, the offer to investors to participate in a particular mortgage transaction will specify the LVR for that transaction when the loan was approved by the Manager, and that LVR may exceed these guideline ratios.

SECURITY PROPERTY TYPE	SECURITY TYPE	MAXIMUM LVR GUIDELINE
Real estate with residential zoning	First registered mortgage	85%
Real estate with commercial/ industrial zoning	First registered mortgage	75%
Real estate with rural or specialised zoning	First registered mortgage	65%
Real estate with residential zoning	Second registered mortgage	70%
Real estate with commercial/ industrial zoning	Second registered mortgage	65%
Real estate with rural or specialised zoning	Second registered mortgage	60%
The above ratios apply at the time of approving a loan and are designed to mitigate some of the lending risk. A loan will not necessarily be approved at the maximum LVR guideline. During the course of a loan the total debt owing may exceed the LVR limit set for the loan on the value of the security property due to a combination of factors, including a decline in the value of the security property, or accrual of unpaid interest or other costs. The ratios for the second registered mortgages relate to the ratio of the aggregate of the prior ranking loan amount and the amount of the loan proposed for the sub-trust to the value of the security property.		

VALUATION POLICY

Each sub-trust will apply the following policy to all property offered and held as security for the mortgage loan made by the sub-trust.

In determining the value of the relevant secured property, the sub-trust will rely on a valuation report from a professional valuer made within the 3 months before the loan is made, and on renewal of a loan (that is where the loan is to be extended or renewed for a term of at least 12 months). The valuation is to be based on the then current market value of the property (the 'as is' value). The valuation must deal with all the matters specified in the valuation instruction as applicable:

- comparable sales;
- matters affecting the title and zoning of the property, including usage and potential risks such as flood, bush fire and land slippage;
- saleability of the property;
- suitability of the property for mortgage security purposes;
- the insurable value of the improvements; and
- relevant valuation industry standards and codes.

VALUATION POLICY (CONTINUED)

The valuer for each particular property instruction will be instructed from the Fund's panel of valuers or the valuation will be arranged through a valuation management system. This is intended to provide a rotation and diversity of valuers. Each valuer must be a member of an appropriate professional body and must have professional indemnity insurance. The valuer must be independent, in the sense of having no interest in the borrower or security provider or the property being valued, and no interest in the Responsible Entity or the Manager. If a conflict of interest arises or a potential conflict is identified in connection with a valuation, it will be managed in accordance with the Manager's documented procedure for dealing with conflicts of interest.

A valuation may also be obtained during the course of a loan within 2 months after the Manager forms the view that there is a likelihood that a decrease in value of the security property may have caused a material breach of a loan covenant or if it becomes necessary to sell the security property to recover the amount owing.

This valuation policy may change from time to time. The policy current at any time will be available from Prequin Securities website (www.prequinsecurities.com.au).

LOAN ENFORCEMENT

If a sub-trust must pay expenses to recover a mortgage loan (including to preserve a secured property), the Manager may pay them and be reimbursed out of the amounts recovered. Alternatively, the sub-trust may borrow the amount required or the Fund may call on the investors in the related class to contribute the amount required. The Fund will issue special units for these contributions. It is not mandatory to make these contributions; however these special units will receive priority over the original units for income distributions and repayment of the invested amount. The Manager may also take up these special units.

If a borrower defaults under a mortgage loan, the Manager may compromise the amount of interest payable under the loan agreement if the Manager believes that it is in the interests of investors to do so.

ASIC Benchmarks

In May 2012, ASIC issued Regulatory Guide 45 setting out benchmarks and disclosure principles for unlisted mortgage schemes to address in a PDS. The benchmarks and disclosure principles identify a number of financial measures and business practices to help investors assess the potential risks and rewards being offered, prior to making their investment. The benchmarks are not mandatory. Rather, issuers are required to disclose whether the benchmarks are met and if not, then why not. In addition, issuers are expected to address the disclosure principles. Investors should review all benchmarks and disclosures in the context of the PDS as a whole, rather than rely on any particular disclosure to make an investment.

As the Fund is not a 'pooled mortgage scheme', some of the ASIC benchmarks and disclosure principles do not apply.

BENCHMARK SUMMARY (detailed responses follow)	**MET YES / NO**
1. Liquidity	Not applicable
2. Scheme borrowing	✓ YES
3. Loan portfolio & diversification	Not applicable
4. Related party transactions	✓ YES
5. Valuation policy	✓ YES
6. Loan to valuation ratios	✗ No
7. Distribution practices	✓ YES
8. Withdrawal arrangements	✗ No

ONGOING DISCLOSURES

The Responsible Entity intends to continue to meet the requirements of the benchmarks and disclosure principles as they apply to the Fund. Updates will be lodged on the Responsible Entity website (www.huntleygroup.com.au) and Prequin Securities website (www.prequinsecurities.com.au) after the end of June and December in conjunction with the issue of the financial statements for the Fund, and whenever there is a material change to previously disclosed information.

Note, the following disclosures reflect that:

1. at the date of this PDS, the Fund has not traded, and accordingly it has no assets or liabilities;
2. the mortgage loans are held by the sub-trusts in which the Fund has invested, not the Fund itself.

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.

STATEMENT:

This benchmark does not apply to the Fund as it is not a 'pooled mortgage scheme'.

EXPLANATION:

- The sub-trust class structure is described on page 3 under the sub-heading 'Mortgage Investment Process and Fund Structure'; the sub-trust arrangements operate similarly to what is called a contributory mortgage arrangement as individual investors elect whether or not to participate in each mortgage loan transaction and cannot withdraw until the loan has been repaid; also, as noted, it is the intention that all profits and losses flowing from a sub-trust flow on only to the unitholders in the class that has invested in that sub-trust, and not to the unitholders in any other class.

These arrangements do not amount to a pooled mortgage scheme.

Withdrawal from any sub-trust class is directly linked to repayment of the loan made by the sub-trust in which the class has invested.

Benchmark 2: Scheme borrowing

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

STATEMENT:

The Fund meets this benchmark.

EXPLANATION:

Whilst the Fund is permitted under its constitution to borrow and give security for those borrowings, the Fund has not borrowed any money as at the date of this PDS, and it is not intended that the Fund borrow any money.

The sub-trusts will not borrow to fund a mortgage transaction; however, if the investors for a loan do not fund any enforcement expenses required to recover the loan (including expenses to preserve a secured property), the sub-trust may borrow to fund those expenses. Where the sub-trust does borrow then the interests of the lenders to the sub-trust will generally rank before the Fund's interest in the sub-trust.

Benchmark 3: Loan portfolio & 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).

STATEMENT:

This benchmark does not apply to the Fund as it is not a 'pooled mortgage scheme'.

EXPLANATION:

At the date of this PDS, the Fund does not have any assets. It is intended that its assets will be cash and cash equivalents and the units in the sub-trusts that make mortgage investments, as described on page 10 under the heading "Investment Strategy and Experience". Despite this and as part of the ongoing disclosures of the Fund, the Fund intends to provide information about the mortgage loans held by the sub-trusts as if a notional portfolio of the Fund.

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.

STATEMENT:

The Fund meets this benchmark.

EXPLANATION:

It is the Fund's policy that it will not have any loans to or from related parties of the Responsible Entity or the Manager, nor any investments in these related parties.

The Manager may transfer into a sub-trust existing mortgage loans made by it in its other management capacities. Each such loan transfer will be for the loan balance current at the time of the transfer and must satisfy the lending criteria of the sub-trust as if a new loan made by the sub-trust at that time. The loan transfer must satisfy the Fund's conflict of interest policies. Prequin Securities will not receive any fee or other benefit from the Fund or the sub-trust for these transfers.

The Manager and parties related to the Manager may invest in the Fund or provide funding for a borrower to whom a sub-trust makes a mortgage loan, and that related party funding may have a security that ranks ahead of any security held by the sub-trust in the same way as the sub-trust may allow prior ranking security to any unrelated funder. Also, if the investors for a loan do not fund a sub-trust for any enforcement expenses required to recover the loan (including expenses to preserve a secured property), the sub-trust may borrow from parties related to the Manager to fund those expenses; such a loan would be at commercial rates commensurate with the relevant sub-trust mortgage loan interest rate and may be with or without security for the lender.

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:

(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 a likelihood that a decrease in the value of security property may have caused a material breach of a loan covenant.

STATEMENT:

The Fund meets this benchmark.

EXPLANATION:

The Fund's valuation policy is set out on page 12 of this PDS. A copy is available on the Manager's website (www.prequinsecurities.com.au).

At the date of this PDS, the Fund does not have any assets and accordingly, there are no material inconsistencies between any current valuation of a security property and the Fund's policy.

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.

STATEMENT:

Does not comply. Mortgage assets are held in separate sub-trusts, each sub-trust holding a single mortgage details of which are set out in the Supplementary PDS to this PDS for that particular sub-trust/mortgage. The LVR for a particular sub-trust/mortgage will be disclosed in that Supplementary PDS.

EXPLANATION:

The sub-trusts in which the Fund invests will hold the mortgage assets. Despite this and as part of the ongoing disclosures of the Fund, the Fund intends to provide information about the mortgage assets held by the sub-trusts as if a notional portfolio of the Fund.

The Supplementary PDS inviting investors to consider participating in a particular mortgage loan will specify the LVR for that transaction when the loan was assessed by the Manager, and that LVR may exceed the suggested ratios set out on page 12.

Benchmark 7: Distribution practices

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

STATEMENT:

The Fund meets this benchmark.

EXPLANATION:

The Fund will not pay current distributions from borrowings by the Fund (see ASIC Benchmark 2 on the Fund's policy about borrowings).

The Fund will pay distributions for each class of units out of the income earned by the Fund for that class during a month. The income for each sub-trust class will be the net interest paid by the borrower under the loan made by the related sub-trust. If the borrower does not make an interest payment during a month, or the expenses exceed the payment made, then there will not be any distribution for that month.

Normally distributions will be calculated for each month after the end of the month, and paid by direct deposit into each investor's nominated bank account within 5 business days after the end of the month for which it is calculated.

The Supplementary PDS for each sub-trust class will indicate the proposed interest rate payable by the borrower under the mortgage loan. However, the actual distribution rate may vary from period to period depending on the borrower fulfilling the terms of the mortgage loan.

Benchmark 8: Withdrawal arrangements

LIQUID SCHEMES

For liquid schemes:

(a) the maximum period allowed for in the constitution for the payment of withdrawal requests is 90 days or less;

(b) the responsible entity will pay withdrawal requests within the period allowed for in the constitution; and

(c) the responsible entity only permits members to withdraw at any time on request if at least 80% (by value) of the scheme property is:

    (i) money in an account or on deposit with a bank and is available for withdrawal immediately, or otherwise on expiry of a fixed term not exceeding 90 days, during the normal business hours of the bank; or

    (ii) assets that the responsible entity can reasonably expect to realise for market value within 10 business days.

NON-LIQUID SCHEMES

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

STATEMENT:

Does not comply. The Fund will be a non-liquid scheme.

For each sub-trust class the right to withdraw is linked to the making and repayment of the mortgage by the sub-trust to which the class is related. Withdrawals will only be done in accordance with Part 5C.6 of the Corporations Act, 2001 as those provisions apply to non-liquid schemes.

EXPLANATION:

Sub-trust class investors may only withdraw:

- as set out in the Supplementary PDS for the particular class where settlement of the proposed mortgage loan is delayed or does not take place; or
- after the sub-trust in which the investment has been made repays the investment.

The withdrawal will relate to all units in the class.

Investors may request the sub-trust class units which are eligible for withdrawal are converted to units in another sub-trust class that is open for investment at the then current unit price and the withdrawal procedures for that class then apply.

The unit price payable on withdrawal will be determined by factors relating to the mortgage transaction loan funded by the related sub-trust. The unit price will be less than $1.00 if the full amount of the total debt owed under the mortgage transaction is not repaid.

Generally

The withdrawal amount will normally be paid by direct deposit into your nominated bank account within 5 business days after the relevant processing date. However, the Fund's constitution allows the Fund to defer payment for up to 21 days after that date.

The Fund's constitution also allows the Responsible Entity to refuse to accept all or any part of a withdrawal request and to suspend withdrawals for any period if:

- the withdrawal request is received between the date the Trust is terminated and the date the Trust is wound up;
- the Responsible Entity considers it is not in the best interests of unitholders for withdrawals to be made;
- due to circumstances beyond the Responsible Entity's reasonable control it cannot calculate or pay the withdrawal price, or
- the Responsible Entity is not able to realise assets needed to satisfy the withdrawal requests in an orderly fashion over a reasonable period in a stable market within the time required.

No fee is payable for a withdrawal.

Withdrawals will be funded out of the assets of the relevant class.

As indicated in ASIC Benchmark 1, withdrawal from any sub-trust class is directly linked to repayment of the mortgage loan made by the sub-trust in which the class has invested.

The Fund will not be liquid if its liquid assets account for less than 80% of the value of assets of the Fund. The Fund's liquid assets will include cash, bank deposits, bank accepted bills, marketable securities and the Fund's investments in sub-trusts that the Responsible Entity reasonably expects to be repaid within 180 days.

The withdrawal procedures must treat investors of the same class equally and investors of different classes fairly.

Investments cannot be rolled over or renewed.

Risks of Investing

All investments are subject to a degree of risk, any one or more of which may result in a loss of earnings or the amount invested. It is therefore important that you understand and are comfortable with the risks that may affect your investment. The table below explains the material risks that may affect your investment in the Fund.

<table>
<tr><td rowspan="9">Mortgage loan risk</td><td colspan="2">The primary risks associated with a sub-trust mortgage loan include:</td></tr>
<tr><td>Loan default</td><td>Loan defaults occur when a borrower does not meet a fundamental obligation under the loan arrangement, such as the payment of interest or repayment of the loan by the due date.

This may require the sub-trust to incur legal and other costs to enforce the sub-trust's recovery and security rights, which may reduce the amount available for distribution or withdrawal payments.</td></tr>
<tr><td>Credit loss</td><td>Credit losses occur when the proceeds of sale of the property mortgaged as security for a loan are less than the amount owed under the mortgage. This may be as a result of:
• the valuation relied on when making the lending decision not accurately reflecting the value of the property at the time it is sold; or
• changes in property market conditions.</td></tr>
<tr><td>Insurance risk</td><td>There is a risk that the insurance over the secured property is inadequate. This may affect the amount recovered if the secured property is damaged.</td></tr>
<tr><td>Valuation risk</td><td>There is a risk that the valuation on which the decision to proceed with the loan is made is defective and does not accurately reflect the value of the property at that time.

Even though the valuer may have given evidence of professional indemnity insurance at the time of making the valuation, the insurer may refuse to pay out if the valuer has not complied with the insurance policy terms or if the policy is on a 'claims made' basis and the claim is not made on the valuer within the currency of the claim period.</td></tr>
<tr><td>Priority risk</td><td>The risk of credit loss is higher if there are unpaid statutory expenses such as land tax or council rates or there is a prior ranking mortgage to another lender. This may be as a result of:
• the amount owing under the prior ranking mortgage increasing because of unpaid interest or enforcement expenses incurred by the prior ranking mortgagee; or
• the loss of control of the enforcement process to the prior ranking mortgagee.</td></tr>
<tr><td colspan="2">Additional risks may include:</td></tr>
<tr><td>Documentation risk</td><td>This is the risk that a loan cannot be enforced as it was intended because of a deficiency in loan and mortgage documentation.</td></tr>
<tr><td>New case law and statute</td><td>As the law is continuously evolving, there is a risk that new case law and statutes may adversely affect the way in which an existing loan may be managed and rights enforced.</td></tr>
</table>

	Litigation risk	There are difficulties in enforcing any legal rights. Litigation can be complicated, expensive and may take a long time, especially if it involves appeals to higher courts. Commercial prudence may require making compromises that result in less than full recovery of losses that may have occurred on a mortgage loan transaction.
	Interest rate risk	As the loans made by the sub-trusts will be for a fixed term at a fixed interest rate, changes in market interest rates will not affect loans already made by a sub-trust, but may affect the comparative rate of return for the investment in the Fund and an alternative investment.
	Diversification risk	Each sub-trust will hold one mortgage loan or a series of related mortgage loans. There is no diversification within a sub-trust. Accordingly, loan defaults may have a material financial impact on the sub-trust and hence the investments in the related sub-trust class.
	These mortgage loan risks may affect the distribution rate payable by the Fund or the withdrawal value of units in the Fund from time to time of the related sub-trust units.	
Liquidity risk	This is the risk that the Fund does not have the cash required to make payments when required. The liquidity management and withdrawal arrangements that apply in the Fund have been designed to reduce this risk and allow better control over cash flow management (see ASIC Benchmarks 1 and 8 on pages page 14 and page 18).	
Profitability risk	If the Fund's total income does not exceed the management fee and other expenses incurred by the Fund, the Fund will sustain a loss that may be recouped out of the Fund's assets. This may result in the value of units in the Fund falling below the value at which they were purchased.	
Gearing risk	At the date of this PDS the Fund has not borrowed, and does not intend to borrow.	
Market risk	There is a risk that changes in economic, technological or political conditions or market sentiment may affect the ability of the Fund to source loans for investors and/or the capacity of borrowers to service or repay their loans.	
Regulatory risk	Investment performance may be adversely affected by changes in government policies (including taxation), regulations and laws, or changes in generally accepted accounting policies or valuation methods. Such changes could adversely impact the Fund and/or borrowers or investments of the Fund. The risk of regulatory changes is generally beyond the control of the Responsible Entity or Manager.	
Investment risk	There is a risk that investors will not receive on time, or at all, the income distributions that may have been expected or a return of all or any of the amounts invested. There is also the risk that the value of the units in the Fund falls because of unexpected changes in the Fund's management, operations or its environment or that the Fund terminates. There is also the risk that if a mortgage loan does not proceed then investors may lose the opportunity to invest in alternate investments.	

Section 2: Other Things You Need To Know

Fees and Other Costs

CONSUMER ADVISORY WARNING

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 investor services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the Fund or your financial adviser.

TO FIND OUT MORE

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

FEES AND COSTS

The following table sets out the fees and costs that you may be charged. These fees and costs may be deducted from your investment, the investment returns or from the Fund assets as a whole.

Taxes are set out in 'Tax Considerations' on page 28.

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 and when paid
Fees when your money moves in or out of the Fund		
Establishment fee: The fee to open your investment.	Nil	Not applicable
Contribution fee: The fee on each amount contributed to your investment.	Nil	Not applicable
Withdrawal fee: The fee on each amount you take out from your investment.	Nil	Not applicable
Exit fee: The fee to close your investment.	Nil	Not applicable

Management costs		
The fees and costs for managing your investment.	No management fee will be charged to the Fund. Each sub-trust will pay a management fee to the Manager. The fee may vary according to the details of the particular mortgage loan transaction and will be set out in the Supplementary PDS for the transaction.	The Manager will pay the ordinary Fund expenses. See "Additional explanation of fees and costs" below this table. The Manager will recover its management fee for each sub-trust monthly as a deduction from the interest paid by the borrower under the mortgage loan.
Service Fees		
Transfer fees	$165 for each transfer transaction.	You pay this fee at the same time as requesting the transfer. Transfers may also have stamp duty consequences.
Switching fee: The fee for changing investment options.	Nil	Not applicable
Other fees	Nil	Not applicable

ADDITIONAL EXPLANATION OF FEES AND COSTS

FUND EXPENSES

Ordinary Fund expenses include such things as the costs of formation, administration, management, promotion, restructuring and terminating the Fund; for example, maintaining the unit registry, custodial services, Fund accounting and administration, audit, Compliance Committee fees, PDS preparation and advertising.

Initially, Prequin Securities will pay these ordinary Fund expenses from its own resources. If Prequin Securities ceases to be the Manager for any reason, it will be entitled to receive from the assets of the Fund the amount of any ordinary Fund expenses that it has incurred but for which it has not been fully reimbursed by the Fund.

Abnormal expenses such as the costs of holding unitholder meetings, defending or bringing litigation may be charged directly to the Fund as abnormal expenses. It is not anticipated that any abnormal expenses will be incurred during the life of this PDS.

TRANSACTIONAL AND OPERATIONAL COSTS

Transactional and operational costs may be incurred by a sub-trust. The details will be set out in the Supplementary PDS for the particular sub-trust.

BUY/SELL SPREADS

Some managed investment schemes charge buy/sell spreads when you invest money in a fund and when you withdraw money from a fund. Buy/sell spreads are not currently charged for the Fund.

GOVERNMENT CHARGES AND TAXATION

Government taxes such as GST will be applied to an investor's account as appropriate. In addition to the fees and costs described in this section, standard government fees, duties and bank charges may also apply, such as stamp duty. Some of these charges may include GST and will apply to investments and withdrawals as appropriate. The fees outlined in the table on page 6 include GST and take into account expected input tax credits. Further information on taxation matters can be found on page 28 of this PDS.

ADVISER REMUNERATION

Where the law allows it, the Manager may pay your financial adviser for an investment made in the Fund through that adviser provided the payments are non-conflicted remuneration. The Manager will make these payments from its own resources and at its sole discretion. Accordingly, these payments are not a cost to the Fund. Your financial adviser may rebate to you some or all of their initial payment, by indicating their intention to do so on the application form. Any rebated initial amount may be used to buy extra units in the Fund for you to the value of the whole dollar amount of the rebated amount (net of GST). Your financial adviser will need to select this option in the application form.

The amount of any initial payment to your financial adviser will not exceed 0.55% (inclusive of GST) of the amount invested. Please refer to the financial services guide and any statement of advice given to you by your financial adviser or any additional fees and costs they may charge.

The Manager reserves the right to introduce new payment structures and to adjust payments or rebated amounts where the Manager believes that inappropriate client account structuring or investment, withdrawal and reinvestment activity is taking place. If such changes result in you paying fees directly or in your returns being affected by the changes, we would give you 30 days prior notice.

CHANGING FEES

The fees shown in the table on page 6 are current at the date of this PDS. Under the Fund's constitution, the Responsible Entity is entitled to a management fee of up to 4.4% (inclusive of GST) of the Fund's assets and to various other fees which are not presently charged. The Responsible Entity may change the fees without seeking investors' consents. Investors will be given at least 90 days prior notice of any change to any fee or the introduction of any new fee permitted under the constitution.

NEGOTIATION OF FEES

The Fund cannot negotiate fees with any retail investor. However, the Fund may negotiate, rebate, or waive fees when dealing with wholesale investors (as defined in the Corporations Act) where permitted to do so by law. If you qualify as a wholesale investor, contact the Manager's team to see if you are eligible to negotiate fees. Different fees may apply to different classes of units in the Fund.

EXAMPLE OF ANNUAL FEES AND COSTS

This table gives an example of how the fees and costs of this product can affect an investor's investment over a one-year period. Investors should use this table to compare this product with other managed investment products.

Example	**Balance of $50,000 with a contribution of $5,000 during the year**	
Contribution fee	Nil	For every $5,000 you put in, you will be charged $0.
PLUS Management Costs[1]	Nil	And, for every $50,000 you have in the Fund you will be charged $0 each year.
EQUALS cost of Fund		If you invest $50,000 at the beginning of the year and your balance was $50,000 over the course of the year, you will be charged $0[2]. **What it costs you will depend on the fees you negotiate with your Fund or adviser.**

1 See 'Management Costs' on page 25 for a more detailed description of what constitutes management costs and how these fees are calculated. Management costs are calculated on an Indirect Cost Ratio basis and include all direct and indirect management costs for managing the Fund.

2 This example assumes that (i) your balance remains constant at $50,000 throughout the year (i.e. no further contributions are made and the Fund's unit price does not change); (ii) borrowing levels of the Fund are nil; (iii) fees are not individually negotiated with the Fund; and (iv) that no abnormal Fund expenses arise, such as unitholder meetings or costs of defending litigation.

Tax Considerations

Acquiring, holding and disposing of units in managed investment schemes can have important taxation implications for investors. The following is a general summary of current tax legislation applicable to Australian resident taxpayers. This information is general in nature because the tax implications for each investor may vary depending on their particular circumstances. Accordingly as tax requirements are complex you should obtain professional advice on your circumstances.

GENERAL

Generally, the Fund will not pay income tax as it is intended that the investors will be presently entitled to the distributable income of the Fund and will be taxed on their respective proportion of the taxable income of the Fund.

Where you are an Australian resident for tax purposes, there may be differences between the amount paid to you as distributable income and the amount allocated to you as taxable income to include in your tax return. These differences arise because of differences between the normal accounting principles and the requirements of the income tax laws, and may result in you receiving a payment amount that is more or less than the amount to be included in your tax return as taxable income. It is not expected that you will receive any distributions of net capital gains, although there is a risk that the Fund may make tax deferred distributions that result in a cost base adjustment for your investment. There is also the risk that if the Fund has taxable income but no distributable income for a year, then the Responsible Entity may be assessed to tax on that taxable income, and that tax will reduce investors' entitlements to capital. Investors will be given an annual tax statement setting out information to assist with preparing investors' tax returns.

Where you are a non-resident of Australia for taxation purposes, the applicable withholding tax will be deducted from each distribution at the time of payment.

If the Fund is in a tax loss position for an income year the loss cannot be distributed to investors. The loss will be quarantined in the Fund for recoupment against taxable income arising in future years (subject to the satisfaction of certain rules governing recoupment of trust losses).

The Fund intends that each sub-trust is wound up when the mortgage loan made by the sub-trust has been repaid or recovery action completed. If the sub-trust suffers a loss, then that loss will reduce the value of the units in the related sub-trust class only. As the sub-trust class units will be redeemed, that loss will result in a capital loss on those units.

PROVIDING A TAX FILE NUMBER ('TFN') OR AUSTRALIAN BUSINESS NUMBER ('ABN')

You may choose to quote your TFN or ABN (if applicable) or claim an exemption in relation to your investment in the Fund by completing the Tax File Number or Australian Business Number notification section of the application form accompanying this PDS. The law strictly regulates how the Responsible Entity uses your TFNs and ABNs. If you choose not to provide your TFN or ABN or claim an exemption, tax at the highest personal tax rate (plus the Medicare levy) must be deducted from each distribution at the time of payment.

GST

The GST disclosures contained in this PDS are of a general nature only. GST is not payable on the issue of units to you, distributions to you, or withdrawal of your units. You do not need to be registered for GST to invest in the Fund. Fees payable in respect of the management of the Fund and each sub-trust are subject to GST (see page 26).

Other Information

UNIT PRICING

Unit prices for each class are calculated by dividing the value of the net assets of that class by the number of units in that class on offer and adjusting for any transactional and operational costs such as a buy/sell spread. In other words, units have a floating unit price.

For each sub-trust class of units, the unit price will initially be $1.00, and will only be recalculated when the related sub-trust is wound up and repays the investment following repayment of the mortgage loan to which the sub-trust has applied the investment. The unit price at this time will be less than $1.00 if the borrower does not repay the loan amount advanced under the mortgage loan, or there are management fees and other expenses incurred by the sub-trust or for the class which must be deducted from the amount repaid.

The Fund has a documented unit pricing policy which contains information about how the Responsible Entity may exercise any discretions affecting pricing units. The Responsible Entity will act in accordance with this policy and keep records of any exercise of such discretions which are outside the scope of the policy, or are inconsistent with the policy. You may obtain a copy of the policy free of charge by contacting the Responsible Entity on (02) 9233 5444.

MAKING AN INVESTMENT

The minimum initial investment amount is $25,000. You must maintain a minimum of $25,000 at all times.

Additional investments can be made into the cash class at any time. The minimum additional investment amount is $10,000.

A copy of the application form that accompanies this PDS must be completed for each additional investment made.

Your investment will start when your completed application form is processed. If your application is incomplete we will contact you to rectify it.

Applications received by 12:30pm will be processed that day. Applications received after 12:30pm will be processed the following business day. Only completed applications will be processed within these timeframes. Interest earned on application money will be credited to the benefit of the Fund.

Cooling-off rights may apply. These are described below.

COOLING-OFF RIGHTS

There is no cooling-off right for investments in a sub-trust class (except as may be set out in the Supplementary PDS for that particluar sub-trust class), or reinvestment distributions, nor to conversions between types of units. Nor does it apply to wholesale investors (as defined in the Corporations Act). When you exercise the cooling-off right, the Responsible Entity may adjust the amount payable for changes in the value of the Fund's assets, tax, and a reasonable charge for administration costs.

You should discuss any questions you may have about cooling-off rights with your financial adviser or contact the Responsible Entity on (02) 9233 5444.

DISTRIBUTIONS

See ASIC Benchmark 7 on page 18.

WITHDRAWING ALL OR PART OF AN INVESTMENT

See ASIC Benchmark 8 on page 18.

Please contact the Manager on 1300 306 701 for the appropriate documentation.

TRANSFERRING YOUR INVESTMENT

You may transfer your investment to another person at any time. Currently the fee payable for a transfer of investment is $165. This fee may be changed at any time, subject to 30 days prior notice if such change is an increase. The Responsible Entity must receive written notice of the transfer and the transfer fee at least one month before any date from which a payment is calculated. Please contact the Responsible Entity on (02) 9233 5444 for the appropriate documentation.

Transfers of units may have taxation consequences such as the payment of stamp duty. You should seek your own tax advice.

CHANGING YOUR ADDRESS, PAYMENT INSTRUCTIONS OR OTHER DETAILS

When you wish to change your contact details, distribution payment instructions or other details, you must notify the Responsible Entity in writing. Please note that for security reasons, faxed instructions are not acceptable.

When providing written instructions, please include:

- the full name in which the investment is held;
- your investor number;
- the changes being requested;
- a contact name and day time telephone number; and
- ensure the appropriate signatories sign the request.

Send the instruction to: Prequin Securities Select Mortgage Fund,
c/- Huntley Management Limited
Suite 301, Level 3, 37 Bligh Street, Sydney NSW 2000

INVESTOR REPORTING

The Fund will provide you with the following reports:

- confirmation of your investments and any redemption from the Fund;
- notice of any variation to the terms of the Fund while you are an investor;
- a quarterly distribution statement;
- an annual taxation statement as at 30 June each financial year;
- the Fund’s annual report as at 30 June each year.

DISPUTE RESOLUTION

If you wish to make a complaint, you should contact the Responsible Entity in writing at Suite 301, Level 3, 37 Bligh Street, Sydney NSW 2000 (Business hours Monday – Friday).

If the complaint is in writing, it must be acknowledged within 14 days after it is received and certain procedures must be followed. In particular, the Responsible Entity must investigate, properly consider and decide what action (if any) to take and to communicate its decision to you within 45 days.

If you are not happy with how the complaint has been handled you may contact the Financial Ombudsman Service (FOS), of which the Responsible Entity is a member. This is an independent body approved by ASIC to consider complaints. FOS can consider claims of up to $500,000 (or higher if you and the Responsible Entity otherwise agree in writing).

Contact details for FOS are as follows:

Financial Ombudsman Service Limited

Post:	GPO Box 3, Melbourne VIC 3001
Email:	info@fos.org.au
Telephone:	1300 78 08 08
Fax:	(03) 9613 6399

ANTI-MONEY LAUNDERING & COUNTER-TERRORISM FINANCING OBLIGATIONS

The Responsible Entity requires certain information about you to enable it to fulfil its obligations under the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (C'th) and related rules and regulations. The information is obtained from your application form and your identification forms. The Responsible Entity will take appropriate steps, as required by law, to verify information you provide. The Responsible Entity may also disclose this information to the Manager and various government agencies in Australia and overseas where required to do so. You should also read the "Privacy and Personal Information" section below before submitting an application for units in the Fund. If you do not provide all required information, the Responsible Entity may refuse to issue units to you or, if units are already issued, may redeem those units at some time in the future.

PRIVACY AND PERSONAL INFORMATION

The Responsible Entity collects personal information from each investor in order to process their application, administer their investment and provide services related to their investment. To do that, the Responsible Entity may disclose the investor's personal information to the Responsible Entity's agents, contractors or third-party service providers to the Fund, such as the custodian and registry manager. If you do not provide your personal information, the Responsible Entity may not be able to process your application.

The Responsible Entity may also use your personal information to tell you about other products and services offered by the Responsible Entity or the Manager unless you inform us otherwise. In order to do that, the Responsible Entity may disclose your information to its service providers. The Responsible Entity may also disclose your personal information to your financial adviser.

You should contact the Responsible Entity on (02) 9233 5444 if you do not consent to the use or disclosure of your personal information in these ways. It is important that you make this contact because, by investing in the Fund, you will be taken to have consented to these uses and disclosures. In most cases you can gain access to the personal information held about you. The Fund aims to ensure that the personal information retained about you is accurate, complete and up-to-date. To assist with this, you should contact the Responsible Entity on (02) 9233 5444 if any of the details you have provided change. If you have concerns about the completeness or accuracy of the information held about you, the Responsible Entity will take steps to address these concerns.

GENERAL INFORMATION

The constitution

Your rights and obligations as an investor and the rights and obligations of the Responsible Entity of the Fund are governed by the constitution and the Corporations Act. As the Fund is a managed investment scheme registered under Chapter 5C of the Corporations Act, the constitution has been lodged with ASIC. Investors can obtain a copy of the constitution free of charge by telephoning (02) 9233 5444.

The constitution deals with a number of matters, including:

- application and withdrawal procedures for units in the Fund;
- distributions to investors;
- remuneration of the Responsible Entity and expenses that may be paid or reimbursed out of the Fund;
- the Responsible Entity's powers; these include powers to deal with Fund property;
- the Responsible Entity's right of indemnity out of Fund property in its role as Responsible Entity of the Fund;
- liability of the Responsible Entity and of investors;
- the Compliance Committee;
- handling of complaints;
- investor meetings;
- how the constitution can be amended;
- changing the Responsible Entity;
- the life of the Fund and entitlements of investors on termination.

The Responsible Entity

The Responsible Entity is responsible to investors for the operation of the Fund; it owes investors duties under Chapter 5C of the Corporations Act and also duties as Responsible Entity of the Fund. The Responsible Entity and Prequin Securities may hold units in the Fund in any capacity, including special manager units. The Responsible Entity may retire in the circumstances set out in the Corporations Act, and investors may remove the Responsible Entity by following the procedures set out in the Corporations Act. In either case, the Responsible Entity will be entitled to receive at that time full payment from the Fund of any Fund expenses that it has incurred but which have not been fully reimbursed.

Your liability as an investor

The constitution contains provisions designed to limit your liability in connection with the Fund to the amount, if any, that remains unpaid of your subscription for your units. Normally, the full price is paid at the time of making the investment and so the amount of the liability is nil. These provisions have not been tested in court so there is a remote risk that liability could extend beyond the price paid for units. However, the Responsible Entity is entitled to be indemnified by you to the extent agreed with you or for a liability arising because of your breach of your obligations to it.

Different unit classes

The Fund will issue a new class of units for each sub-trust loan investment. Each new class may have different entitlements. The Fund may issue a new class of units at any time without consulting investors.

Termination of the Fund

The Fund terminates on the earliest of:

- the date the Responsible Entity nominates as the termination date in a notice given to investors, and
- the date on which the law or the constitution or a court order requires the Fund to end, and
- the date that is the end of the perpetuity period imposed by the laws of Western Australia.

The net proceeds of realisation of the Fund's assets (after making allowance for all actual and anticipated liabilities of the Fund and meeting the expenses of the termination) must be distributed from the Fund to investors in proportion to the number of units held on the termination date.

The Fund's compliance plan

The Fund has a compliance plan that is monitored by the Compliance Committee. The Compliance Committee consists of three members, all of whom are external to both the Responsible Entity and the Manager. The compliance plan describes the procedures the Responsible Entity will apply to ensure compliance with the Corporations Act and the constitution in accordance with Part 5C of the Corporations Act.

Custodian

One Managed Investment Funds has been engaged to act as custodian for the Fund. As such, all investments will be in its name (the bank accounts and units issued in the sub-trusts) and it will hold the title documents.

The sub-trusts will not have custodians. The sub-trust loans will be written in the name of the sub-trust trustee, who will hold the loan transaction documents (including the certificate of title for the mortgaged property) and control the sub-trust bank accounts.

OMI's role as custodian is limited to holding the assets of the Fund as agent of the Responsible Entity. OMI, as custodian, has no supervisory role in relation to the operation of the Fund and is not responsible for protecting your interest. Nor does OMI guarantee the return of any investment in the Fund or the performance of the Fund or any class in the Fund. OMI has no liability or responsibility to you for any act done or omission made in accordance with the terms of the agreements appointing it.

OMI has not been involved in the preparation of this PDS. It has not authorised or caused the issue of this PDS, and takes no responsibility for the contents of this PDS other than the references to its name. OMI has given and has not, before the date of this PDS, withdrawn its consent to be named in this PDS in the form and context in which its name appears.

Words with Special Meanings

AFSL	Australian Financial Services Licence
ARSN	Australian Registered Scheme Number
ASIC	Australian Securities and Investments Commission
Compliance Committee	The committee established to administer the Fund's compliance plan
Corporations Act	Corporations Act 2001 (C'th) as amended from time to time
Custodian	An independent organisation responsible for holding the assets of the Fund; at the date of this PDS it is One Managed Investment Funds Limited ABN 47 117 400 987
distribution	The income earned by the Fund (less expenses and fees) that is paid to investors
Fund	Prequin Securities Select Mortgage Fund ARSN 608 870 748
GST	Goods and Services Tax
Huntley Management	Huntley Management Limited ACN 089 240 513 AFSL 229754
month	Whole calendar month
p.a.	Per annum
Prequin Securities	Prequin Securities Pty Ltd ACN 164 275 290
quarterly date	Each 31 March, 30 June, 30 September and 31 December
sub-trust	Trust in which the Fund holds all of the units, except any units issued for the purpose of establishing the trust
TFN	Tax file number issued by the Australian Taxation Office; each taxpayer has a separate number
total value of the Fund's assets	Aggregate value of all assets in the Fund before deduction of any liabilities (also described as gross value of the Fund's assets)
wholly-owned sub-trust	see 'sub-trust'

How to Apply

Please read this PDS (including any Supplementary PDS) in its entirety before investing. If you need help completing your application, please call the Prequin Securities team during business hours, Monday to Friday.

For a printed PDS, the application forms are a separate booklet that accompanies the Supplementary PDS for the mortgage loan in which you want to invest.

For an electronic PDS, the application forms are a part of the electronic file that includes the Supplementary PDS for the mortgage loan in which you wish to invest.

Follow the instructions in the Supplementary PDS.

Copies of this PDS and any Supplementary PDS may be obtained by contacting the Manager on 1300 306 701 (Business hours Monday to Friday).

NOTES