

# CONTINUOUS DISCLOSURE NOTICE

31 December 2016

## Pooled Mortgage Managed Investment Scheme Direct Mortgage Managed Investment Scheme

### Understanding the Schemes

The Australian Securities and Investments Commission (**ASIC**) has developed eight benchmarks and disclosure principles to help you understand and assess the key risks of unlisted mortgage schemes, such as the Pooled Mortgage Managed Investment Scheme (**PMMIS**) ARSN 095 540 597 and Direct Mortgage Managed Investment Scheme (**DMMIS**) ARSN 095 540 659, collectively referred to as the 'Schemes'. The Responsible Entity of the Schemes is Tidswell Financial Services Ltd (**Tidswell**) ABN 55 010 810 607 AFSL 237628.

The benchmarks and disclosure principles, including how the Schemes measure against them, are set out in this Continuous Disclosure Notice. Where a benchmark and disclosure principle does not apply to a particular scheme a statement is made to that effect.

This information is current as at the date of reporting and has been provided to keep you informed and assist you in better understanding the Schemes.

### Benchmarks

ASIC Benchmark	Compliance with Benchmark	Explanation	Disclosure Principles
<b>BENCHMARK 1: LIQUIDITY RG 45.34</b>			
<p><b>For a pooled mortgage scheme, the responsible entity has cash flow estimates for the scheme that:</b></p> <p>(a) <b>demonstrate the scheme's capacity to meet its expenses, liabilities and other cash flow needs for the next 12 months;</b></p> <p>(b) <b>are updated at least every three months and reflect any material changes; and</b></p> <p>(c) <b>are approved by the directors for the responsible entity at least every three months.</b></p>	<p>Benchmark met for the PMMIS.</p> <p>Benchmark does not apply to the DMMIS.</p>	<p>(a) Cash flow estimates for the PMMIS are prepared for the next 12 month period which account for all known transactions including distributions, withdrawals, investments, discharges and other payments. In preparing these cash flow estimates Tidswell takes into account the historical performance of the PMMIS, market conditions at the time, possible changes in the operational requirements of the PMMIS and any other material factors which may be relevant to the performance of the PMMIS.</p> <p>(b) Cash flow estimates are updated on a monthly basis.</p> <p>(c) Cash flow estimates are approved by the Tidswell directors on a quarterly basis.</p>	<p>Refer to Disclosure Principle 1 for additional disclosure relevant to this benchmark.</p>
<b>BENCHMARK 2: SCHEME BORROWING RG 45.42</b>			
<p><b>The responsible entity does not have current borrowings and does not intend to borrow on behalf of the scheme.</b></p>	<p>Benchmark not met for the PMMIS.</p> <p>Benchmark does not apply to the DMMIS.</p>	<p>Although Tidswell does not have any current borrowings and does not currently intend to borrow on behalf of the PMMIS, it is permitted to borrow in accordance with the PMMIS constitution. The PMMIS has a loan facility available, which it may use in the future to manage its short term cash flow requirements. Any borrowings from the loan facility must first be approved by the Board of Tidswell.</p>	<p>Refer to Disclosure Principle 2 for additional disclosure relevant to this benchmark.</p>

ASIC Benchmark	Compliance with Benchmark	Explanation	Disclosure Principles
<b>BENCHMARK 3: LOAN PORTFOLIO AND DIVERSIFICATION RG 45.44</b>			
<p><b>For a pooled mortgage scheme:</b></p> <p>(a) the scheme holds a portfolio of assets diversified by size, borrower, class of borrower activity and geographic region;</p> <p>(b) the scheme has no single asset in the scheme portfolio that exceeds 5% of the total scheme assets;</p> <p>(c) the scheme has no single borrower who exceeds 5% of the scheme assets; and</p> <p>(d) all loans made by the scheme are secured by first mortgages over real property (including registered leasehold title).</p>	<p>Benchmark not met for the PMMIS.</p> <p>Benchmark does not apply to the DMMIS.</p>	<p>(a) The portfolio of assets in the PMMIS is diversified by size, borrower, class of borrower activity and geographic region.</p> <p>(b) The PMMIS currently has 4 assets that each account for more than 5% of the total assets by value.</p> <p>(c) The PMMIS currently has 3 borrowers who each account for more than 5% of total assets by value.</p> <p>(d) All loans made by the PMMIS are secured by registered first mortgages over properties of the borrowers.</p>	<p>Refer to Disclosure Principle 3 for additional disclosure relevant to this benchmark.</p>
<b>BENCHMARK 4: RELATED PARTY TRANSACTIONS RG 45.47</b>			
<p>The responsible entity does not lend to related parties of the responsible entity or to the scheme's investment manager.</p>	<p>Benchmark met for the PMMIS.</p> <p>Benchmark met for the DMMIS.</p>	<p>We do not lend to related parties of Tidswell or the scheme's investment manager.</p>	<p>Refer to Disclosure Principle 4 for additional disclosure relevant to this benchmark.</p>

ASIC Benchmark	Compliance with Benchmark	Explanation	Disclosure Principles
BENCHMARK 5: VALUATION POLICY RG 45.50			
<p>In relation to valuations for the scheme's mortgage assets and their security property, the board of the responsible entity requires:</p> <p>(a) a valuer to be a member of an appropriate professional body in the jurisdiction in which the relevant property is located;</p> <p>(b) a valuer to be independent;</p> <p>(c) procedures to be followed for dealing with any conflict of interest;</p> <p>(d) the rotation and diversity of valuers;</p> <p>(e) in relation to security property for a loan, an independent valuation to be obtained:</p> <p>(i) before the issue of a loan and on renewal:</p> <p>(A) for development property, on both an 'as is' and 'as if complete' basis; and</p> <p>(B) for all other property, on an 'as is' basis; and</p> <p>(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.</p>	<p>Benchmark not met for the PMMIS.</p> <p>Benchmark not met for the DMMIS.</p>	<p>(a) Tidswell has a panel of valuers in each State and Territory that we use. The valuers used are members of an appropriate professional body in the jurisdiction in which they perform valuations and are registered or licenced by the relevant government agency in their State or Territory.</p> <p>(b) All valuers are independent of Tidswell, the schemes and assets of the schemes.</p> <p>(c) To ensure there is no conflict of interest Tidswell requires all valuers to sign a Statutory Declaration declaring that they hold no ownership or interest in Tidswell, the schemes or the assets of the schemes.</p> <p>(d) No valuer undertakes more than two consecutive valuations on a security property. Our panel of valuers are reviewed annually and from time to time we remove and add new firms.</p> <p>(e) Independent valuations on an 'as is' basis are obtained before the issue of a new loan and on renewal of an existing loan. For property development loans, valuations on an 'as if complete' basis are also obtained. Where the loan-to-valuation ratio (<b>LVR</b>) of the security property is 25% or less (as evidenced by the most recent Valuer General valuation) Tidswell has discretion to waive the requirement for a valuation and, under these circumstances, it does not meet this benchmark. Independent valuations are also obtained 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.</p>	<p>Refer to Disclosure Principle 5 for additional disclosure relevant to this benchmark.</p>

ASIC Benchmark	Compliance with Benchmark	Explanation	Disclosure Principles
<b>BENCHMARK 6: LENDING PRINCIPLES – LOAN-TO-VALUATION RATIOS RG 45.56</b>			
<p>If the scheme directly holds mortgage assets:</p> <p>(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;</p> <p>(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</p> <p>(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.</p>	<p>Benchmark met for the PMMIS.</p> <p>Benchmark met for the DMMIS.</p>	<p>(a) Where a loan relates to property development Tidswell only releases funds in stages as construction work is completed to our satisfaction and inspection, unless written certification from a quantity surveyor or approved valuer is required.</p> <p>(b) Where a loan relates to property development Tidswell does not lend more than 70% on the basis of the latest 'as if complete' valuation of the security property.</p> <p>(c) In all other cases Tidswell does not lend more than 80% on the basis of the latest market valuation of property over which security is provided.</p>	<p>Refer to Disclosure Principle 6 for additional disclosure relevant to this benchmark.</p>
<b>BENCHMARK 7: DISTRIBUTION PRACTICES RG 45.61</b>			
<p>The responsible entity will not pay current distributions from scheme borrowings.</p>	<p>Benchmark met for the PMMIS.</p> <p>Benchmark met for the DMMIS.</p>	<p>All distributions are sourced from income received in the relevant period.</p>	<p>Refer to Disclosure Principle 7 for additional disclosure relevant to this benchmark.</p>
<b>BENCHMARK 8: WITHDRAWAL ARRANGEMENTS</b>			
<p><b>RG45.64 Liquid schemes</b></p> <p>The benchmark does not apply as the schemes are non-liquid.</p>	<p>Not applicable</p>	<p>Not applicable</p>	<p>Not applicable</p>
<p><b>RG 45.65 Non-liquid schemes</b></p> <p>For non-liquid schemes, the responsible entity intends to make withdrawal offers at least quarterly.</p>	<p>Benchmark met for the PMMIS.</p> <p>Benchmark not met for the DMMIS.</p>	<p>Under the definition of 'liquid assets' in the Corporations Act 2001, the PMMIS and DMMIS are considered non-liquid.</p> <p>Withdrawals from the PMMIS have not been suspended and Tidswell has resolved to pay withdrawals within the period allowed for in the constitution, which is 90 days from the date of receipt.</p> <p>Funds cannot be withdrawn from the DMMIS until the loan is repaid by the borrower, unless a replacement investor can be found.</p>	<p>Refer to Disclosure Principle 8 for additional disclosure relevant to this benchmark.</p>

## Disclosure Principles

### Disclosure Principle 1: Liquidity

RG 45.72 For pooled mortgage schemes, the responsible entity should disclose information about:

(a) the current and future prospects of liquidity of the scheme;

As at the date of reporting the PMMIS had liquidity as defined under the ASIC benchmark (i.e. cash or cash equivalents) of \$6,136,839 or 9.79% of total assets. The composition and level of liquidity may change over time.

The cash flow estimates enable Tidswell to ensure the PMMIS has sufficient cash or cash equivalents to meet its projected cash flow needs over the next 12 months. The PMMIS has never been in a position where the projected cash flow estimates have not been sufficient to meet its projected cash flow needs.

(b) any significant risk factors that may affect the liquidity of the scheme; and

There are many risk factors that may affect the liquidity of the PMMIS including:

- insufficient equity in the mortgage assets of the scheme to repay investor's capital;
- an increase in withdrawal requests (in a short period) to an amount greater than the level of cash or cash equivalents available in the scheme;
- a decline in the Australian property market making it difficult to sell the underlying securities;
- a significant increase in the number of defaults within the loan portfolio;
- Tidswell forms the view that the scheme is unable to fulfil its objectives; and/or
- Government intervention and regulation changes resulting in the scheme being unable to fulfil its objectives.

(c) the policy of the scheme on balancing the maturity of its assets with maturity of its liabilities.

The PMMIS does not have any liabilities with a maturity date; therefore, this disclosure principle does not apply.

The DMMIS is a contributory mortgage scheme; therefore, this disclosure principle does not apply. Funds cannot be withdrawn from the DMMIS until the loan is repaid by the borrower, unless a replacement investor can be found.

### Disclosure Principle 2: Scheme borrowing

The PMMIS has a loan facility with a limit of \$5 million or 10% of the net assets of the PMMIS, whichever is the lesser.

As at the date of reporting the amount owing on the loan facility is \$0.

The loan facility is maintained in order to fund short term cash flow requirements of the PMMIS.

This 'at call' loan facility is with a related party and is reviewed annually, therefore, does not have a maturity date. The interest paid on the loan facility is the base lending rate as determined from time to time. The current rate is 8.75% pa. These funds and, amounts owing to other creditors of the PMMIS, are ranked before the investor's interests in the PMMIS. We are not and, have never been, in default of any loan agreement with any lender in relation to the loan facility.

We have not made any disclosures regarding the risks associated with our borrowing and credit facility maturity profile and other information about breaches of loan covenants as these disclosures do not apply to this type of loan facility.

The DMMIS does not borrow funds as all loans are fully funded by the investor(s), therefore, this disclosure principle does not apply.

### Disclosure Principle 3: Loan portfolio and diversification

RG 45.80 For pooled mortgage schemes, the responsible entity should disclose the nature of the scheme's investment portfolio, including:

(a) by number and value:

(i) loans by class of activity

Asset class	No. of loans	Value (\$)
Residential	34	31,838,248
Commercial	4	1,821,000
Industrial	0	0
Rural	1	212,000
Construction & development	10	16,538,456
Land division	0	0
Other direct mortgage schemes	2	6,130,000
Other pooled mortgage schemes	0	0
<b>Total</b>	<b>51</b>	<b>56,539,704</b>

(ii) loans by geographic region

Region	No. of loans	Value (\$)
<b>SA</b>		
Adelaide Hills	3	2,342,000
Barossa	1	187,000
Eyre & Western SA	2	4,100,000
Far North	1	33,000
Fleurieu & Kangaroo Island	2	1,138,000
Limestone Coast	0	0
Metropolitan Adelaide	33	32,764,650
Murray & Mallee	1	809,000
Yorke & Mid North	0	0
<b>Sub-total – SA</b>	<b>43</b>	<b>41,373,650</b>
<b>Interstate</b>		
NSW	5	7,942,585
QLD	2	2,423,469
VIC	1	4,800,000
WA	0	0
TAS	0	0
ACT	0	0
NT	0	0
<b>Sub-total – Interstate</b>	<b>8</b>	<b>15,166,054</b>
<b>Total</b>	<b>51</b>	<b>56,539,704</b>

(iii) the proportion of loans that are in default or arrears for more than 30 days

Days in default/arrears	No. of loans	Value (\$)¹	Proportion (%)¹
31-60 days	1	812,297	1.30
61-90 days	1	1,486,265	2.37
More than 90 days	5	6,770,169	10.80
<b>Total</b>	<b>7</b>	<b>9,068,731</b>	<b>14.47</b>

A loan is considered in default when interest is in arrears for more than 30 days.

Initially Tidswell will work with the borrower to manage loans that are in arrears to help rectify the arrears and agree on alternative payment arrangements.

In the event that a borrower goes into default there is a process to manage the default as quickly as possible. Where the borrower is unable to remedy the default within 60 days, Tidswell generally takes legal action to take possession of the security property in order to recover the loan amount outstanding. Third party service providers may also assist in the recovery process.

(iv) the nature of the security for loans made by the scheme

All loans are secured by a registered first mortgage over the properties of the borrowers.

(v) loans that have been approved but have funds that have yet to be advanced and the funding arrangements in place for any of these undrawn loan commitments

As at the date of reporting, the PMMIS had 13 loans totalling \$16,179,043 approved but not yet advanced, which include:

- existing loans with funds still to be drawn on a progressive basis of \$8,891,043; and
- loans approved but not yet settled of \$7,288,000.

Undrawn loan commitments are funded from available cash in the PMMIS.

(vi) the maturity profile of all loans in increments of not more than 12 months

Maturity profile	No. of loans	Value (\$)
1 year or less	51	56,539,704
1 to 2 years	0	0
<b>Total</b>	<b>51</b>	<b>56,539,704</b>

(vii) loan-to-valuation for loans, in percentage ranges

Loan-to-valuation ratio (%)	No. of loans	Value (\$)
0-19.99%	2	560,000
20-39.99%	11	14,769,967
40-59.99%	20	19,248,987
60-74.99%	15	12,730,500
75-100%	3	9,230,250
<b>Total</b>	<b>51</b>	<b>56,539,704</b>

(viii) interest rates on loans, in percentage ranges

Interest rates (%)	No. of loans	Value (\$)
0-7.99%	3	7,191,250
8-9.99%	30	28,354,500
10-11.99%	15	16,832,954
12-13.99%	3	4,161,000
14-15.99%	0	0
<b>Total</b>	<b>51</b>	<b>56,539,704</b>

(ix) loans where interest has been capitalised

	No. of loans	Value (\$)
Capitalised interest	19	20,854,567

(b) the proportion of the total loan money that has been lent to the largest borrower and the 10 largest borrowers

	Value (\$)	Proportion (%)
largest borrower	6,600,000	10.53%
10 largest borrowers²	30,963,257	49.40%

(c) the percentage of loans (by value) that are secured by second-ranking mortgages

There are no loans in the PMMIS secured by second-ranking mortgages.

(d) The use of derivatives (if any)

Tidswell does not use derivatives to manage risk in the PMMIS; therefore, this disclosure principle does not apply.

(e) a clear description of the non-mortgage assets of the scheme, including the value of such assets

The current non-mortgage assets of the PMMIS include cash and cash equivalent investments to the value of \$6,136,839.

(f) the scheme's diversification policy and how the assets correlate with that policy

The PMMIS is authorised to lend in all Australian States and Territories but does not have a diversification policy. Each loan application received by Tidswell is unique and is assessed in accordance with our lending policies and procedures.

**RG 45.81** The responsible entity should disclose its policy on the above matters and how the scheme will lend funds generally.

(a) the maximum loan amount for any one borrower

The maximum loan amount for any one borrower is generally 10% of the assets in the PMMIS; however, loans in excess of 10% may be made in exceptional circumstances, e.g. multiple projects and multiple titles.

The maximum amount lent is \$1 million before full board approval is required.

(b) the method of assessing borrowers' capacity to service loans

The capacity to service the loans is assessed on financial information provided by the borrower for at least the previous financial period. Borrowers are generally required to meet a minimum interest coverage ratio of 1.0 times plus a \$5,000 per annum surplus.

(c) the responsible entity's policy on revaluing security properties when a loan is rolled over or renewed

Before rolling over or renewing an existing loan the security property is revalued by one of Tidswell's panel of approved valuers.

¹ Includes principal and interest.

² Includes the largest borrower.

(d) the responsible entity's approach to taking security on lending by the scheme

All loans are secured by a registered first mortgage. Tidswell will accept as security for loans, predominantly income producing residential, commercial, industrial or retail, properties. We may accept other forms of property as acceptable security for loans, which are not income-producing, e.g. owner occupied property, security property for construction loans or rural property. Tidswell will not take security over high risk, highly specialised properties such as hotels (pubs), nursing homes, fuel depots, etc., without full Board approval.

Tidswell uses a risk-based approach towards the loan portfolio. For example, there is no limit on the PMMIS exposure to residential property. We endeavour to minimise exposure to property sectors which are considered to have excessive risk at any given time.

**RG 45.82** If an unlisted pooled mortgage scheme invests in, or may invest in, other unlisted mortgage schemes (whether registered or unregistered) the responsible entity must disclose its policy on investing in those schemes, including the extent to which the responsible entity required those schemes to meet the benchmarks and apply the disclosure principles.

The approval of investment in other unlisted mortgage schemes is subject to the same policy requirements as our own loans. It is Tidswell's intention to give preference to sourcing, assessing, approving and managing our own loans.

Tidswell will seek confirmation from other unlisted mortgage schemes the PMMIS invests into that these schemes meet ASIC's benchmarks and apply the disclosure principles on an "if not, why not" basis.

Where these schemes do not meet the relevant benchmarks and disclosure principles, Tidswell will assess the reasons why and will take this into account in determining whether the relevant scheme is an appropriate investment for the PMMIS. Generally, we will only invest PMMIS funds in other unlisted mortgage schemes which comply with ASIC's benchmarks and apply the disclosure principles.

**Disclosure Principle 4: Related party transactions**

The schemes do not lend to Tidswell or related parties of Tidswell or the scheme's investment manager, therefore, this disclosure principle does not apply.

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

**Disclosure Principle 5: Valuation policy**

**RG 45.91** The responsible entity should disclose:

(a) where investors may access the scheme's valuation policy

The scheme's valuation policies are contained within the constitution. A copy of the constitution is available from Tidswell free of charge on request.

(b) the processes that the directors employ to form a view on the value of the security property

Tidswell uses a range of processes to form a view on the value of a security property including:

- obtaining an independent valuer's opinion both on a market basis and forced sale basis;
- obtaining an independent licenced real estate agents opinion;
- obtaining the Valuer General's opinion;
- obtaining the opinion of a representative of Tidswell having inspected the property; and
- the borrower's opinion of the value of the property.

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

(c) the frequency of valuations of security property

Tidswell requires an updated valuation in circumstances where:

- a loan is being rolled over or renewed;
- the current valuation is more than 3 years old;
- the existing valuer will not provide current insurance details;
- Tidswell has formed the view that the value of the underlying security property has decreased to such an extent as to create a material breach of a loan covenant;
- the security property is to be sold by Tidswell as mortgagee in possession; or
- at such times that Tidswell considers necessary.

(d) any material inconsistencies between any current valuation over security property and the scheme's valuation policy

As at the date of reporting, Tidswell is not aware of any material inconsistencies between any current valuation over security property and the scheme's valuation policy.

**RG 45.92** For a contributory mortgage scheme, the responsible entity only needs to provide an investor with information about the valuation of the property securing a loan in which the investor has, or is being offered an interest.

All investors in the DMMIS are provided with a copy of the valuation of the property securing a loan in which they have or are being offered an interest.

**Disclosure Principle 6: Lending principles – Loan-to-valuation ratios**

**RG 45.94** If the scheme directly holds mortgage assets, the responsible entity should disclose:

(a) the maximum and weighted average loan-to-valuation ratio for the scheme as at the date of reporting

	% as at date of reporting
Maximum LVR	Residential 75% Commercial/Industrial 67% Rural 55%
Weighted average LVR <sup>3</sup>	52.06%

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

- contact the borrower and require a principal reduction to bring the LVR into line with our requirements; and/or
- contact the borrower and require additional security to bring the LVR into line with our requirements; and/or
- place the loan in default and commence recovery actions; and/or
- continue with the loan at the higher LVR.

As at the date of reporting, the PMMIS had 2 loans totalling \$4,831,500 with an LVR greater than 80%.

(b) where funds are lent for property development:

(i) the criteria against which the funds are drawn down

Where a loan relates to property development Tidswell only releases funds to the borrower in stages based on the following criteria:

- As construction work is completed to our satisfaction and inspection, unless written certification from a quantity surveyor or approved valuer is required. Written certification may include:
  - the value of the existing works at each instalment stage;

<sup>3</sup> Weighted by the value of the loans in the PMMIS.



- the amount that has been outlaid on construction of the proposed security property;
  - the value of the works of the particular development yet to be completed; and
  - the amount to be retained to enable completion of the property (the retention monies).
- Retention monies will, at all times, be invested in an interest bearing deposit account and held as additional security. All interest accrued on such money will be assigned to the benefit of the borrower.
  - On completion of the development project, when the loan is fully advanced, the LVR will not exceed 75% of the "on completion" value of a residential security property and 67% of a commercial or industrial security property.
    - (ii) the percentage (by value) of the completion of any property that is under development as at the date of reporting; and
    - (iii) the loan-to-cost ratio of each property development loan as at the date of reporting

Loan number	% complete by value	Loan-to-cost ratio <sup>4</sup>
494	58.89	74.73
515	69.94	77.69
516	61.35	67.04
523	97.10	57.27
524	87.23	62.64
526	74.31	63.49
528	77.29	53.14
529	85.39	60.55
530	54.27	42.43
531	62.32	53.10

RG 45.95 The responsible entity should also disclose the percentage of the scheme's assets that are property development loans. If property development loans exceed 20% of the scheme's assets, the responsible entity should identify the scheme as one that invests a significant component of funds in property development loans. If the loan-to-cost ratio of any property development exceeds 75%, this should also be highlighted.

As at the date of reporting, the PMMIS had property development loans (includes construction and development, and land division loans) totalling 26.38% of the scheme's assets. Accordingly, the PMMIS invests a significant component of funds in property development loans.

The PMMIS also had 1 property development loan totalling \$1,427,500 with a loan-to-cost ratio exceeding 75%. As at the date of reporting a total of \$718,449 has been drawn from these loans.

### Disclosure Principle 7: Distribution practices

RG 45.99 If a responsible entity is making, or forecasting, distributions to members, it should disclose:

- (a) the source of the current and forecast distributions

Distributions are sourced from income received in the relevant distribution period, which includes interest payments on loans and interest earned on the cash and cash equivalents component of the PMMIS portfolio.

Tidswell does not forecast distribution amounts to investors nor does it promote a particular return on investment.

- (b) if the distribution is not solely sourced from income received in the relevant distribution period, the reasons for making those distributions and the risks associated with such distributions

All distributions are sourced from income received in the relevant distribution period; therefore, this disclosure principle does not apply.

- (c) if the distribution is sourced other than from income, whether this is sustainable over the next 12 months

All distributions are sourced from income received in the relevant distribution period; therefore, this disclosure principle does not apply.

- (d) when the responsible entity will pay distributions and the frequency of payment of distributions

Distributions are payable quarterly on the 15<sup>th</sup> day of April, July, October and January each year.

RG 45.100 If the scheme promotes a particular return on investments, the responsible entity must clearly disclose details of the circumstances in which a lower return may be payable, together with details of how that lower return will be determined. For a contributory mortgage scheme, the responsible entity should, for a particular investor, disclose the above information to the investor for distributions or returns made, or forecasts to be made, to that investor.

The PMMIS does not promote a particular return on investment; therefore, this disclosure principle does not apply.

Investors in the DMMIS receive a Supplementary Product Disclosure Statement (SPDS) which includes a particular return on investment being the interest rate on the loan. Details of the circumstances in which a lower return may be payable together with details of how that lower return will be determined are disclosed in the SPDS.

RG 45.101 The responsible entity should include a table identifying up to five main factors that would have the most material impact on forecast distributions, the risks of changes to those factors on distributions and a sensitivity analysis based on changes to those factors. It must also explain how any excess returns actually earned by the scheme will be applied.

The Schemes do not make distribution forecasts; therefore, this disclosure principle does not apply.

### Disclosure Principle 8: Withdrawal arrangements

RG 45.104 The responsible entity should disclose:

- (a) the scheme's withdrawal policy and any rights that the responsible entity has to change the policy

Provided the PMMIS has sufficient liquidity and withdrawals have not been suspended, Tidswell exercises its discretion to pay withdrawal requests within the period allowed for in the constitution.

Tidswell may resolve to change its policy in relation to withdrawals requests at any time.

- (b) the ability of investors to withdraw from the scheme when it is liquid

Provided the PMMIS has sufficient liquidity withdrawal requests are generally processed within a few days of being received.

- (c) the ability of investors to withdraw from the scheme when it is non-liquid

Investors have limited (if any) ability to withdraw from the PMMIS when it is non-liquid.

In the event that the PMMIS is 'frozen' (in whole or in part) investors will not be permitted to withdraw from the scheme until such time a withdrawal offer is made. Tidswell has full discretion as to the timing and payment of withdrawal offers and may refuse or suspend withdrawal requests until such time that a withdrawal offer is made.

<sup>4</sup> The ratio of the loan amount to the total cost of the development project, including the cost of land.



In poor economic conditions it may be difficult to realise loans in the scheme or sell underlying securities to repay investor's capital.

- (d) any significant risk factors or limitations that may affect the ability of investors to withdraw from the scheme

There are many risk factors that may affect the ability of investors to withdraw from the PMMIS including:

- insufficient equity in the mortgage assets of the scheme to repay investor's capital;
  - an increase in withdrawal requests (in a short period) to an amount greater than the level of cash or cash equivalents available in the scheme;
  - a decline in the Australian property market making it difficult to sell the underlying securities;
  - a significant increase in the number of defaults within the loan portfolio;
  - Tidswell forms the view that the scheme is unable to fulfil its objectives; and/or
  - Government intervention and regulation changes resulting in the scheme being unable to fulfil its objectives.
- (e) how investors can exercise their withdrawal rights, including any conditions in exercising these rights

Investors can submit a withdrawal form for the PMMIS at any time to Tidswell. Provided the PMMIS has sufficient liquidity the payment of a withdrawal request will be made within a few days of being received.

- (f) the approach to rollovers and renewals, including whether the 'default' is that investments in the scheme are automatically rolled over or renewed

Investments in the PMMIS are not automatically rolled over or renewed. There is no specified investment term; however, investments in the PMMIS should be made with the intention of being invested for a minimum 12 month period.

- (g) if the withdrawals from the scheme are to be funded from an external liquidity facility, the material terms of this facility, including any right the provider has to suspend or cancel the facility

The PMMIS has an 'at call' loan facility with a limit of \$5 million or 10% of the net assets of the PMMIS, whichever is the lesser.

This loan facility is maintained in order to fund short term cash flow requirements

Tidswell may suspend or cancel this loan facility at any time.

For more details on the loan facility please refer to Benchmark and Disclosure Principle 2.

The DMMIS does not borrow funds as all loans are fully funded by the investor(s), therefore, this disclosure principle does not apply.

- (h) the maximum withdrawal period that applies to the payment of withdrawal requests when the scheme is liquid

Under the PMMIS constitution the maximum withdrawal period that applies to the payment of withdrawal requests when the scheme has liquidity is 90 days.

- (i) any rights the responsible entity has to refuse or suspend withdrawal requests

Tidswell may refuse or suspend withdrawal requests at any time.

- (j) the policy of the scheme on balancing the maturity of its assets with the maturity of its liabilities and the ability of its members to withdraw

The PMMIS does not have any liabilities with a maturity date; therefore, this disclosure principle does not apply.

**RG 45.105** If the responsible entity makes representations to investors that they can withdraw from the scheme, there should be disclosure on:

- (a) the grounds (which must be verifiable) for the statement;
- (b) the supporting assumptions (which must not be hypothetical only) for the statement;

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- (c) the basis for the statement (which must not be based on the opinion of the directors of the responsible entity if there are no objective grounds to support that opinion); and

- (d) any significant risk factors that mean that the withdrawal requests might not be satisfied within the expected period.

Tidswell makes no representations to investors about their ability to withdraw from the PMMIS.

**RG 45.106** If the PDS contains a statement to the effect that, historically, withdrawal requests have been satisfied within a particular period, this may suggest a link between historical withdrawal periods and withdrawal periods that are likely to apply in the future. The responsible entity should ensure the statement clarifies that investors should not conclude that there is such a link between the historical availability of withdrawals and their future availability.

The PDS for the PMMIS does not contain statements that, historically, withdrawal requests have been satisfied within a particular period; therefore, this disclosure principle does not apply.

**RG 45.107** If the scheme promotes a fixed redemption unit price for investments (e.g. \$1 per unit), the responsible entity must clearly disclose details of the circumstances in which a lower amount may be payable, details of how that amount will be determined and the impact of a default under the scheme's mortgage assets on investors (e.g. on investor distributions and the unit price).

Neither the PMMIS or DMMIS promote a fixed unit price for investments; therefore, this disclosure principle does not apply.

**RG 45.108** A responsible entity of a contributory mortgage scheme should, for a particular investor, disclose the above information to the investor as it relates to the investor's ability to withdraw.

The DMMIS is a contributory mortgage scheme. Funds cannot be withdrawn from the DMMIS until the loan is repaid by the borrower, unless a replacement investor can be found.

#### Important Information

The information contained in this Continuous Disclosure Notice is general information only and is intended to provide an update on the investment particulars of the applicable financial products issued by Tidswell Financial Services Ltd ABN 55 010 810 607, AFSL 237628. This Continuous Disclosure Notice is not financial product advice and does not take into account your individual objectives, financial situation or needs, therefore, you should speak with your financial adviser before making any investment decisions. You should also refer to the current PDS if you wish to know more about these products, a copy of which is available free of charge on request.

#### Contact us

If you require further information about the PMMIS or DMMIS, please contact us at:

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