VALUATION POLICY – MARCH 2016

Background

Prequin Securities Pty Ltd (the "Company") is a leading finance and investment company operating in the non-conforming / low doc mortgage sector. It provides finance to non Credit Code regulated borrowers secured by registered mortgages across most property sectors.

The Company utilises valuations as the value reference against which the Company will apply the loan to value criteria provided in its lending guidelines, and to identify matters that may impact on the assessment of the loan application.

Objective of this Policy

The Objective of this policy is to ensure that a consistent framework is applied to the valuation process so that all stakeholders can have confidence in the processes adopted.

Scope

This policy applies to all valuations undertaken of the primary security for a mortgage loan made by the Prequin Securities Monthly Income Fund ARSN 608 870 524 (MIF) or the Prequin Securities Select Mortgage Fund ARSN 608 870 748 (SMF).

Selection of Valuers

The Company will maintain a panel of valuers or may use an external valuation appointment management system. This is intended to provide a rotation and diversity of valuers.

Each 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 Company or the Responsible Entity of the Fund.;
- A member of an appropriate professional body; and
- Have professional indemnity insurance.

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If a conflict of interest arises or a potential conflict is identified in connection with a valuation, it must be managed in accordance with our documented procedure for dealing with conflicts of interest.

Normally[1] a panel valuer:

- should not be engaged to valuer more than 1/3rd of the security properties in a Fund by value or number;
- should not be instructed to provide more than 3 consecutive valuations of the same property.

Instructions to Valuers

The Company will issue a standard set of instructions to valuers. The current Standard Valuation Instructions is attached as Annexure 'A'.

These instructions will be contained in the initial invitation the Company issues to each valuer to join the Company's panel of valuers and will be updated from time to time as required.

The issue of a set of standard Instructions to valuers:

- removes the need for specific instructions (although specific instructions may be issued if warranted);
- helps ensure instructions are consistent and complete;
- assists with valuation conformity;
- is designed to reduce valuation qualifications; and
- improves efficiency.

The Standard Valuation Instructions deal with a number of requirements that valuers should address in their report specific to the particular asset type being valued. These may include:

- comparable sales,
- matters affecting the title and zoning of the property;
- saleability of the property;

[1] As the Funds are in start-up mode the Company intends to measure compliance with this aspect of this policy for a Fund once the property of a Fund exceeds $50M. In the interim the Company will endeavour to ensure diversity in valuer instruction.

Instructions to valuers Cont'd

- suitability of the property for mortgage security purposes;
- the insurable value of the improvements; and
- relevant valuation industry standards and codes.

The valuation is to be based on the then current market value of the property (the 'as is' value).

Reliance on Valuation Reports:

Valuation reports can only be relied on if:

- they have been received from one of the Company's panel valuers; and
- they are addressed to the Company; and
- they are made within 3 months before the loan is made or on transfer of a loan from the Company to a Fund or on renewal of a loan (that is where the loan is to be extended or renewed for a term of at least 12 months).

A valuation may also be obtained during the course of a loan within 2 months after the Company 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. Valuations obtained for such purposes will be under specific instructions and therefore need not comply with the Standard Valuation Instructions or this policy.

Changes to this Valuation Policy

This valuation policy may change from time to time. The policy current at any time will be available from the Company's website (www.prequinsecurities.com.au).

Annexure 'A'

Standard Valuation Instructions
March 2016

These instructions are incorporated into all instructions we give you unless otherwise specified or amended by us.

1. Basis of Valuation

The valuation is on an "as is" basis (being the condition of the property at the time of your inspection and as affected by the rights and obligations attaching to it at that time).

2. Purpose of Valuation

Your valuation is being sought in connection with an application to borrow money. We will use your valuation as the value reference against which we will apply the loan to value criteria provided in our lending guidelines, and to identify matters that may impact on our assessment of the loan application.

3. General Contents of Your Report

Your valuation report must include:

3.1 at least 2 colour photographs of the property, clearly showing the extent of the improvements on the property, from an external and internal view;

3.2 a copy of a current title search for the property and identification of the property by reference to the title particulars;

3.3 details of the current and proposed zoning;

3.4 if the property is being purchased, the period it has been on the market;

3.5 details of comparable sales in the area and comment on the relevance of these sales to your valuation;

3.6 the value of the land separate from the improvements and other attached but transferable rights (e.g. water rights);

3.7 an estimate of the amount for instatement or replacement of the improvements for insurance purposes, including an allowance for removal of debris, professional fees, and other likely costs;

3.8 identification of any repair or renovation work or improvements that could be undertaken and your assessment of the likely cost and change to your valuation following completion of the work;

3.9 assessment of the current market rental;

3.10 identification of the information on which you have relied and which you obtained from the borrower, or a related party, that has not been independently verified, including whether the information is consistent with your knowledge and experience or needs to be verified by a qualified expert;

3.11 identification of any encroachment from adjoining land on to the property or by the property on to adjoining land and whether a survey should be obtained;

3.12 identification of specific additional information or enquiries that should be obtained.

In addition, we will assume that you have considered each of the following matters and have concluded that it has no affect on your valuation, unless you clearly indicate otherwise in your report:

3.13 the impact of existing and proposed easements and other restrictions;

3.14 the application of applicable environmental legislation and any existing or likely environmental issues, particularly any remediation requirements;

3.15 the growth potential or risk of decline of the end value of the property in light of economic and demographic conditions and trends in the market;

3.16 the suitability, in general terms, of the property as security for a mortgage loan;

3.17 the property will be readily saleable at your valuation figure within 6 months, assuming an appropriate sales and marketing campaign.

4. Development Approval

If the property has the benefit of a development approval, your report must include a copy of the approval and you must specify:

4.1 the details of the development approval being:

4.1.1 name of issuing authority;

4.1.2 date of issue;

4.1.3 approval number;

4.1.4 a description of the work approval; and

4.1.5 the expiry date;

4.2 whether or not substantial commencement has occurred;

4.3 which conditions appear to have been satisfied;

4.4 the additional value to the property of the development approval;

4.5 any other aspect of the development approval that may have a negative impact on the security or the borrowers ability to complete the development;

4.6 whether or not any of the conditions of the development approval may have a negative impact on the value of the property or the saleability of the property.

5. Commercial and Industrial Property

For commercial or industrial property, your report must include:

5.1 where the property is subject to a lease or other occupation arrangement:

5.1.1 an indication of whether the rent reflects the current market rental for the property, and the affect of future rent reviews;

5.1.2 identification of any term in the lease/arrangement that is likely to result in the lease/arrangement not being readily transferable;

5.1.3 the impact of any relevant side arrangement, for example the provision of incentives, or pre-emptive rights;

5.1.4 identification of any other aspect of the lease/arrangement that may affect the transferability of the lease/arrangement or the saleability of the property;

5.1.5 the impact of the lease/arrangement on the value of the property;

5.2 the likely costs to obtain a new tenant, including incentives (e.g. rent-free period, fit-out contribution) and any repair or renovation work or improvements that would be required.

6. *Rural Properties*

For rural and rural residential properties, your report must include:

6.1 details of any water rights, and the value of those rights to the property and as a separate transferable asset;

6.2 identification of any noxious weeds or pests problem, and the details of any relevant management plan;

6.3 details of any fences, sheds and other improvements but do not ascribe any value to them, except for any dwellings;

6.4 details of any crop or stock, but do not ascribe any value to them unless part of an assessment of the business being conducted on the property;

6.5 description of access to the property;

6.6 details of any land clearing or other permits affecting the property and the separate affect of those permits on the value of the property;

6.7 details of any Native Title claim or preservation order for indigenous sites or artefacts.

7. *Delivery of your Report*

You must supply either 2 written copies of your report and an electronic copy, or one composite electronic copy in pdf format.

For residential property, we expect to receive your report within 4 business days after you have inspected the property; for other types of property, within 7 business days unless other arrangements have been agreed between us. You must let us know promptly if there is to be any delay in meeting the agreed time frame for the provision of any valuation report.

8. *Report Format*

The short form API report form is acceptable for the valuations of residential property, as long as it addresses the matters required by these instructions.

9. *Assumptions*

Unless you tell us otherwise in your report, we will assume that:

9.1 You will apply an 'independent mind' to the valuation process;

9.2 Your report is covered by your professional indemnity insurance, and you will maintain that insurance throughout any relevant liability period;

9.3 You have had no prior relationship or contact with the borrower or any related party, other than through prior instructions from the Company;

9.4 the individual valuer responsible for the report, or his or her supervisor, has had prior experience in valuing the type of property the subject of our instructions;

9.5 your valuation qualifications (or the qualifications of the individual valuer responsible for the report), including details of registration with an appropriate valuation organisation, remain as you have last notified them to us.

10. *Use of your Report*

Your report must be addressed to Prequin Securities Pty Ltd and must be available to be relied on by our successors in title, any managed investment scheme of which we are the Manager of and any other lender for whom we may make the loan assessment.

11. *Civil Liability Act*

Part 4 of the Civil Liability Act 2002 (NSW) does not apply to any instruction we give you.

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