

## ASIC benchmarks for improved disclosure to retail investors

In September 2008 ASIC developed 8 benchmarks for unlisted mortgage schemes for retail investors to better understand and assess the risks, rewards and suitability of this form of investment for you.

ASL explains how the fund deals with each benchmark in the ASIC Benchmark Overview below. References to the Product Disclosure Statement | **PDS** | provide more information on each benchmark.

### ASIC Benchmark Overview

No	Benchmark	Overview	ASIF	PDS Reference
1	Liquidity [pooled mortgage schemes only]	Addresses the schemes ability to satisfy withdrawal requests and other operational commitments	This benchmark does not apply as ASIF is <u>not</u> a pooled mortgage scheme.	Page 18 <i>Individual sub-schemes - no pooling of investment</i>
2	Scheme Borrowing	Addresses the scheme's policy on borrowing	This benchmark does not apply as borrowing is prohibited by the ASIF Constitution	
3.	Portfolio Diversification [pooled mortgage schemes only]	Addresses the scheme's lending practices and portfolio risk.	This benchmark does not apply as ASIF is <u>not</u> a pooled mortgage scheme	Page 18 <i>Individual sub-schemes - no pooling of investment</i>
4.	Related party transactions	Addresses the risks associated with related party lending, investments and transactions	<p><b>ASIF does comply with this benchmark</b> ASIF Constitution <u>prohibits</u> related party borrowings</p> <p>Related parties <u>may contribute as an investor</u> to any mortgage sub scheme in accordance with the ASIF Constitution and PDS</p> <p>Nicholas O'Donohue &amp; Co is a related party with expertise in mortgage law and is remunerated at commercial rates. ASL benchmarks the effectiveness, relevance and service value of all service providers which includes a related party.</p> <p>Moneyworks Pty Ltd is a related party and funds the Income Assurance Fund for late interest payments.</p>	Page 3 <i>Related information</i>

5.	Valuation Policy	Addresses the scheme's property related valuation practices	<p><b>ASIF does comply with this benchmark</b>                  Licensed valuers value each property in accordance with valuation standards</p> <p>Properties are valued "as is". Properties to be developed include "cost to complete" and "completed value"</p> <p>Valuations must be less than 3 months old before funds are advanced</p> <p>Valuations are reviewed every 3 years or earlier when an increase is required</p> <p>Valuer certifies their valuation complies with current valuation standards.</p> <p>Valuation summary is included in the Supplementary PDS and full valuation provided to investor following investment</p>	<p>Page 19</p> <p><i>Valuation Risk</i></p>
6.	Lending Principles [Loan to Valuation Ratios]	Addresses the scheme's property related lending practices	<p><b>ASIF does comply with this benchmark</b>                  Loan to valuation ratios are limited for -</p> <ul style="list-style-type: none"> <li>a. maximum 55% of "as is" value during construction;</li> <li>b. maximum 66.66% "as is" value on issue of certificate of completion or any other cases</li> </ul> <p>ASIF always holds the "cost to complete" and progressively pays for completed building works certified by valuer or quantity surveyor</p> <p>Lower Loan to Valuation ratios apply to reflect higher risk for a specific security</p>	<p>Page 19</p> <p><i>Capital Risk</i></p>

7.	Distribution Practices	Addresses the transparency of the schemes distribution practices	<p><b>ASIF does comply with this benchmark</b>                      Failure by the borrower to pay interest on time is a risk to the income of investors in a sub-scheme. ASL does not guarantee interest payments. The Interest Advance Facility assures investors of regular income. Fixed income or variable income [tied to the cash target rate set by the RBA] and paid monthly to investors for the specific mortgage security;</p> <p>Failure or delay by the borrower to repay the capital advance on the repayment date. ASL does not guarantee the repayment to an investor of their monetary contribution invested in a mortgage security. Capital investment is repaid to the investor when the mortgage is repaid or an investor funds are replaced by an incoming investor.</p> <p>ASL management fees as set out in the PDS are deducted from the monthly interest payment.</p>	<p>Page 19  <i>Income risk</i>  <i>Capital risk</i></p> <p>Page 15  <i>Fees</i></p>
8.	Withdrawal Arrangements	Addresses the transparency of the responsible entity's approach to withdrawals of investments	<p><b>ASIF does comply with this benchmark</b>                      ASIF is not a pooled fund. Investors hold their interest in the mortgage security independent of any other mortgage sub scheme.</p> <p>ASIF Constitution prohibits early redemption or withdrawal of funds</p> <p>ASIF Constitution permits redemption if special circumstances exist and another investor is willing to assume the investment and outgoing investor pays early redemption costs for any loss sustained by ASL and interest shortfall to incoming investor.</p> <p>Investments are rolled over with details of any changes in the investment disclosed in the Rollover Notice to the investor Supplementary PDS will disclose if the borrower has an early repayment right</p>	<p>Page 11  <i>Withdrawals</i></p> <p>Page 7  <i>Roll Overs</i></p>

## Investment Ratings

Investment ratings are an opinion by a ratings agency about the likely performance of an investment or its relative performance compared to other similar investments.

ASL and ASIF cannot be rated by a ratings agency as it is impractical and commercial unviable to rate each sub scheme in the short time frame that ASL receives, processes and allocates investors to each mortgage security.

ASL is a member of the Investment & Financial Association which is a non profit organization and its members comply with the IFSA Standards and Guidance Notes to ensure the promotion of industry best practice.

### **Need to know more about ASIC benchmarks**

Download from the ASIC website - **Investing in Mortgage Funds** - Independent guide for investors about unlisted mortgage funds.

### **Investment Warning -**

A decision to invest should not be based on the Overview alone but on the PDS, Supplementary PDS and your personal investment requirements. ASIC takes no responsibility for the information contained in the ASIC Benchmark Overview. ASL recommends you obtain independent financial advice before any investment.